YORKSHIRE CO-OPERATIVES LIMITED EMPLOYEES' SUPERANNUATION FUND

Financial Statements
For Year Ended 31 January 2019

PENSION SCHEME REGISTRY NO. 10009954

Contents

Some Helpful Terms

In this document, when we say:	We mean:
Actuary	An individual who is appointed to advise the Trustee in relation to the funding and financing of the Fund. The actuary values the Fund's assets and liabilities. The Fund's actuary is Damian McClure.
Articles of Association	This covers the Trustee's formal governing documents, namely its memorandum and articles of association. These documents, together with the Fund's trust deed and rules, governs the Trustee.
Chairs' Forum	A meeting of the chairs and Independent Trustee Directors of the Co-op pension schemes (including the Funds).
Closure Members	Members who were still building up benefits on the date the Fund closed to future accrual, 6 October 2012.
Closure MNDs	MNDs appointed from the Funds' Closure Members
Co-op	Co-operative Group Limited. The Co-op is the Fund's principal (and only) employer.
Co-op Appointed Directors	Trustee directors who are selected by the Co-op
Deferred Members	Members of the Fund who are not Closure Members and whose benefits have not yet come into payment
Fund	The Yorkshire Co-operatives Limited Employees' Superannuation Fund
Funds	The Fund and the United Fund
Independent Trustee Director	Independent Trustee Services Limited. A professional independent trustee company which is a director of the Trustee (via its representative, Chris Martin), appointed by the Co-op.
Pensioner MNDs	MNDs appointed from the Funds' pensioners.
Pensioners	Members of the Fund whose benefits have come into payment

PLT	The Co-op's People Leadership Team, a group of senior human resources personnel with responsibility for the Co-op's people-related matters
Secretary	The Secretary is responsible for helping the Trustee with its arrangements, and providing support for its meetings. Tom Taylor, of the Co-op's Trustee Services team, currently holds this role.
Trustee	TCG Northern Trustees Limited. A company which is appointed as the trustee of the Fund and acts via its directors.
United Fund	The United Norwest Co-operatives Employees' Pension Fund

Trustee Directors & Advisers

TCG Northern Trustees Limited is appointed by the Co-op as the Trustee to manage the Fund. We are also the trustee of the United Fund.

The Fund's trust deed and rules give the Co-op the power to appoint or remove the Fund's Trustee.

Our registered office is 1 Angel Square, Manchester, United Kingdom, M60 0AG.

The board of directors of the Trustee

We are the board of a trustee company which is governed by its Articles of Association.

The Articles of Association provide for up to eight directors:

- Up to five appointed by the Co-op (including one Independent Trustee Director)
- Up to three MNDs

Who are the current directors of the Trustee?

- Russell Gill (Chair) (Co-op Appointed Director)
- Terrence Auckland (Pensioner MND)
- Mark Brewer (Co-op Appointed Director)
- Sarah Horne (Closure MND)
- Independent Trustee Services Limited (via Chris Martin) (Co-op Appointed Director)
- Christopher Moss (Closure MND)
- Rachel Woodman (Co-op Appointed Director)
- Carol Kestin (Co-op Appointed Director)

Which Trustee directors joined during the year?

- Carol Kestin (appointed 1 August 2018)

Appointment, resignation and removal of Trustee directors

Our Articles of Association give the Co-op the power to remove or appoint four Trustee directors plus one Independent Trustee Director.

In addition, legislation requires that at least a third of the Trustee directors are selected by the Funds' members. The Articles of Association gives the Funds' members the power to appoint up to three Trustee directors who are MNDs.

Each Co-op Appointed Director holds office indefinitely or until they:

- resign as a Trustee director, or
- are removed by the Co-op, or
- cease to be appointed due to any of the events set out in Article 19 of the Articles of Association (namely: disqualification or certain absences from trustee meetings).

Each MND holds office for a period of four years or until they:

- resign as a Trustee director, or
- are removed by the Co-op (with the unanimous consent of all of the other Trustee directors), or

- cease to be appointed due to any of the events set out in the Article 19 of the Articles of Association (see above).

Chair of the Trustee

We elect the Chair, after considering the Co-op's views on the appointment.

Vacancies

The Co-op has delegated its authority to appoint Co-op Appointed Directors to the PLT. If a Co-op Appointed Director vacancy arises then the PLT will appoint a replacement.

If an MND vacancy arises then it will be filled in accordance with our MND arrangements.

Decision Making

Any decision we make must be:

(a) a decision by a majority of Trustee directors present at and voting at a meeting,
(b) where decision-making has been delegated to a committee, a decision taken at a meeting of that committee by a majority of the members of that committee, or
(c) for some decisions, a unanimous decision of the Trustee directors.

and will be subject to the provisions of the Fund's trust deed and rules.

Committees of the Trustee board

An **Investment Committee** was established on 15 March 2016 to consider investment matters.

An **Audit and Risk Committee** was established on 19 September 2016 to review the Fund's risk register, internal controls framework and schedule of delegated authorities and also to review the Fund's accounts.

A **Valuation Committee** was established on 7 December 2016 to negotiate the 31 January 2017 actuarial valuation of the Fund. It remained in place until the 2017 valuation negotiations were finalised, and all final actuarial documents were signed. It ceased to meet once the valuation was agreed with effect from 26 April 2018.

No other committees are currently in place.

Meetings

As the Board of the Trustee, we meet at least four times a year, with special meetings convened as appropriate. During the year, we met four times.

Secretary

The Co-op appoints the Secretary to the Trustee. This authority is delegated to the PLT. Tom Taylor, of the Co-op's Trustee Services team, is appointed as the Secretary.

Trustee Director Remuneration

Trustee Director remuneration is paid for by the Co-op, not from the assets of the Fund.

The Trustee Remuneration Policy provides for payment of £2,000 p.a. to Closure MNDs and £5,000 p.a. to Pensioner MNDs. MNDs can choose not to receive any remuneration. Additional remuneration of £1,000 p.a. is payable to Closure MNDs who are members of the Investment Committee, Audit & Risk Committee and/or the Valuation Committee (when operative).

The Trustee Remuneration Policy is reviewed by the Trustee annually.

The terms of engagement in place with the Independent Trustee Director provide for the Independent Trustee Director to be paid a fixed fee of £40,000 per year which covers business as usual trustee actions (e.g. attendance at four trustee meetings a year and four Chairs' Forum meetings). In addition if the Independent Trustee Director is asked to attend additional meetings e.g. additional Chairs' Forum meetings or committee meetings, the terms provide that the director will be paid £1,000 per meeting.

The Co-op appointed Directors are not separately remunerated in respect of their roles as Trustee Directors.

The figures above cover the work we undertake for both the Fund and the United Fund.

Enquiries

For enquiries about the Fund please contact:

Co-operative Group Limited
Pensions Department
Department 10406
1 Angel Square
Manchester
M60 0AG

Email address: utdpensions@coop.co.uk

The Fund's Professional Advisers are:	
Actuary	D McClure FIA, of Mercer Limited
Administrator	Mercer Limited of 4 St Paul's Square, Old Hall Street, Liverpool, L3 9SJ
Auditor	Deloitte LLP
AVC provider	Royal London (CIS) Limited
Banker	Barclays Bank PLC
Employer Covenant Adviser	KPMG LLP
Investment Consultant	Mercer Limited
Investment Managers	Baillie Gifford Life Limited (terminated 27 April 2018) Blackrock Investment Management (UK) Limited Insight Investment Management (Global) Ltd Intermediate Capital Group plc Legal & General Investment Management Limited M&G Investments (appointed 9 April 2018) Royal London Asset Management Limited
Legal adviser	Eversheds LLP Linklaters LLP

Our Annual Report

Introduction

We are pleased to present our annual report together with the financial statements for the year ended 31 January 2019. The financial statements (set out on pages 26 to 40) have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

The investment report set out on pages 17 to 22 and the report on actuarial liabilities set out on pages 10 and 11 also form part of this annual report.

