YORKSHIRE CO-OPERATIVES LIMITED EMPLOYEES' SUPERANNUATION FUND

Financial Statements
For Year Ended 31 January 2018

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 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
HRE	The Co-op's Human Resources Executive, a group of senior human resources personnel with responsibility for the Co-op's people-related matters
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
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.

The Co-op	Co-operative Group Limited. The Co-op is the Fund's principal (and only) employer.
The Fund	The Yorkshire Co-operatives Limited Employees' Superannuation Fund
The Funds	The Fund and the United Fund
The Trustee	TCG Northern Trustees Limited. A company which is appointed as the trustee of the Fund and acts via its directors.
The 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)

Which Trustee directors left during the year?

- Matthew Speight (Appointment ended 23 January 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 HRE. If a Co-op Appointed Director vacancy arises then the HRE 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 HRE. 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 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 Belvedere, 12 Booth Street, Manchester M2 4AW
Auditor	Deloitte LLP
AVC provider	Royal London (CIS) Limited
Banker	Barclays Bank PLC
Employer Covenant Adviser	PricewaterhouseCoopers LL (terminated 25 April 2017) KPMG LLP (appointed 2 June 2017)
Investment Consultant	Mercer Limited
Investment Managers	Baillie Gifford Life Limited (terminated 27 April 2018) Blackrock Investment Management (UK) Limited Insight Investment Management (Global) Ltd (appointed 15 June 2017) Intermediate Capital Group plc (appointed 2 August 2017) Legal & General Investment Management Limited M&G Investments (appointed 9 April 2018) Royal London Asset Management Limited (appointed 18 August 2017) Standard Life Investments Limited (terminated 17 August 2017)
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 2018. The financial statements (set out on pages 25 to 39) 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 21 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 2018

	31 Jan 2017	**Additions**	**Retirements, leavers and pensions ceasing**	**Deaths**	**31 Jan 2018**
Closure Members	**84**	-	(22)	-	**62**
Deferred Members	**574**	16	(27)	(2)	**561**
Pensioners	**717**	28	(8)	(21)	**716**
Total	**1,375**	**44**	**(57)**	**(23)**	**1,339**

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 2016 to March 2017 was 3.1%. There was, therefore, a 3.1% increase to pensions in payment to members who retired by 31 March 2017 with effect from 1 April 2017.

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 p.a. 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.

  .

Fund Changes during the Year

There have been the following changes to the Rules of the Fund during the year to 31 January 2018:

- Permit the Fund to pay out small lump sums with a capital value of under £10,000 in place of small pensions;

- Allow the Fund to pay other amounts permitted under the Authorised Member Payments Regulations 2009, and any future payments that are added to those regulations (with the employer's consent needed for any new payments that are introduced); and

- To tidy up obsolete statutory restrictions around transfers/commutation.

Financial Development of the Fund

During the year ended 31 January 2018, the net assets of the Fund increased from £121.6m to £123.9m.

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.