Constitution of the Fund

The Fund is a defined benefit or final salary scheme which closed to new members on 25 January 2003, and closed to future accrual on 6 October 2012. The Fund is constituted by:

(a) A Trust Deed dated 10 June 1991; and

(b) Revised Rules adopted on 22 November 2001, as amended from time to time.

We hold funds on trust, to apply them for the purpose of paying pensions and other benefits in accordance with the Fund's trust deed and rules.

Tax Status

The Fund is a pension scheme registered with Her Majesty's Revenue and Customs for tax purposes. As a registered scheme its income and investment gains are free of taxation.

Membership statistics for the year to 31 January 2019

	31 Jan 2018	**Additions**	**Retirements, leavers and pensions ceasing**	**Deaths**	**31 Jan 2019**
Closure Members	**62**	-	(7)	-	**55**
Deferred Members	**561**	6	(31)	(2)	**534**
Pensioners	**716**	35	(8)	(28)	**715**
Total	**1,339**	**41**	**(46)**	**(30)**	**1,304**

Transfer values

Transfer value calculations use a method and basis determined by the Trustee, after taking advice from the Fund Actuary, to be consistent with relevant legislation and the rules of the Fund. No allowance is made for discretionary benefits in the calculation of transfer values.

Between 15 March 2016 and 31 March 2018 transfer values were reduced to reflect the funding position of the Fund, in line with the transfer value insufficiency report received from the Fund Actuary. It was originally anticipated that we wouldn't be able to pay unreduced transfer values until around 2032. However, following an agreement with the Co-op which significantly increased future contributions due to be paid by the Co-op into the Fund, we started to pay unreduced transfer values with effect from 1 April 2018.

Guarantee

The Co-op's main trading and/or asset-holding subsidiaries guarantee the Co-op's obligations to the Fund. The identity of these guarantors may change from time to time depending on the internal financial metrics of the wider Co-op group: the criteria for this are set based on the Co-op's banking arrangements. The guarantors under this guarantee are also guarantors for the Co-op's banking and bond debt. This guarantee covers the amounts due from the Co-op under either the schedule of contributions or under the employer debt provisions of section 75 of the Pensions Act 1995, and will expire on 31 December 2034.

Pension increases

The Fund provides for pensions to be reviewed each April in line with the increase in the Retail Prices Index ('RPI') at the previous 31 March, limited to a maximum of 5%. The increase in the RPI from March 2017 to March 2018 was 3.3%. There was, therefore, a 3.3% increase to pensions in payment to members who retired by 31 March 2018 with effect from 1 April 2018.

Deferred pension benefits have been increased in accordance with legislative requirements.

There were no discretionary increases awarded during the year.

Contributions

As the Fund has a funding shortfall, we and the Co-op agreed a recovery plan to remove the shortfall as part of the actuarial valuation of the Fund as at 31 January 2017. The recovery plan contributions payable by the Co-op are as follows:

- £2.0m p.a. payable monthly up to 30 April 2018.
- £4.2m p.a. payable monthly for the period 1 May 2018 to 30 June 2020
- £2.0m p.a. payable monthly for the period 1 July 2020 to 31 May 2028
- Additional contributions of £0.733m payable by 19 July 2019.

These contributions are contingent on the Fund remaining underfunded on the Technical Provisions basis at the most recent 31 January. The Fund Actuary will produce an annual approximate update of the Fund's funding position at 31 January each year, including in a year in which a formal triennial valuation falls due, based on the Fund's Statement of Funding Principles in force at the time of the update. The Fund Actuary will produce this update by the end of June each year. If this update estimates that the Fund was fully funded against the Technical Provisions at that 31 January, then the deficit contributions set out above will cease with effect from the July of that year (the final contribution due will be that in respect of June) subject to the Co-op continuing to meet the costs of the Fund's PPF levies and expenses directly.

The cessation of contributions outlined above will not apply if the Trustee has received confirmation from their covenant adviser that there has been a material deterioration in the Co-op's covenant since the covenant assessment carried out for the purposes of setting the Technical Provisions in force.

In the event that deficit contributions from the Co-op cease under this provision, the Trustee reserves the right to carry out a full actuarial valuation as at that 31 January (i.e. the date at which the Fund was assessed approximately by the Fund Actuary to be fully funded against the prevailing Technical Provisions basis), at the conclusion of which a revised Schedule of Contributions will be put in place.

The Co-op meets the administrative expenses of the Fund directly, including the Pension Protection Fund levy.

These contributions are in accordance with the Schedule of Contributions certified by the Actuary on 26 April 2018.

Additional Voluntary Contributions (AVCs)

The AVC provider for the Fund is Royal London (CIS) Limited. AVC investments are held separately from the main Fund.

Actuarial Valuation

The Actuary completed an actuarial valuation as at 31 January 2017, in accordance with the scheme specific funding requirements of the Pensions Act 2004. The results of the valuation showed that the Fund had a funding level of 79% as at 31 January 2017 on the agreed on-going funding basis.

Under the actuarial valuation of the Fund as at 31 January 2017, we and the Co-op agreed a recovery plan and Schedule of Contributions on 26 April 2018. These documents confirm the Co-op has agreed to pay contributions as outlined in the contributions section above.

The next actuarial valuation of the Fund will take place as at 31 January 2020 and the results of this valuation will be communicated to all members of the Fund in 2021.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Co-op and set out in the Statement of Funding Principles, which is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 January 2017.

This showed that on that date:

The value of the Technical Provisions was:	£153 million
The value of the assets at that date was:	£121 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

- Discount interest rate (pre-retirement): a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cashflows beyond the longest available yields) plus an additional 1.0% per annum to reflect the allowance the Trustee has agreed for additional investment returns.

- Discount interest rate (post-retirement): a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cashflows beyond the longest available yields) plus an additional 0.5% per annum to reflect the allowance the Trustee has agreed for additional investment returns.

- Future Retail Price inflation (RPI): a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).

- Pension increases: in line with the provisions in the Fund's rules, pension increases are derived from the assumption for RPI, subject to a cap of 5% per annum. This is based on a full curve of annual gilt-implied inflation forward rates, adjusted for the probability that future inflation is above or below any applicable maximum and minimum annual increase entitlements. A stochastic model is used to derive the adjustment at each point on the curve. The model allows for the volatility of inflation to vary with time.

- Pay increases: The Fund was closed to future accrual with effect from 6 October 2012 ("the closure date"). Members who were active members at the closure date became 'Closure Members' and are eligible to retain a salary link for benefits accrued before the closure date whilst they remain an employee of the Co-operative Group ("the Co-op"). The assumption for salary increases of 0.5% per annum above RPI has been determined after consultation with the Co-op and does not include an allowance for promotional increases.

- Mortality: The mortality assumptions are based on up to date information published by the Continuous Mortality Investigation ("CMI") and National Statistics, making allowance for future improvements in longevity. The mortality tables are S2PA ("SAPS") Year of Birth tables with weightings of 97% for male pensioners and 103% for male non-pensioners. The weighting for female pensioner members is 94% and for female non-pensioner members is 98%. Future improvements in life expectancy are based on the CMI 2015 model with a long term improvement rate of 1.5% p.a. In addition, to allow for prudence within the life expectancy assumption an additional margin of 2% of total liabilities has been added to the calculation of the Fund's technical provisions.

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Fund Changes during the Year

There have been no changes to the Rules of the Fund during the year to 31 January 2019.

Subsequent events

Brexit

Following the EU Referendum in 2016, the UK had been expected to leave the European Union on 29 March 2019 (and at the time of writing, uncertainty around the eventual timing and terms of any exit continues). The Trustee identified the possibility of a “no deal” Brexit and the related uncertainty as a particular risk with regards the Fund’s investments, and took action to identify any mitigating action required. In light of the increased levels of interest rate and inflation protection now in place, together with the low exposure to growth assets, the diversification of the Fund’s equity holdings by region and the very limited exposure to overseas currencies, the Trustee was comfortable that no changes to strategy were required. The Trustee also reviewed the risk management plans in place for Fund’s investment managers, in particular where the Fund holds assets domiciled within the EU. Finally, the Trustee also considered updates from the Fund’s sponsor, the Co-op, on the Brexit related risks it has identified and its associated actions.