For and on behalf of the Trustee

Russell Gill Chair	Tom Taylor Secretary

Date: 18 July 2018

More Helpful Terms

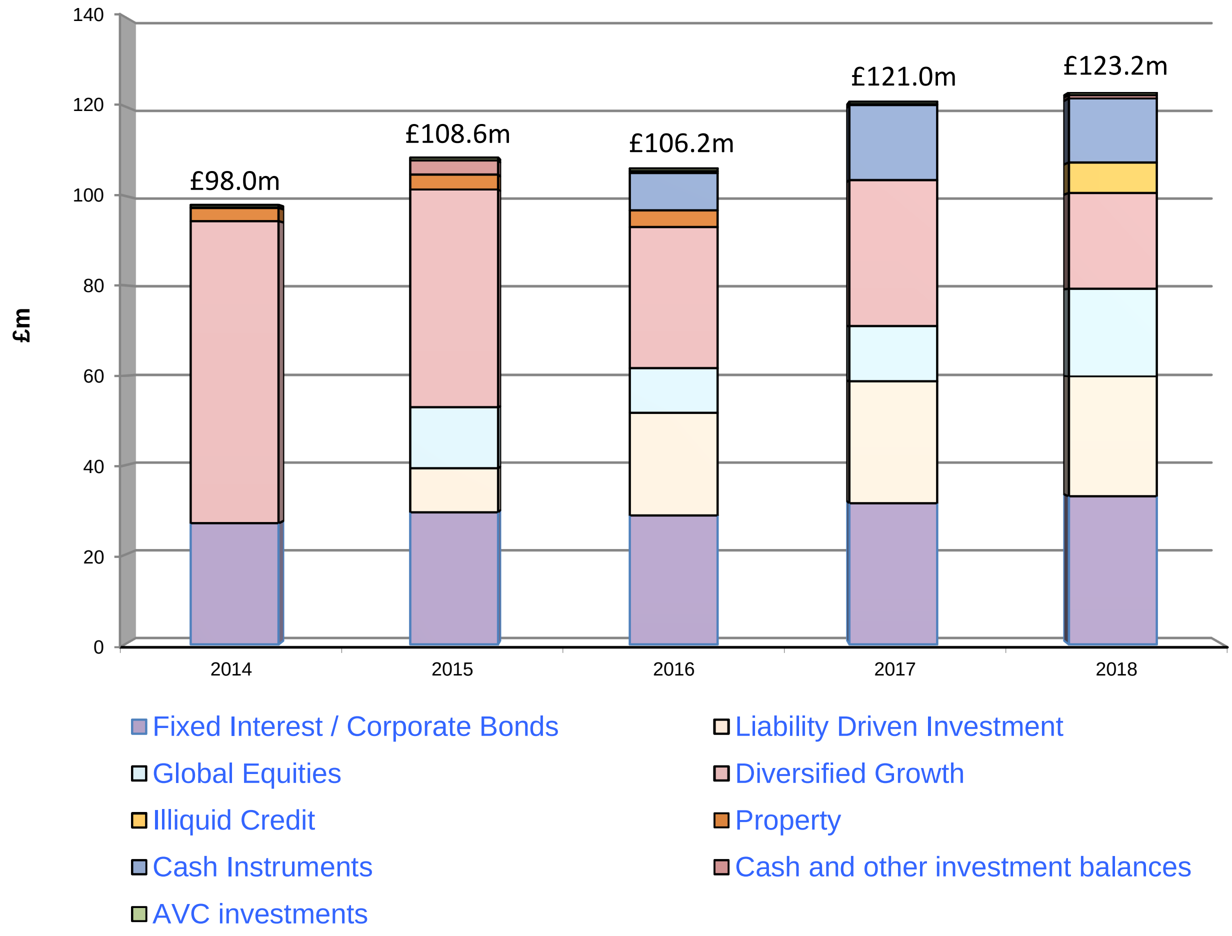
In this document, when we say:	We mean:
Additional Voluntary Contribution (“AVC”)	Contributions over and above a member's normal contributions which the member chose to pay to the Fund in order to secure additional benefits.
Benchmark	A “yardstick” against which the investment performance of a fund manager 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. Compare to active management and passive management.
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.

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”.
Liability Driven Investment	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.
Segregated	Where assets are legally owned by a pension scheme rather than a pooled fund, are managed independently of those of other funds under the investment manager's control.
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.
Strategic Asset Allocation	The target split of the Fund's assets between different types of investments (e.g. Bonds and Equities).
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 investment categories held by the Fund at each year end.



	2014		2015		2016		2017		2018	
	£000	%	£000	%	£000	%	£000	%	£000	%
Fixed Interest Bonds	27,032	27.6	29,449	27.1	28,747	27.1	31,459	26.0	33,010	26.8
Liability Driven Investment	-	-	9,900	9.1	22,924	21.6	27,220	22.5	26,808	21.8
Global Equities	-	-	13,570	12.5	10,035	9.4	12,320	10.2	19,421	15.8
Diversified Growth	67,335	68.7	48,562	44.7	31,361	29.5	32,601	26.9	21,387	17.4
Illiquid Credit	-	-	-	-	-	-	-	-	6,883	5.6
Property	2,926	3.0	3,341	3.1	3,701	3.5	-	-	-	-
Cash Instruments	17	-	17	-	8,411	7.9	16,678	13.8	14,270	11.5
Cash and other investment balances	101	0.1	3,149	2.9	422	0.4	191	0.2	798	0.6
AVC investments	566	0.6	612	0.6	603	0.6	562	0.5	581	0.5
TOTAL	**97,977**	**100.0**	**108,600**	**100.0**	**106,204**	**100.0**	**121,031**	**100.0**	**123,158**	**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.

As mentioned below, the Fund is in the process of changing its long term investment strategy; as a result, some of the existing holdings are outside the scope of the Statement of Investment Principles, which reflects the agreed new strategy. We are monitoring the implementation of the new strategy closely, and expect the holdings to come into line with the Statement of Investment Principles over time as the new strategy comes into place.

What is the Fund’s investment strategy?