Financial Development of the Fund

During the year ended 31 January 2019, the net assets of the Fund increased from £123.9m to £124.1m.

Statement of Trustee's Responsibilities for the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and

- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Trustee

Russell Gill
Chair

Tom Taylor
Secretary

Date: 20 June 2019

More Helpful Terms

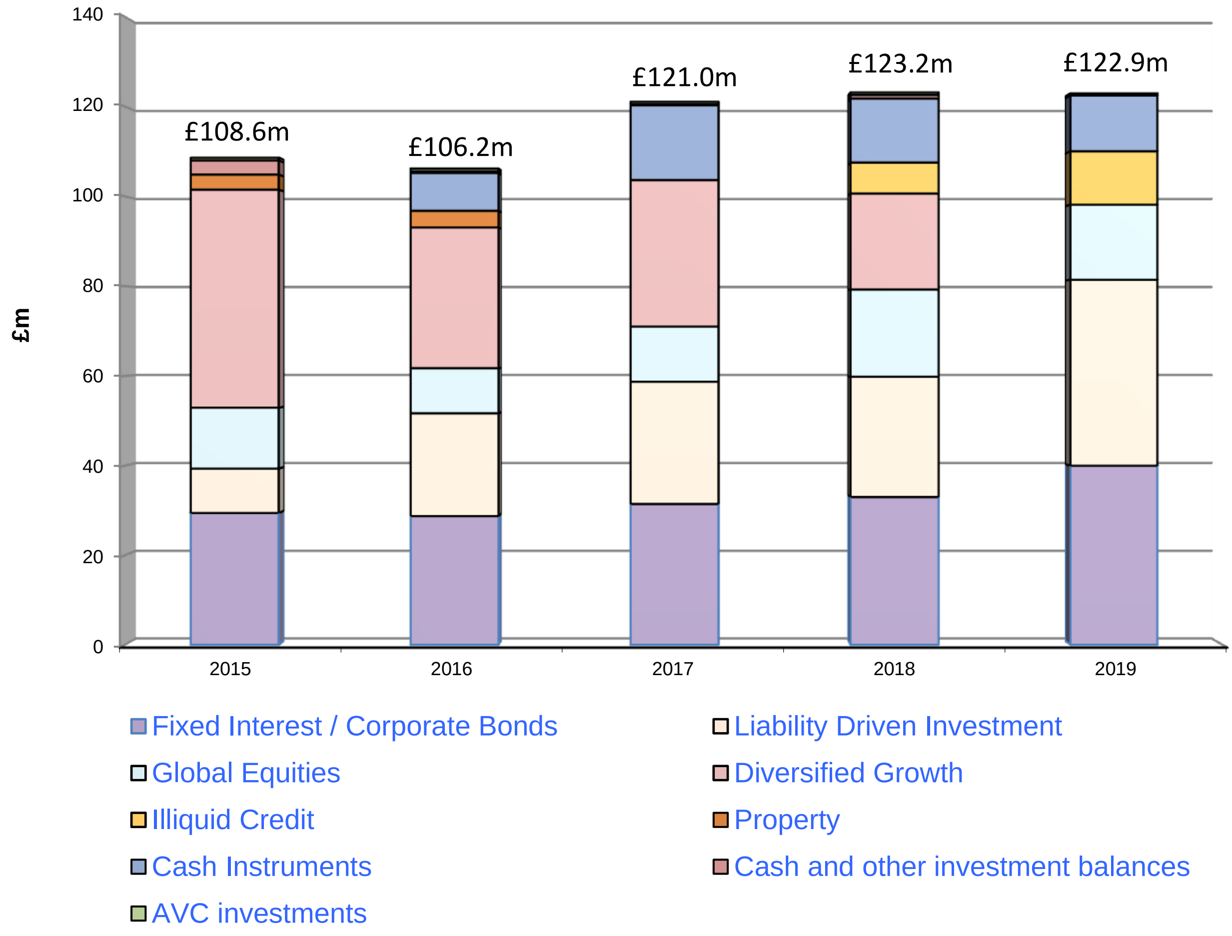
In this document, when we say:	We mean:
Additional Voluntary Contribution (“AVC”)	Contributions over and above a member's normal contributions which the member chose to pay to the Fund in order to secure additional benefits.
Benchmark	A “yardstick” against which the investment performance of a fund manager can be compared.
Bond	An investment in the form of a loan to a company or government which pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also known as “fixed interest” investments.
Buy and maintain credit	An investment in corporate bonds where the manager aims to select bonds that could be held to maturity, and aims to have very low turnover in holdings.
Corporate Bond	A bond issued by a company.
Custodian	A custodian provides safe-keeping of a pension scheme’s assets by holding and recording the investments, and processing tax reclaims etc.
Default	When talking about bonds or investments, a “default” is a failure on the part of the borrower to pay interest on a loan, or to be able to repay a loan at full value.
Derivatives	Financial instruments whose price is dependent on one or more underlying assets or market indicators (e.g. interest rates or inflation). Derivatives can be used to gain exposure to, or to help protect against, changes in the value of the underlying investments.
Diversified Growth Fund (“DGF”)	Pooled investment funds that invest in a wide range of asset classes, with the split between those investments often being managed on an active basis as market conditions change.
Equity	An investment in the form of shares in companies (also known as stocks). Owning shares makes shareholders part owners of the company in question and usually entitles them to a share of the profits (if any), which are paid as dividends. An investor does not have direct ownership rights if investing in equities via a pooled fund. See

	“pooled fund”.
ESG (Environmental, Social and Corporate Governance)	Factors considered in investment analysis and portfolio construction. ESG is used to evaluate corporate behaviour and the sustainability of business’ operations.
Fixed Interest	See “bond”.
Gilt	A bond issued by the UK Government.
Illiquid Credit	Illiquid Credit investments take the principles of bond investing, lending of money in return for regular interest payments, into less standardised areas which are not actively traded. This results in favourable terms for investors and greater potential gain, which pension schemes are able to access as long-term investors.
Index-linked Gilt	A bond issued by the UK Government which increases each year in line with inflation, which has the effect of increasing the amount of the interest paid (or decreasing it if inflation is negative – “deflation”). Also known as inflation-linked gilts.
Investment Grade	A category of ratings provided by a ratings agency based on its assessment of the credit worthiness of that company or asset. The assessments within investment grade range from 'extremely strong capacity to meet financial commitments’ (defined as AAA or Aaa) to 'adequate capacity to meet financial commitments but more subject to adverse economic conditions’ (BBB or Baa).
Investment Manager	A company to whom the Trustee delegates the day to day management of part of the Fund’s assets. Also known as an “asset manager” or “fund manager”.
Leverage	Use of borrowed money to over-invest a portfolio which magnifies both gains and losses. This may be achieved by using derivatives such as swaps or gilt repos. Allows a pension fund to efficiently hedge interest rate and inflation risk where it does not have sufficient assets to invest entirely in bonds (or where suitable bonds are not available).
Liability Driven Investment (“LDI”)	An investment approach which focuses on matching the sensitivities of a pension scheme’s assets to those of its underlying liabilities in response to changes in certain factors, normally interest rates and inflation expectations.

London Interbank Offered Rate (“LIBOR”)	A benchmark for short term interest rates between banks world-wide, which is published daily.
Market Value	The price at which an investment can be bought or sold on a given date.
Passive management	A style of managing a portfolio by linking the investments to a particular index, such as the FTSE All Share Index, so that the portfolio value moves in line with that index.
Pooled Investment Vehicle / Pooled Fund	An investment fund in which a number of different investors hold “units”, and where the underlying assets are not directly held by each investor but as part of a “pool”. The investors have the right to the cash value of these units rather than to the underlying assets of the investment fund.
Property	Typically investments in commercial property such as offices, shops and factories. These investments earn money from rent, and any increase in the value of the properties.
Statement of Investment Principles (SIP)	A written statement of the principles governing decisions about investment for an occupational pension scheme, which trustees are required to prepare and maintain. Trustees must have regard to advice from a suitably qualified person and consult with the employer.
Sterling Overnight Index Average (“SONIA”)	SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market. It is used for overnight funding for trades that occur in off-hours. SONIA is used as an alternative to LIBOR as a benchmark interest rate for financial transactions.
Strategic Asset Allocation	The target split of the Fund’s assets between different types of investments (e.g. Bonds and Equities).
Swap	Derivatives designed to permit investors to exchange payment streams for their mutual benefit. Payments can be based on interest rates, inflation indices, currencies or equity returns.
Yield	A measure of the annual income earned on an investment. Normally expressed as a percentage of its market price.

Our Investment Report

The chart below provides a snapshot of the different types of investments held by the Fund at each year end.



	2015		2016		2017		2018		2019	
	£000	%	£000	%	£000	%	£000	%	£000	%
Fixed Interest Bonds	29,449	27.1	28,747	27.1	31,459	26.0	33,010	26.8	39,980	32.5
Liability Driven Investment	9,900	9.1	22,924	21.6	27,220	22.5	26,808	21.8	41,418	33.7
Global Equities	13,570	12.5	10,035	9.4	12,320	10.2	19,421	15.8	16,739	13.6
Diversified Growth	48,562	44.7	31,361	29.5	32,601	26.9	21,387	17.4	-	-
Illiquid Credit	-	-	-	-	-	-	6,883	5.6	11,884	9.7
Property	3,341	3.1	3,701	3.5	-	-	-	-	-	-
Cash Instruments	17	-	8,411	7.9	16,678	13.8	14,270	11.5	12,438	10.1
Cash and other investment balances	3,149	2.9	422	0.4	191	0.2	798	0.6	55	-
AVC investments	612	0.6	603	0.6	562	0.4	581	0.5	420	0.4
TOTAL	**108,600**	**100.0**	**106,204**	**100.0**	**121,031**	**100.0**	**123,158**	**100.0**	**122,934**	**100.0**

The Fund's investment policy

The investment objectives of the Fund are to achieve an overall rate of return that will ensure:

- sufficient resources are available to meet all liabilities as they fall due; and
- investment returns are maximised at an acceptable level of risk.

As Trustee, we determine the Fund's asset allocation with advice from the investment advisers, and reflect the Fund's net cashflow position, the liability profile, the risk appetite of the Trustee and the employer, and the current market outlook and economic environment. We appoint suitable investment managers to manage the assets.

We believe that the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Fund's actuary.

What is the purpose of the Statement of Investment Principles?

The Statement of Investment Principles governs investment decisions for the purposes of the Fund. It has been prepared in accordance with Section 35 of the Pensions Act 1995 and a copy is available on request from the Co-op Pensions Department. Over the course of the year, the long term strategy was largely implemented and the allocation is in line with the Statement of Investment Principles which was updated in June 2018.

A copy of the statement is available on request to the Secretary to the Trustee at the address shown on page 6, or via https://coop.pacepensions.co.uk/other-schemes. We have appointed Mercer as the Fund's investment consultant.

What is the Fund's investment strategy?

The strategic asset allocation as at the year-end is shown below. We consider alternative investment opportunities on a regular basis within overall investment policy requirements.

Over the year under review, the Trustee continued implementing the interim investment strategy agreed in 2016 and refined in 2018 following the results of the 2017 actuarial valuation. As a result the following changes were implemented:

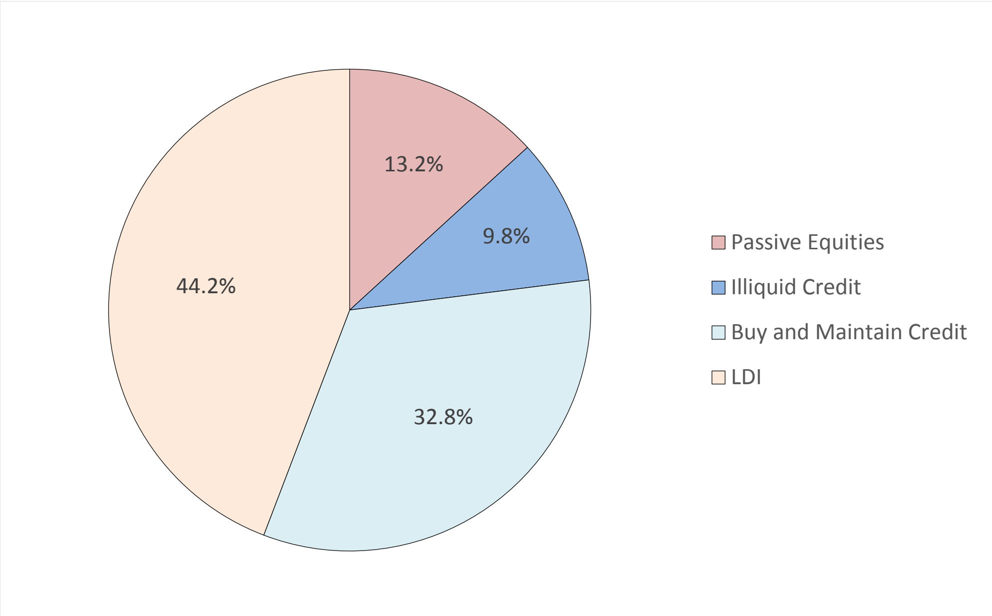
- In April / May 2018, as part of the implementation of the lower risk investment strategy, the Baillie Gifford DGF and BlackRock DGF mandates were terminated and proceeds transferred to the Buy and Maintain credit managers and the LDI mandate managed by BlackRock. In addition, assets were also realised from the passive equity mandate to bring the Fund's assets in line with the target allocation.

- Two of the three illiquid credit mandates continued funding their mandates with the ICG mandate reaching its target funding in the second half of the year. The M&G mandate was c85% funded at year end.

- The illiquid credit mandates were funded via sales from the Fund's DGF holdings in April / May 2018 outlined above.

- The interest rate and inflation hedging within the BlackRock LDI mandate was increased in December 2018 increasing the level of protection from c46% to c71% of the Fund's liabilities.

Asset Allocation as at 31 December 2018



Source: Mercer Limited
LDI - Liability Driven Investment
All figures reported as at 31 December 2018 representing the most up to date information at reporting.

The Fund currently invests with the following investment managers:

Passive Equity	Illiquid Credit	Buy and Maintain Credit	Liability Driven Investment (LDI) and cash
LGIM 13.2%	Insight 3.6%	RLAM 16.4%	BlackRock 44.2%
	ICG 3.4%	Insight 16.4%	
	M&G 2.8%		
13.2%	**9.8%**	**32.8%**	**44.2%**

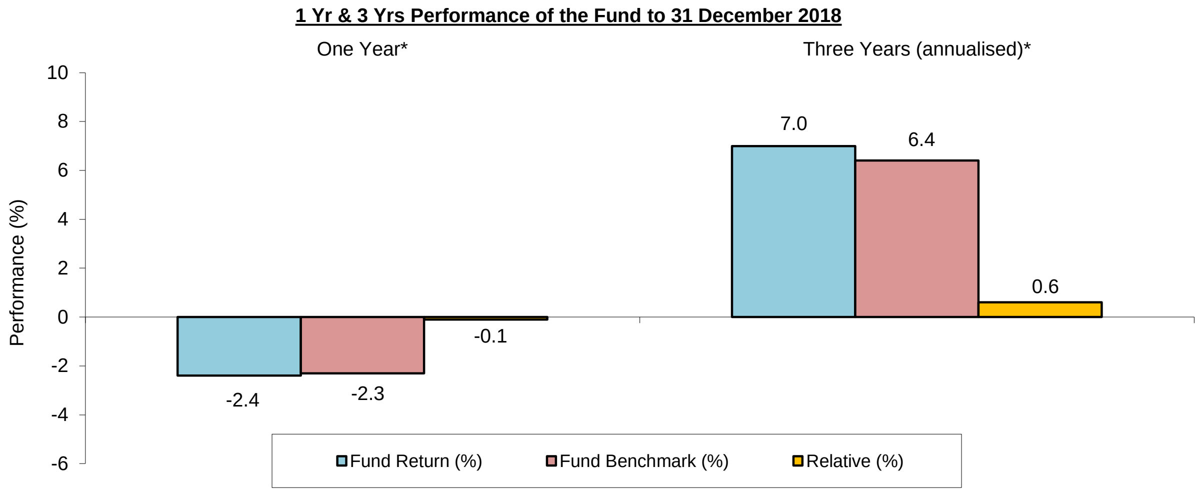
Percentages are of total Fund assets as at 31 December 2018.