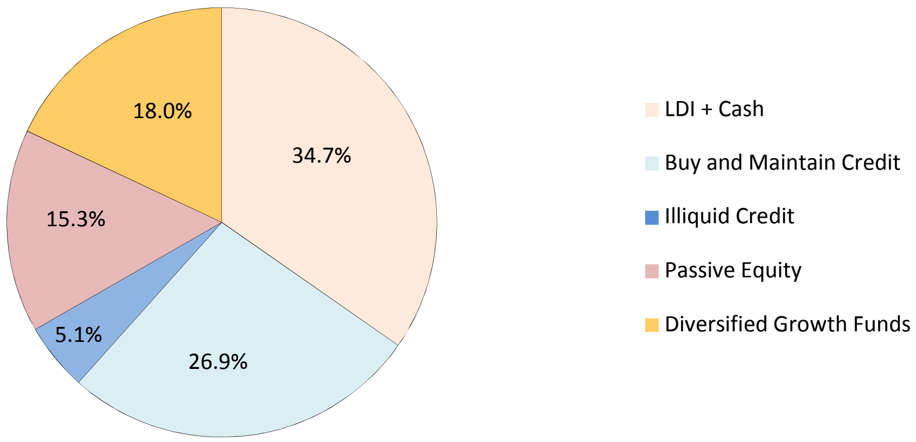
The strategic asset allocation as at the year-end is shown below. We consider alternative investment opportunities on a regular basis within overall investment policy requirements.

At the start of the year under review, the Trustee began implementing the interim investment strategy agreed in 2016. As a result the following changes were implemented:

- Two of the three Illiquid credit mandates began funding with the Insight mandate fully funded in the second half of the year. ICG have begun drawing down monies for their mandate whilst the funding of the M&G mandate commenced on 11 May 2018.
- The new mandates were funded via sales from the Fund’s legacy DGF holdings.
- The corporate bond allocation was reorganised, with transfers from the incumbent manger, BlackRock to two new Buy and Maintain credit mandates with Insight and Royal London Asset Management (“RLAM”).

Towards the end of the period under review the Trustee undertook a further review of investment strategy based on the preliminary results of the 31 January 2017 actuarial valuation. The Trustee agreed in principle to further de-risk the investment strategy further with implementation of the change to be carried out in 2018.

Asset Allocation as at 31 December 2017



Source: Mercer Limited
LDI - Liability Driven Investment
All figures reported as at 31 December 2017 representing the most up to date information at reporting.

The Fund currently invests with the following investment managers:

Diversified Growth	Passive Equity	Illiquid Credit	Buy and Maintain Credit	Liability Driven Investment (LDI) and cash
Baillie Gifford 8.7%	LGIM 15.3%	Insight 3.4%	Insight 13.2%	BlackRock 34.7%
BlackRock 9.3%		ICG 1.7%	RLAM 13.7%	
18.0%	**15.3%**	**5.1%**	**26.9%**	**34.7%**

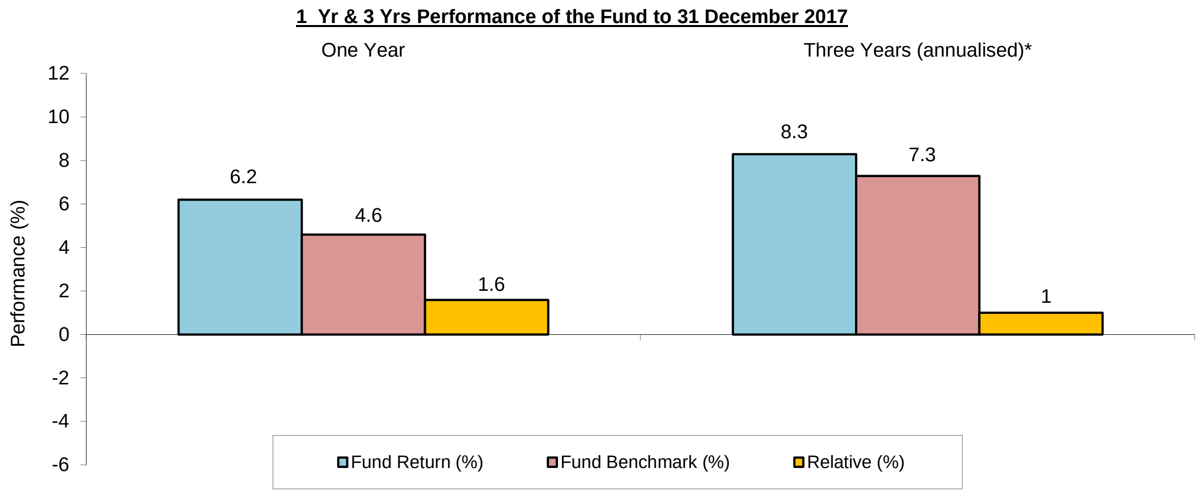
Percentages are of total Fund assets as at 31 December 2017.