Investment Performance

Investment performance is measured on a quarterly basis; all performance data is shown to 31 December 2018.

On an absolute basis, the net value of the Fund's assets (including current assets and liabilities) increased slightly from £123.9m at 31 January 2018 to £124.1m at 31 January 2019; looking over the calendar year however, the performance of the Fund for the year to 31 December 2018 was -2.4% compared with the overall total fund monitoring benchmark of -2.3%.

The overall net of fees performance of Fund assets, over one and three years to 31 December 2018, is shown below:



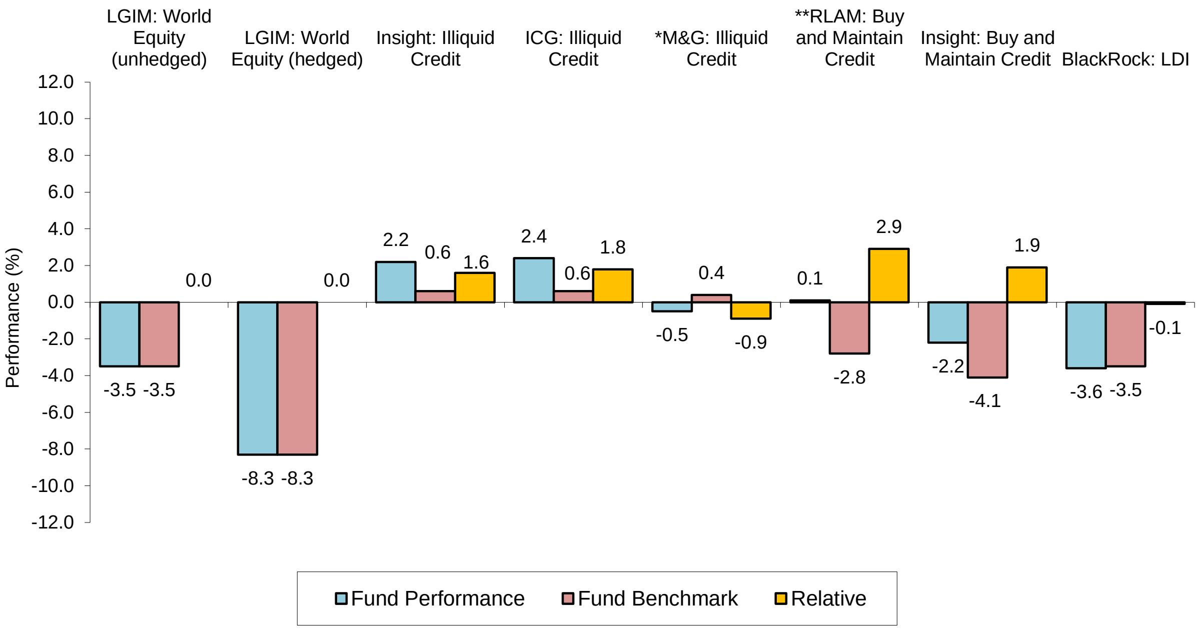
Source: Mercer Limited. 31 December 2018.

*Includes the performance of terminated mandates and mandates appointed over the period.

The performance of the individual investment managers is shown below. This benchmark performance differs from the overall Fund benchmark because the individual investment manager benchmarks are different to the overall Fund benchmark. The benchmarks for each manager are as follows:

- LGIM equities: to track the component equity indices
- Illiquid Credit: benchmarks based on LIBOR
- Buy and Maintain credit: Markit iBoxx Sterling Non-Gilt Over 15 Years (for comparison purposes only)
- BlackRock LDI: to match changes in the profile of the liabilities

Performance of Individual Investment Managers for the Year Ended 31 December 2018



Source: Mercer Limited

*The M&G mandate was funded over the year so the performance in the chart above is shown from inception to 31 December 2018. M&G Illiquid Credit inception was 15/05/2018

** The RLAM Buy and Maintain Credit was held in a transition account while being constructed. This was completed on 31 March 2018, therefore, performance is shown from this date.

The Buy and Maintain Credit funds with Insight and RLAM do not have formal performance benchmarks so performance is shown against comparator indices for information only.

Custodial arrangements

We have invested with six investment managers across a number of different mandates, as shown on page 19. BNY Mellon acts as custodian for the LDI holdings managed by BlackRock, while the other portfolios use pooled investment vehicles (which give the Trustee the right to the cash value of units rather than to the underlying assets of the funds themselves). The respective managers of these pooled arrangements are responsible for appointing and monitoring the custodians of the underlying assets.

Responsible Investment and Corporate Governance

The Trustee implemented a Responsible Investment Policy for the Fund at the end of 2018. The Responsible Investment Policy and Practice Statement can be found at https://coop.pacepensions.co.uk/other-schemes. The document details the policy for considering Environmental, Social and Governance ("ESG") factors, including climate change, in the strategic investment process and investment decision-making process, assessing Yorkshire's investment managers' performance on ESG issues, engagement with investee companies, consideration of and participation in third party ESG initiatives and public disclosure of Yorkshire's ESG policy in practice.

In accordance with its fiduciary responsibilities, the Trustee takes account of financially material factors when making investment decisions, i.e. those factors which are expected to have an impact on investment returns and risk (including the long-term sustainability of investee companies' performance – in particular the impact of climate change).

The Trustee also recognises that it may take non-financial factors into consideration (i.e. those motivated by other concerns, such as social impact) where the Trustee has good reason to expect that Fund members would share these concerns, and where the decision does not involve a risk of financial detriment.

The Trustee gives its investment managers full discretion to evaluate ESG factors and engage with companies. The Trustee also encourages its investment managers to adopt best practices in these areas and to act in the best interests of Fund members. The Trustee recognises that where investments are held in pooled funds, it may not be possible to instruct the manager to follow a separate voting policy or to exercise votes. The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response. In addition, the Trustee reserves the right to use more direct engagement with investee companies, including those issuing debt. In such situations, this may include working with investment managers and other institutions to engage with companies, or contacting companies directly.

As a responsible investor, the Trustee exercises rights, including any voting rights attaching to the Fund's investments, in the best interests of Yorkshire's members. Specifically, the Trustee has instructed the investment managers to exercise voting rights accordingly, where applicable and wherever it is practicable to do so, and to report to the Investment Committee.

We also comply with the Financial Reporting Council UK Stewardship Code, as we believe its principles to be in the interest of society at large, as well as in the Fund's long term financial interest.

Independent Auditor's Report to the Trustee of the Yorkshire Co-operatives Limited Employees' Superannuation Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 January 2019 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements of Yorkshire Co-operatives Limited Employees' Superannuation Fund (the 'Fund') which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Trustee of the Yorkshire Co-operatives Limited Employees' Superannuation Fund (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustee's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's responsibilities on page 13, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Trustee of the Yorkshire Co-operatives Limited Employees' Superannuation Fund (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date:

Fund Account

for the year ended 31 January 2019

In plain English – what does this show?	Our Fund Account shows all contributions, investment income and asset return received by the Fund, minus the benefits and expenses paid out during the year. The result is the Fund's net asset position at the end of the reporting period.