Investment Performance

Investment performance is measured on a quarterly basis; all performance data is shown to 31 December 2017.

On an absolute basis, the fund value increased from £121.6m at 31 January 2017 to £123.9m at 31 January 2018. The performance of the Fund for the year to 31 December 2017 was 6.2% compared with the overall total fund monitoring benchmark of 4.6%.

The overall net of fees performance of Fund assets, over one and three years to 31 December 2017, is shown below:



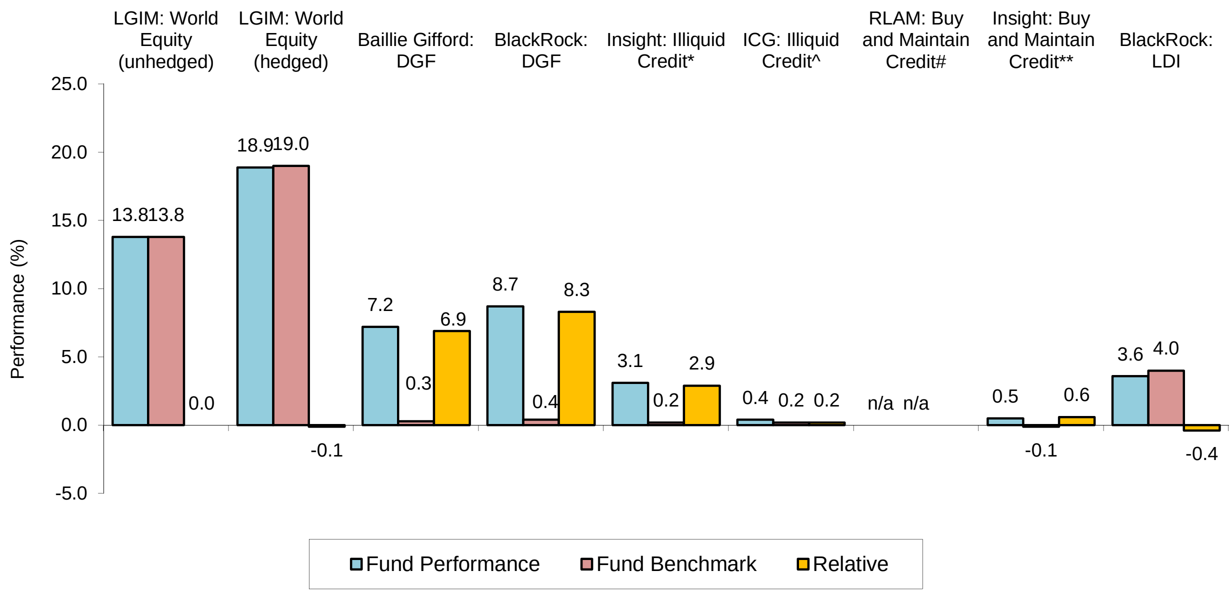
Source: Mercer Limited. 31 December 2017.

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

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:

- DGFs: benchmarks based on either the Bank of England UK Base Rate or the London Interbank Offered Rate (LIBOR)
- LGIM equities: to track the component equity indices
- Illiquid Credit: benchmarks based on LIBOR
- Corporate bonds: Markit iBoxx Sterling Non-Gilts Index (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 2017



Source: Mercer Limited

A number of the mandates were only funded over the year so the performance in the chart above for the following managers is from inception

^ ICG Illiquid Credit – inception 11/08/2017
* Insight Illiquid Credit – inception 30/06/2017
** Insight Buy and Maintain Credit – inception 31/08/2017
# RLAM Buy and Maintain Credit – the portfolio is held in a transition account while being constructed, therefore, no performance is available

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.

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 2018 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 16.

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

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Date: 18.07.18

Fund Account

for the year ended 31 January 2018

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.

Contributions and benefits	Note	**2018** £	**2017** £
Employer contributions	2	2,000,000	2,000,002
Transfers in	3	34,101	-
		2,034,101	2,000,002
Benefits paid or payable	4	(4,079,424)	(4,162,949)
Payments to and on account of leavers	5	(1,810,279)	(161,952)
		(5,889,703)	(4,324,901)
Net withdrawals from dealings with members		**(3,855,602)**	**(2,324,899)**
Return on investments			
Investment income	6	397,784	976,310
Extraordinary dividend	7	-	7,641,060
Change in market value of investments	9	5,919,144	8,862,665
Investment management expenses	8	(161,642)	(190,312)
Net return on investments		**6,155,286**	**17,289,723**
Net increase in the Fund		**2,299,684**	**14,964,824**
Net assets of the Fund as at 1 February		**121,550,307**	**106,585,483**
Net assets of the Fund as at 31 January		**123,849,991**	**121,550,307**

The notes on pages 27 to 39 form part of these financial statements.