Contributions and benefits	Note	**2019** £	**2018** £
Employer contributions	2	4,531,523	2,000,000
Transfers in	3	-	34,101
		4,531,523	2,034,101
Benefits paid or payable	4	(4,108,403)	(4,079,424)
Payments to and on account of leavers	5	(1,095,123)	(1,810,279)
		(5,203,526)	(5,889,703)
Net withdrawals from dealings with members		**(672,003)**	**(3,855,602)**
Return on investments			
Investment income	6	337,496	397,784
Change in market value of investments	8	687,052	5,919,144
Investment management expenses	7	(72,353)	(161,642)
Net return on investments		**952,195**	**6,155,286**
Net increase in the Fund		**280,192**	**2,299,684**
Net assets of the Fund as at 1 February		**123,849,991**	**121,550,307**
Net assets of the Fund as at 31 January		**124,130,183**	**123,849,991**

The notes on pages 28 to 40 form part of these financial statements.

Statement of Net Assets

(available for benefits) as at 31 January 2019

In plain English – what does this show?	The Statement of Net Assets below provides a snapshot of the financial position of the Fund as at 31 January. It sums up the Fund's assets and liabilities at this date. It does not take account of obligations to pay pensions and benefits, which fall due after the end of the Fund year; this is dealt with in the Report on Actuarial Liabilities.

	Note	**2019**	**2018**
Investments	8	£	£
Investment Assets			
Pooled investment vehicles		122,459,256	121,778,969
AVC investments		419,672	581,425
Cash deposits		7,400	6,367
Income due		47,871	219,245
Recoverable tax		-	4,986
Sales awaiting settlement		-	567,000
		122,934,199	123,157,992
Current assets	11	1,249,188	726,467
Current liabilities	12	(53,204)	(34,468)
Total net assets of the Fund at 31 January		**124,130,183**	**123,849,991**

The notes on pages 28 to 40 form part of these financial statements.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the fund year. The Actuary deals with the actuarial position of the Fund, which does take account of such obligations, which is dealt with in the Report on Actuarial Liabilities on page 10 and 11 of the Annual Report and these financial statements should be read in conjunction with them.

The Trustee approved these financial statements on 20 June 2019.

Signed for and on behalf of TCG Northern Trustees Limited:

Russell Gill
Chair

Tom Taylor
Secretary

Notes to the Financial Statements

In plain English – what does this show?	This section outlines the general accounting policies of the Fund that relate to the financial statements as a whole.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised November 2014).

1.2 Accounting policies

The principal accounting policies of the Fund are as follows:

Contributions and benefits paid and payable

Employer deficit contributions and additional contributions are accounted for in the period they fall due as payable to the Fund in accordance with the Schedule of Contributions and Recovery Plan.

Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Transfers

Individual transfers in or out represent the capital sums either received in respect of members from other pension funds or paid to other pension funds for members who have left the Fund. Transfer values are accounted for when the liability is discharged, which is normally when the transfer amount is received or paid.

Expenses

Expenses are accounted for on an accruals basis. Certain expenses incurred in the course of running and managing the Fund are met by the Co-op, e.g. administration and professional advice.

Investment income

Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income.

Investment income arising from the underlying assets within pooled investment vehicles is in part reinvested in those vehicles and is reflected in the unit price. This income is reported within 'change in market value'. The balance is reported within investment income.

Any income received from unitised funds is included on an accruals basis.

Annuity income arising from annuity policies held by the Trustee of the Fund is included on an accruals basis.

Valuation of investments

Investments are included in the statement of net assets at their market values. Pooled investment vehicles and unit trusts are stated at the bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager at the year-end.

Realised and unrealised gains and losses arising from changes in market values are taken directly to the fund account.

The fair value of annuities purchased by the Trustee, which fully provide the benefits for certain members, are estimated to be immaterial by the Trustee. Annuities have therefore been excluded from these financial statements. The cost of purchasing these annuities is reported within the Fund Account under 'Benefits paid or payable'.

Cash instruments are stated at the market value provided by the investment manager. Accrued income is accounted for within investment income.

Currency

The Fund's functional and presentational currency is pounds sterling (GBP). Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the Fund's year end. Foreign currency transactions are translated into sterling at the spot rate at the date of the transaction.

2 Employer contributions

In plain English – what does this show?	This note shows what contributions have been received by the Fund from the Co-op during the year.

	2019 £	**2018** £
Deficit funding	3,833,333	2,000,000
Additional	698,190	-
	4,531,523	2,000,000

In accordance with the recovery plan dated 26 April 2018, the employer is paying deficit funding contributions of £2m per annum up to 30 April 2018, followed by £4.2m per annum from 1 May 2018 to 30 June 2020. Additional contributions of £0.733m is payable by 19 July 2019. These contributions are paid in monthly instalments.

3 Transfers In

In plain English – what does this show?	This note shows what transfers have been received by the Fund during the year.

	2019 £	**2018** £
Transfers in	-	34,101

4 Benefits paid or payable

In plain English – what does this show?	This note shows what benefits have been paid out to members of the Fund during the year.

	2019 £	2018 £
Pensions	3,605,447	3,493,716
Commutation and lump sum retirement benefits	482,439	565,272
Lump sum death benefits	20,517	20,436
	4,108,403	4,079,424

Pensions paid includes annuity pension paid of £64,857 (2018: £65,893).

5 Payments to and on account of leavers

In plain English – what does this show?	This note shows how much has been paid out to other pension schemes for members who have left the Fund during the year.

	2019 £	2018 £
Individual transfers to other schemes	1,095,123	1,810,279

6 Investment Income

In plain English – what does this show?	The Fund receives income from its assets; this note shows the different types of income received during the year.

	2019 £	2018 £
Income from pooled investment vehicles	272,000	332,655
Gain/(Loss) on exchange	509	(816)
Interest on cash deposits	130	52
Annuity income	64,857	65,893
	337,496	397,784

There is a substantial percentage of assets invested in pooled funds. Certain assets within the pooled funds distribute income as shown above. Others are added to the pool, reflected in the unit price and not identified separately.

7 Investment management expenses

In plain English – what does this show?	This note shows the investment management expenses incurred by the Fund during the year.

	2019 £	2018 £
Investment management fees	72,353	161,642

8 Reconciliation of investments

In plain English – what does this show?	This note provides a reconciliation of the sales, purchases and change in market value during the year between the opening and closing value of investments and analysed by asset class as disclosed on the face of the Statement of Net Assets.

	Note	31 January 2018 £	Purchases at cost £	Sales proceeds £	Change in market value £	31 January 2019 £
Pooled investment vehicles *	8.1	121,778,969	63,752,484	(63,698,489)	626,292	122,459,256
AVC investments	8.2	581,425	-	(222,513)	60,760	419,672
		122,360,394	**63,752,484**	**(63,921,002)**	**687,052**	**122,878,928**
Cash deposits	8.3	6,367				7,400
Income due		219,245				47,871
Recoverable tax		4,986				-
Sales awaiting settlement		567,000				-
TOTAL		**123,157,992**				**122,934,199**

***** Cash funds have been reclassified as pooled investment vehicles, in the prior year they were disclosed as cash instruments**.**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs

Included within purchases and sales figures are direct transaction costs comprising of fees incurred. The Fund did not experience any direct transaction costs this year (2018:£629). These costs were attributable as set out in the below table.

	Fees £	Commission £	Stamp Duty £	Total 2019 £	Total 2018 £
Pooled investment vehicles	-	-	-	-	-
2018	629	-	-	-	629

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

8.1 Pooled investment vehicles

	2019 £	2018 £
Bonds	81,397,472	59,818,088
Equity	16,739,234	19,421,155
Cash funds*	12,438,359	14,269,508
Illiquid credit	11,884,191	6,882,823
Diversified growth	-	21,387,191
Unquoted	-	204
	122,459,256	121,778,969

*****Cash funds have been reclassified as pooled investment vehicles, in the prior year they were disclosed as cash instruments**.**

Concentration of investments

The following investments represent greater than 5% of the net assets of the Fund.

		2019 Market Value £	2019 Net assets %	2018 Market value £	2018 Net assets %
RLAM	RLPPC Buy & Maintain Credit Fund	20,023,594	16.1	-	-
Insight	Buy & Maintain Bond Fund	19,955,959	16.1	16,237,473	13.1
L&G	All World Eqty Indx GBP Hedged Fund	12,367,318	10.0	14,750,923	11.9
BlackRock	ICS GBP Liq Premier Shares	12,420,840	10.0	14,252,099	11.5
BlackRock	LMF GBP 2050 IL Gilt Flex	11,881,434	9.6	9,724,075	7.9
BlackRock	LMF GBP 2040 IL Gilt Flex	10,399,069	8.4	6,242,363	5.1
BlackRock	LMF GBP 2032 IL Gilt Flex	6,508,964	5.2	-	-
BlackRock	LMF GBP 2062 IL Gilt Flex	5,949,986	4.8	8,495,401	6.9
RLAM	RLPPC Buy & Maintain Transition Fund	-	-	16,772,996	13.5
BlackRock	BIJF Dyn Diversified Gwth Fd I Acc Fund	-	-	11,569,674	9.3
Baillie Gifford	Diversified Growth Fund C Gross Ac	-	-	9,817,516	7.9

8.2 AVC investments

	2019 £	2018 £
Royal London (CIS) Limited	419,672	581,425

Members' Additional Voluntary Contributions are invested separately from the main fund on a money purchase basis with Royal London (CIS) Ltd.

Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements during the year.

8.3 Cash deposits

	2019 £	2018 £
Cash at investment managers	7,400	6,367

9 Fair value determination

In plain English – what does this show?	This note categorises the investment assets and liabilities held by the Fund into specific levels which correspond to how its market value has been determined. Market values can be determined from a number of sources including taking pricing information from market data i.e. a stock exchange, or using a valuation model not widely available.

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- **Level 1:** The unadjusted quoted price in an active market for identical assets or liabilities that the Fund can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- **Level 3:** Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 January 2019	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	113,981,094	8,478,162	122,459,256
AVC investments	-	-	419,672	419,672
Cash deposits	7,400	-	-	7,400
Income due	47,871	-	-	47,871
TOTAL	**55,271**	**113,981,094**	**8,897,834**	**122,934,199**

At 31 January 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	114,895,942	6,883,027	121,778,969
AVC investments	-	-	581,425	581,425
Cash deposits	6,367	-	-	6,367
Income due	219,245	-	-	219,245
Recoverable tax	4,986	-	-	4,986
Sales awaiting settlement	567,000	-	-	567,000
TOTAL	**797,598**	**114,895,942**	**7,464,452**	**123,157,992**

*Cash funds have been reclassified as pooled investment vehicles, in the prior year they were disclosed as cash instruments.

10 Investment risk disclosures

In plain English – what does this note show?	This note provides additional information to enable readers to evaluate the nature and extent of credit, market and other risks arising from certain investment assets which the Fund is exposed to. Information about how the Fund manages these risks is also provided.

FRS 102 requires that we, the Trustee, provide information in relation to certain investment risks. The risks are set out by FRS 102 are:

Credit Risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, e.g. the risk that a borrower may not repay a loan or a debt to the Fund.

Market Risk: this includes “currency risk”, “interest rate risk”, “inflation risk” and “other price risk”.

- **Currency risk:** this is the risk that the value of an investment changes because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the value of an investment decreases or increases because of changes in interest rates.
- **Inflation risk:** this is the risk that the value of an investment increases or decreases because of changes in inflation expectations.
- **Other price risk:** this is the risk that the value of an investment decreases or increases because of changes in market prices (apart from changes in value as a result of movements in interest rates or currency).

Other Risks:

Apart from the risks listed above, we make sure the following investment related risks are managed:

- **"Solvency risk and mismatching risk"**: The risk that the Fund does not generate strong enough investment returns, and cannot meet benefits
- "**Manager risk**": The risk that individual investment managers underperform their objectives and that assets are not all held with one manager
- "**Liquidity risk**": The risk that the Fund does not hold enough cash to meet short term requirements to pay benefits
- "**Corporate governance risk"**: The risk that the Fund invests in poorly managed companies, and that the value of those investments falls as a result
- "**Custody risk":** The risk that the Fund's assets are not held safely
- "**Sponsor risk**": The risk that the Fund's sponsor cannot afford to pay money into the Fund if needed
- "**Leverage risk**": The risk that the Fund's liability matching investments fall in value, and additional cash is required
- **"Hedging related risks"**: The risk that investments made by the Fund to "match" its liabilities are not a good fit and do not behave in the same way as those liabilities.
- "**Inappropriate investments**": The risk that the Fund invests in inappropriate investments (e.g. investments that are too risky)
- **Counterparty risk:** The risk that where the Fund enters into swap transactions via pooled funds, the selected counterparty cannot fulfil its obligations.

10.1 Investment Strategy

We make investment decisions after taking advice from a professional investment adviser. The Fund is subject to the risks above because of the investments it makes to implement its strategy, as described on page 18 of this report. We manage investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Fund's investment objectives. These investment objectives and risk limits are applied through the legal agreements the Fund has with its investment managers, and we regularly monitor that the managers are complying with these agreements.

A more detailed description of our approach to risk management and the Fund's exposures to credit and market risks is set out below. This does not include annuity insurance policies or AVC investments, because these are relatively small compared to the overall investments of the Fund.

(i) Credit risk

The Fund is subject to credit risk because it invests in bonds issued by UK and overseas companies (which could default on their debt to the Fund), and because it holds cash in bank accounts and with investment managers. The Fund also invests in pooled investment vehicles, such as open ended investment companies and unit linked insurance contracts, and is therefore directly exposed to credit risk in relation to these pooled investment vehicles. The Fund is also indirectly exposed to credit risks arising on some of the financial instruments held by the pooled investment vehicles.

Credit risk – cash:

Cash is held within financial institutions which are at least investment grade credit rated. At year end, the total cash held is 0.7% of the Fund's total net assets (2018: 0.5%).

Credit risk – pooled investments:

The Fund also invests in pooled investment vehicles ('PIVs'), pooled funds which invest in underlying assets like shares and bonds on behalf of a number of investors, and is therefore directly exposed to credit risk for these investments (as the PIVs could default on their obligations to the Fund).

The Fund's investments in PIVs are either rated investment grade or are unrated. Direct credit risk arising from pooled investment vehicles is reduced because:

- the underlying investments held by the pooled funds are legally ring-fenced from the investment manager(s);
- the investment managers that operate the PIVs need to meet the requirements of various financial regulations; and
- we invest in a number of different PIVs, spreading risk.

We carry out checks before appointing any new investment managers, and also regularly monitor any changes to the regulatory and operating environments of the Fund's managers.

A summary of pooled investment vehicles by type of arrangement can be found in note 8.1. At year end, 100% of invested assets were held in pooled investment vehicles (2018: 100%).

Credit risk – custody:

The investment managers for the PIVs appoint their own custodians to ensure the safe-keeping of the assets within their mandates.

Indirect credit risk:

This indirect credit risk occurs in particular from the underlying investments held in the illiquid credit funds and the pooled buy and maintain credit fund that the Fund invests in (totalling 42% of assets at year end – 2018: 50%). For example, if the Fund invested in a pooled investment which itself invests in bonds issued by a company, there is a risk that that company does not repay the bond to the pooled fund. We manage this risk by making sure that its investment managers diversify their investments over a number of companies and investments, to minimise the impact of a default on any individual investment.

(ii) Currency risk

The Fund is subject to currency risk because the Fund invests in overseas investments, through pooled funds. To reduce the risk that the value of these overseas investments fall in sterling terms, we have a policy of hedging 75% of overseas currency risk for its investments in equities, and 100% for buy and maintain credit and illiquid credit mandates.

At the year end, the Fund's total unhedged exposure to overseas currencies (as a result of its overseas equity exposure) was 4%.