Statement of Net Assets

(available for benefits) as at 31 January 2018

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	2018	2017
Investments	9	£	£
Investment Assets			
Pooled investment vehicles		107,509,461	103,600,644
AVC investments		581,425	561,961
Cash instruments		14,269,508	16,677,916
Cash deposits		6,367	7,131
Income due		219,245	178,414
Recoverable tax		4,986	4,986
Sales awaiting settlement		567,000	-
		123,157,992	121,031,052
Current assets	12	726,467	601,201
Current liabilities	13	(34,468)	(81,946)
Total net assets of the Fund at 31 January		**123,849,991**	**121,550,307**

The notes on pages 27 to 39 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 18 July 2018.

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 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.

	2018 £	2017 £
Deficit funding	2,000,000	2,000,002

In accordance with the recovery plan dated 30 April 2015, the employer is paying deficit funding contributions of £2,000,000 per annum, in monthly instalments, from 1 May 2015 to 30 April 2022.

3 Transfers In

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

	2018 £	2017 £
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.

	2018 £	2017 £
Pensions	3,493,716	3,528,739
Commutation and lump sum retirement benefits	565,272	621,074
Lump sum death benefits	20,436	13,136
	4,079,424	4,162,949

Pensions paid includes annuity pension paid of £65,893 (2017: £67,591).

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.

	2018 £	2017 £
Individual transfers to other schemes	1,810,279	161,952

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.

	2018 £	2017 £
Income from pooled investment vehicles	293,363	869,756
Income from cash instruments	39,292	41,628
(Loss)/Gain on exchange	(816)	2,918
Interest on cash deposits	52	299
Annuity income	65,893	67,591
Irrecoverable tax	-	(5,882)
	397,784	976,310

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 Extraordinary Dividend

In plain English – what does this show?	This note shows the amount of cash paid back to the Fund as a result of BlackRock increasing leverage in the LDI portfolio. by the Fund's LDI manager, BlackRock. We've set out more detail on why this happened below.

	2018 £	2017 £
LDI funds re-leveraging distribution	-	7,641,060

We invest in LDI funds which use "leverage" to increase the exposure of the Fund's assets to interest rates and inflation, in order to provide better protection against changes in the value of the Fund's liabilities. More detail on why we do this is given in note 11.

In this context, "leverage" means that for every £1 invested more than £1 of exposure is obtained to interest rates and/ or inflation, which allows the Fund to manage risk while also investing assets elsewhere to generate higher returns to meet future benefits. In the prior year, movements in markets meant that the level of leverage in the LDI funds fell. Lower levels of leverage mean that the LDI funds are less efficient, as less protection is provided per pound invested.

In the prior year, in order to return the levels of leverage back to target levels, BlackRock paid £7,641,060 back to the Fund through an extraordinary dividend but kept the levels of interest rate and inflation exposure the same, so the same level of protection was achieved but less assets were tied up doing so.

8 Investment management expenses

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

	2018 £	2017 £
Investment management fees	161,642	190,312

9 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 2017** £	**Purchases at cost** £	**Sales proceeds** £	**Change in market value** £	**31 January 2018** £
Pooled investment vehicles	9.1	103,600,644	44,374,447	(46,358,055)	5,892,425	107,509,461
AVC investments	9.2	561,961	-	(7,255)	26,719	581,425
		104,162,605	**44,374,447**	**(46,365,310)**	**5,919,144**	**108,090,886**
Cash deposits	9.3	7,131				6,367
Cash instruments	9.4	16,677,916				14,269,508
Income due		178,414				219,245
Recoverable tax		4,986				4,986
Sales awaiting settlement		-				567,000
TOTAL		**121,031,052**				**123,157,992**

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 of £629 (2017: nil) comprising of fees incurred. These costs are attributable as set out in the below table.

	Fees £	**Commission** £	**Stamp Duty** £	**Total 2018** £	**Total 2017** £
Pooled investment vehicles	629	-	-	629	-
2017	-	-	-	-	-

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.

9.1 Pooled investment vehicles

	2018 £	2017 £
Diversified growth	21,387,191	32,600,767
Bonds	59,818,088	58,679,008
Equity	19,421,155	12,320,651
Illiquid credit	6,882,823	-
Unquoted	204	218
	107,509,461	103,600,644

Concentration of investments

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

		2018 Market Value £	2018 Net assets %	2017 Market value £	2017 Net assets %
RLAM	RLPPC Buy & Maintain Transition Fund	16,772,966	13.5	-	-
Insight	Buy & Maintain Bond Fund	16,237,473	13.1	-	-
L&G	All World Eqty Indx GBP Hedged Fund	14,750,923	11.9	8,772,122	7.2
BlackRock	ICS INS GBP Liq Premier Shares	14,252,099	11.5	16,660,562	13.7
BlackRock	BIJF Dyn Diversified Gwth Fd I Acc Fund	11,569,674	9.3	10,628,195	8.7
Baillie Gifford	Diversified Growth Fund C Gross Ac	9,817,516	7.9	11,520,170	9.5
BlackRock	LMF GBP 2050 IL Gilt Flex	9,724,075	7.9	9,816,512	8.1
BlackRock	LMF GBP 2062 IL Gilt Flex	8,495,401	6.9	8,837,917	7.3
BlackRock	LMF GBP 2040 IL Gilt Flex	6,242,363	5.1	6,242,331	5.1
BlackRock	BIBF All Stocks Corp Bond A Fund	-	-	31,458,797	25.9
Standard Life	Global Absolute Return Strategies Fund	-	-	10,452,402	8.6

9.2 AVC investments

	2018 £	2017 £
Royal London (CIS) Limited	581,425	561,961

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.

9.3 Cash deposits

	2018 £	2017 £
Cash at investment managers	6,367	7,131

9.4 Cash instruments

	2018 £	2017 £
BlackRock – Institutional liquidity fund	14,269,508	16,677,916

10 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 2018	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	100,626,434	6,883,027	107,509,461
AVC investments	-	-	581,425	581,425
Cash deposits	6,367	-	-	6,367
Cash instruments	-	14,269,508	-	14,269,508
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**

At 31 January 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	103,600,426	218	103,600,644
AVC investments	-	-	561,961	561,961
Cash deposits	7,131	-	-	7,131
Cash instruments	-	16,677,916	-	16,677,916
Income due	178,414	-	-	178,414
Recoverable tax	4,986	-	-	4,986
TOTAL	**190,531**	**120,278,342**	**562,179**	**121,031,052**

11 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" 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.
- **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. Ensuring Investment in illiquid assets is kept to an appropriate level.

- "**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

- "**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.

11.1 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.

<u>Credit risk – cash:</u>

Cash is held within financial institutions which are at least investment grade credit rated. At year end, the total cash held is 0.45% of the Fund's total net assets (2017: 0.36%).

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 9.1. At year end,100% of invested assets were held in pooled investment vehicles (2017: 100%).

Indirect credit risk:

This indirect credit risk occurs in particular from the underlying investments held in the pooled Diversified Growth Funds, the Illiquid credit funds and the pooled buy and maintain credit fund that the Fund invests in (totalling 50% of assets at year end – 2017: 53%). 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. Within the Diversified Growth Fund pooled investment vehicles, the management of currency risk is delegated to the investment managers.

(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 69% 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 £195,000 for a change in interest rates of 0.01% (2017: £197,000). The Fund's liabilities would change by approximately £430,000 for a change in interest rates of 0.01% (2017: £437,000).

(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 £166,000 for a change in expected inflation of 0.01% (2017: £168,000). The Fund's liabilities would change by approximately £353,000 for a change in expected inflation of 0.01% (2017: £361,000).

At the year-end these assets made up 60.3% of the Fund's total investments (2017: 62.7%).

(v) Other risks

The Fund is also exposed to "other price risk", largely because of its investments in return seeking assets (which include equities and Diversified Growth Funds). Diversified Growth Funds invest in a broad range of assets including investments like equities, bonds, property, high yield credit, infrastructure, emerging market bonds, commodities, and insurance linked assets. 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 investing in a diverse portfolio of investments across various markets. The Fund has set a target of 21% of total Fund assets being held in growth investments. At the year end, the Fund's exposure to these assets was 38.8% of total assets (2017: 37.3%). The Fund expects to reduce this allocation further in 2018 when a de-risked strategy is implemented.

(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.

- **Leverage risk** – this is managed by regular reviews of the amount and nature of any leveraged investments made by the Fund's investment managers.

- **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.

12 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.

	2018 £	**2017** £
Contributions due:*	166,667	166,667
Cash balances:		
Current bank account	548,240	309,528
Administration bank account	10,118	123,621
Sundry debtors	1,442	1,385
	726,467	601,201

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

13 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.

	2018 £	**2017** £
Unpaid benefits	(20,728)	(36,771)
Investment manager fees due	(13,740)	(45,175)
	(34,468)	(81,946)

14 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. Further details on Trustee Directors remuneration can be found on page 6.