(iii) Interest rate risk

The Fund is subject to interest rate risk on its investments in bonds and financial derivatives. This is because the liability driven investments it makes are intended to protect the Fund against the impact of changes in interest rates and inflation on the Fund's liabilities.

The Fund protects itself against movements in interest rates and inflation by investing in pooled 'liability driven investment' funds managed by BlackRock, and long duration corporate bond holdings with Insight and RLAM. The LDI mandate holds government bonds, financial derivatives and cash collateral. These pooled funds would need more cash collateral if bond yields rose further than the yield buffers currently held in the funds. We monitor the level of cash held within the funds, and have a framework in place to make sure that if bond yields rise then this extra cash can be provided in a timely manner.

We have set a benchmark for total investment in corporate bonds and liability matching investments of 76% of the total investment portfolio. Under this strategy, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. These assets would be expected to change in value by £250,000 for a change in interest rates of 0.01% (2018: £195,000). The Fund's liabilities would change by approximately £357,000 for a change in interest rates of 0.01% (2018: £430,000).

At the year-end the LDI and corporate bond investments made up 76% of the Fund's total assets (2018: 60%).

(iv) Inflation rate risk

The LDI portfolio is also exposed to inflation risk. If inflation rises, the value of these assets will rise to help match the increase in actuarial liabilities resulting from the rise. Similarly, if inflation falls, the LDI portfolio will fall in value, as will the actuarial liabilities. These assets would be expected to change in value by £193,000 for a change in expected inflation of 0.01% (2018: £166,000). The Fund's liabilities would change by approximately £262,000 for a change in expected inflation of 0.01% (2018: £353,000).

At the year-end the LDI assets made up 44% of the Fund's total investments (2018: 33%).

(v) Other price risk

The Fund is also exposed to "other price risk", largely because of its investment in equities. The Fund has also invested in Illiquid Credit which covers less standard and liquid areas of the credit market. To spread this risk, the Fund invests across multiple managers, each of which have diversified holdings by issuer and asset class.

The Fund manages this exposure to risk by limiting the allocation to “growth” assets to the level needed to meet the Fund’s expected return requirements. The Fund has set a target of 24% of total Fund assets being held in growth investments and illiquid credit investments. At the year end, the Fund’s exposure to these assets (including illiquid credit) was 23.0% of total assets (2018: 39%).

(vi) Other risks

- **Manager risk** – this is managed by spreading the Fund’s assets a range of managers, and we regularly monitor the managers.
- **Liquidity risk** - the Co-op Pensions Department estimates the cash needed each month to meet benefit payments, and ensures that sufficient cash is available, seeking advice where necessary.
- **Custody risk** – this is managed by the safe custody of the assets is delegated to professional custodians either directly or via the use of pooled funds, with each manager appointing a custodian and being responsible for monitoring the custodian’s activities.
- **Sponsor risk** – this is managed by regular assessments of the ability and willingness of the Co-op to support the Fund.
- **Corporate governance risk -** this is managed through setting controls to limit concentration of investments in individual companies, and through regular discussions with and reporting on investment managers’ approach to sustainability risks.
- **Leverage risk** – this is managed by regular reviews of the amount and nature of any leveraged investments made by the Fund’s investment managers.
- **Hedging related risk** - the management of these risks is delegated to the Fund’s liability driven investment manager; we also review liability hedging risks each quarter as part of monitoring the manager.
- **Inappropriate investments –** this is managed by our policies in relation to the range of assets held and the pooled funds invested in.
- **Counterparty risk –** managed via the diversification of counterparties and the collateralisation process.

11 Current assets

In plain English – what does this show?	This note shows the value of non-investment assets held by the Fund at the year end.

	2019 £	2018 £
Contributions due:*	412,358	166,667
Cash balances:		
Current bank account	551,743	548,240
Administration bank account	285,087	10,118
Sundry debtors	-	1,442
	1,249,188	726,467

*Contributions due at year-end were received subsequent to the year-end on a timely basis in accordance with the schedule of contributions.

12 Current liabilities

In plain English – what does this show?	This note shows the value of non-investment liabilities owed by the Fund at the year end.

	2019 £	2018 £
Unpaid benefits	(37,865)	(20,728)
Investment manager fees due	(15,339)	(13,740)
	(53,204)	(34,468)

13 Related party transactions

In plain English – what does this show?	Related parties include people (such as directors and key personnel) as well as entities. This note outlines the nature of the relationship of any related parties.

Apart from the payment of contributions to the Fund by the Co-op, other related party transactions are:

- the Co-op, in conjunction with Mercer Limited, performs fund administration. The Co-op meets certain expenses incurred in the course of running and managing the Fund, e.g. administration and professional advice.
- one Pensioner MND is in receipt of a pension from the Fund. This pension has been calculated and paid in accordance with Trust Deeds and Rules.Further details on Trustee Directors' remuneration can be found on page 6.

14 Employer related investments

In plain English – what does this show?	Employer related investments include securities issued by the employer, loans to the employer and any investment property occupied by the employer. They also include investments made indirectly through pooled investment vehicles.

During the year, there were no direct or indirect employer related investments.

15 Post year-end events

In June 2019, the Trustee instructed Legal & General Investment Management to switch the Fund's equity investments from the passive FTSE All World Fund to the Future World range of funds; this switch was scheduled to take place on 1 July 2019. At the year-end, the value of these assets was £ 16,739,234.

The rationale for the switch is to align the equity allocation with the Trustees policy on Responsible Investment. The Future World Funds have tilts towards companies with positive ESG scores and reduced exposure to companies with negative ESG scores and companies with poor environmental policies and stranded carbon assets. The Future World Emerging market equity fund is not available until late 2019 and assets will be switched when the fund is available for investment. Currency hedging will remain at 75% of developed overseas equity exposure.

Independent Auditor’s Statement about Contributions to the Trustee of the Yorkshire Co-operatives Limited Employees’ Superannuation Fund

We have examined the summary of contributions to the Yorkshire Co-operatives Limited Employees’ Superannuation Fund for the Fund year ended 31 January 2019 to which this statement is attached.

In our opinion contributions for the Fund year ended 31 January 2019 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid for the period 1 February 2018 to 25 April 2018 at least in accordance with the schedule of contributions certified by the fund actuary on 30 April 2015, and for the period 26 April 2018 to 31 January 2019 at least in accordance with the schedule of contributions certified by the fund actuary on 26 April 2018.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the fund and the timing of those payments under the schedules of contributions.

Respective Responsibilities of Trustee and Auditor

As explained in the Statement of Trustee’s Responsibilities in respect of Contributions on page 42, the Fund’s Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP
Statutory Auditor,
Birmingham, United Kingdom

Date

Statement of Trustee's Responsibilities in respect of Contributions

We are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the dates on or before which such contributions are to be paid. We are also responsible for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee's Summary of Contributions payable under the Schedules of Contributions in respect of the Fund year ended 31 January 2019

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer contributions payable to the Fund in respect of the period from 1 February 2018 to 31 January 2019 under the schedules certified by the Fund Actuary on 30 April 2015 and subsequently on 26 April 2018. The auditor reports on contributions payable under the Schedules of Contributions in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Fund year	£
Employer:	
Deficit funding	3,833,333
Additional	698,190
Contributions payable under the schedules (as reported on by the Fund auditor)	**4,531,523**
Reconciliation of contributions payable under the schedules of contributions to total contributions reported in the financial statements	
Contributions payable under the schedules (as above)	4,531,523
Total contributions reported in the financial statements	**4,531,523**

Signed for and on behalf of TCG Northern Trustees Limited on 20 June 2019.

Russell Gill
Chair

Tom Taylor
Secretary

2017 Certification of Schedule of Contributions

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Fund	Yorkshire Co-operatives Limited Employees' Superannuation Fund

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 January 2017 to be met by the end of the period specified in the recovery plan dated 26 April 2018.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 26 April 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature	D McClure
Scheme Actuary	Damian McClure FIA
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	26 April 2018
Name of employer	Mercer Limited
Address	Belvedere 12 Booth Street Manchester M2 4AW