15 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.

16 Post year-end events

As a result of the implementation of the Fund's new investment strategy, the Fund continued to disinvest from the Baillie Gifford Diversified Growth Fund following the year-end, fully disinvesting on 27 April 2018. In total £10,342,686 was realised following the year-end. These funds were subsequently transferred to other investment managers for investment. The fair value of the Baillie Gifford Diversified Growth Fund at the year-end was £9,817,516.

The Fund also fully disinvested from the BlackRock Diversified Growth Fund on 25 April 2018, realising £11,430,278 of which £3,000,000 was transferred to RLAM and the remainder was retained by BlackRock for further investment. At the year-end, the fair value of the BlackRock Diversified Growth Fund was £11,569,508.

The Fund appointed M&G investments on 9 April 2018 to manage one of the three Illiquid credit mandates under the new investment strategy. £2,269,000 was transferred to M&G to fund the new M&G Illiquid Credit Opportunities Fund on 11 May 2018 from BlackRock.

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 2018 to which this statement is attached.

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

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 schedule 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 schedule of contributions.

Respective Responsibilities of Trustee and Auditor

As explained in the Statement of Trustee's Responsibilities in respect of Contributions on page 41, 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

Deloitte LLP
Statutory Auditor,
Birmingham, United Kingdom

Date 18.07.18

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 Schedule of Contributions in respect of the fund year ended 31 January 2018

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 2017 to 31 January 2018 under the schedule certified by the Fund Actuary on 30 April 2015. The auditor reports on contributions payable under the Schedule of Contributions in the Auditor's Statement about Contributions.

Contributions payable under the schedule in respect of the fund year	**£**
Employer:	
Deficit funding	2,000,000
Contributions payable under the schedule (as reported on by the fund auditor)	**2,000,000**
Reconciliation of contributions payable under the schedule of contributions to total contributions reported in the financial statements	
Contributions payable under the schedule (as above)	2,000,000
Total contributions reported in the financial statements	**2,000,000**

Signed for and on behalf of TCG Northern Trustees Limited on 18 July 2018.

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

Corporate Governance

"Corporate Governance" has historically referred to how equity managers approach their responsibilities as shareholders, in particular how they exercise their voting powers when holding equities. The Trustee believes that Corporate Governance encompasses all of their investments and should cover how all managers exercise their responsibilities as investors and how their investment processes manage risk and generate long term sustainable returns.

A brief summary of each of the Fund's investment managers' corporate governance policies, are set out below.

Baillie Gifford Life Limited

Baillie Gifford has adopted as its global principles, the Principles of Corporate Governance developed by the Organisation for Economic Co-operation and Development (OECD). The OECD Principles represent a concise statement of minimum corporate governance standards that are appropriate for most markets and which underpin its views on a global approach to corporate governance. Since their publication, they have received widespread support from institutional investors and they have been adopted and expanded upon by the International Corporate Governance Network, of which Baillie Gifford is a member.

Baillie Gifford looks to have confidence in the quality and integrity of management. Consequently, its investment process involves keeping in touch with company management, learning how it plans to take the company's business forward, and seeking to understand its goals and attitude towards shareholders. Where the formal aspects of a company's corporate governance fall short of our guidelines and this is not fully supported by its circumstances, Baillie Gifford encourages improvements through engagement with companies. This ranges from letters of concerns through to face-to-face meetings with management and, where appropriate, they will vote against company management recommendations which are not in its clients' best interests. Baillie Gifford's Company ESG and Engagement policy and quarterly engagement and voting reports are available from its website.

BlackRock Investment Management (UK) Ltd

BlackRock recognise that accepted standards of corporate governance differ between markets, but they believe that there are sufficient common threads globally to identify an overarching set of principles. The primary objective of their investment stewardship activities is the protection and enhancement of the value of their clients' investments in public corporations. Thus, these principles focus on practices and structures that they consider to be supportive of long-term value creation, including:

- Ensuring strong and effective Boards and directors;
- Encouraging complete and accurate financial statements;
- Making sure that Boards provide clear strategic and economic rationales to support mergers and other transactions;
- Ensuring appropriate executive remuneration, aligned with shareholders' interests;
- Encouraging effective identification, reporting and management of environmental and social aspects of investee company businesses; and
- Promoting good general corporate governance, including timely and detailed financial reporting for investee companies.

Legal & General Investment Management ("LGIM")

LGIM aims to enhance and protect investor value on behalf of clients through its engagement and voting activity. LGIM engages on a range of Environmental, Social, Governance (ESG) and Financial issues and integrates all components where appropriate across all asset classes. They engage with companies both directly and collaboratively with other investors to reduce risks of corporate failure and promote best practices. Additionally, they work with key decision-makers such as governments, regulators and other stakeholders to ensure that key areas impacting sustainable long-term value are recognised and addressed. LGIM votes in all major developed and emerging markets and publishes it full voting record on its website to assist both companies and stakeholders. LGIM complies with the principles set out in the UK Stewardship Code and is a signatory to the UN Principles of Responsible Investment.

Insight Investment Management (Global) Limited ("Insight")

Insight Investment (Insight) believes strong governance practices and management of environmental and social risks are important drivers of investment value over the short and the long term. Insight also believes that delivering sustainable investment returns is dependent on efficient and well-managed financial markets, and stable and transparent social, environmental and economic systems.

Their objective is to achieve superior investment returns over clients' expected time horizons. Insight considers responsible investment to contribute towards this goal through providing investment solutions that deliver quality and excellence; managing financial and nonfinancial risks for clients; and operating to high ethical and professional standards.

Insight considers responsible investment as central to its investment activities, to its culture, to its relationship with clients and interaction with stakeholders. To deliver on these objectives, Insight:

1. Takes account of financially material short and long-term risk factors in its investment research and decision-making processes. These risk factors may include environmental, social and governance (ESG) issues.
2. Exercises its stewardship role in the companies and other entities in which it invests. Insight believes that good stewardship can create investment opportunities and reduce investment risk. Insight therefore engages with management to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. Insight also votes on shareholdings.
3. Support efforts that seek to improve the operation, resilience and stability of financial markets. This includes sustainable economic development and health of the natural environment.

Royal London Asset Management ("RLAM")

RLAM takes its Stewardship responsibilities seriously, and they are committed to upholding high standards of corporate governance at the companies we invest in. They have dedicated significant resources to implementing their stewardship activities which is led by a specialist Responsible Investing team and supported by their fund managers and credit research analysts. RLAM's commitment to being a long-term steward of their clients' assets is outlined in their Responsible Investment Policy which describes their general approach to responsible investing across each of their asset classes. They vote their proxies and regularly engage with management and board directors on environmental, social and governance (ESG) issues.

For fixed income funds, their in-house Responsible Investment team works closely with their credit research team to ensure ESG analysis is both useful and relevant in a credit context, and to take into consideration the structure and protections built into the security they are evaluating. This is in keeping with their long-established credit research process, which focuses on the sustainability of borrowers' balance sheets, with a particular emphasis on credit-enhancing protections. In practice, this means they will consider the corporate governance risks specific to each security when making their investment decisions. They will also vote at bondholder meetings and may engage with investee companies on governance issues. For example, in 2016 and 2017 RLAM engaged with several housing associations to suggest improvements to corporate governance practices.

Intermediate Capital Group ("ICG")

ICG believe that environmental, social and governance (ESG) factors can positively contribute to investment performance, as well as contributing to help build a more stable, sustainable and inclusive global economy. ICG has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 12th April 2013. Implementing UNPRI Principles means that ICG:

- Promotes responsible, sustainable business practices and investment strategies in all their business decisions and the companies they invest in
- Delivers social, environmental and economic benefits, that enhance long-term performance through an understanding of how ESG issues affect their business and their investments
- Mitigates potential risks and liabilities, as well as identifies opportunities
- Measures and reports on these benefits to their investors and stakeholders
- Encourages the companies they invest in to be responsible towards their own stakeholders

At ICG the opportunity to fully understand the ESG implications of an investment and exert influence are largely at the time of initial investment. Through various training modules and input from the Responsible Investment Committee, ICG's investment executives are provided the skills necessary to identify and investigate ESG issues during the pre-investment stage of an investment, specifically through:

- ESG checklists provided to the investment teams for completion during the early stage of investment due diligence
- ESG sections have been incorporated into all Investment Proposals so the Investment Committee is able to make a judgement on ESG considerations during the investment process
- Specialist ESG due diligence can be carried out by third party consultants as and when further investigation is needed
- In certain cases ICG's Responsible Investment Committee will require investment executives to complete ESG case studies following an investment

Where ICG has significant influence in the ownership structure or capital structure of companies they will engage with them to ensure they deliver high levels of corporate responsibility. There are a number of ways ICG help portfolio companies focus on ESG issues, including:

- Ongoing discussion with management about ESG issues within the business, or potential ESG issues in the future.
- ICG ask investee companies to disclose to us how they factor ESG into their day to day business activities.

- Ongoing monitoring of ESG risks within a business through ICG's annual ESG questionnaire.
- Adding ESG to the agenda of board meetings.