UNITED NORWEST CO-OPERATIVES EMPLOYEES' PENSION FUND

Financial Statements
For Year Ended 31 January 2022

PENSION SCHEME REGISTRY NO. 10000210

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 which, 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 Member Nominated Directors (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 United Norwest Co-operatives Employees' Pension Fund
Funds	The Fund and the Yorkshire 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.
MNDs	Member-nominated Directors of the Trustee. These are Directors of the Trustee who have been chosen by and from the Fund's Closure Members and Pensioners.
Pensioner MNDs	MNDs appointed from the Funds' Pensioners.

Pensioners	Members of the Fund whose benefits have come into payment.
PSLT	The Co-op’s People Service 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 Pensions Department, 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.
Yorkshire Fund	The Yorkshire Co-operatives Limited Employees’ Superannuation Fund

Trustee Directors & Advisers

TCG Northern Trustees Limited is appointed by the Co-op as the Trustee to manage the Fund. We were also the Trustee of the Yorkshire Fund. A transfer of the Yorkshire Fund's assets and liabilities to the Group Section of the Co-operative Pension Scheme (Pace) was concluded on 12 March 2021 and the Deed of Termination to wind up the Yorkshire Fund was signed on 27 January 2022.

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)
- Independent Trustee Services Limited (via Chris Martin) (Co-op Appointed Director)
- Christopher Moss (Closure MND)
- Carol Kestin (Co-op Appointed Director)
- David Brighouse (Closure MND)
- Alex Price (Co-op Appointed Director, appointed from 10 May 2021)

Which Trustee Directors left?

- Terrence Auckland (Appointment ended 12 March 2021)

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 our 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 PSLT. 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 11 December 2019 to negotiate the 31 January 2020 actuarial valuation of the Fund. It remained in place until the 2020 valuation negotiations were finalised. The Valuation Committee was disbanded with effect from 25 March 2021.

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 PSLT. Tom Taylor, of the Co-op's Pensions Department, 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 various Committee meetings and meetings with the sponsor). In addition, if the Independent Trustee Director is asked to attend additional meetings e.g. additional 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 also for the Yorkshire Fund until 27 January 2022.

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

For enquiries about the benefit entitlement please contact:

Mercer Limited
4 St Paul's Square
Old Hall Street
Liverpool
L3 9SJ

Online enquiry hub: https://contact.mercer.com/blue

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	Interpath Advisory (formerly KPMG LLP, contract novated) (19 March 2021)
Investment Consultant	Mercer Limited
Investment Managers	BlackRock Investment Management (UK) Limited Insight Investment Management (Global) Limited Intermediate Capital Group plc Legal & General Investment Management Limited M&G Investments Natixis Investment Managers (parent company of Mirova) (appointed 1 December 2021) Royal London Asset Management Limited
Legal advisers	Eversheds Sutherland 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 2022. The financial statements (set out on pages 30 to 48) 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 20 to 25 and the report on actuarial liabilities set out on pages 11 and 12 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 31 August 2007, and closed to future accrual on 6 October 2012. The Fund is constituted by:

(a) A Trust Deed dated 5 April 1993; and

(b) Rules dated 13 June 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 2022

	31 Jan 2021	Additions	Retirements, leavers and pensions ceasing	Deaths	31 Jan 2022
Closure Members	**316**	-	(51)	(1)	**264**
Deferred Members	**4,055**	33	(454)	(11)	**3,623**
Pensioners	**4,367**	512	(1,099)	(146)	**3,634**
Total	**8,738**	**545**	**(1,604)**	**(158)**	**7,521**

The membership statistics reflect the outcome of a trivial commutation exercise which was completed in Q4 2021.

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. No transfers were reduced to less than their full cash equivalent value during the year.

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

With effect from 1 April 2021, pensions in payment (in excess of the guaranteed minimum pension, if applicable) as at 1 April 2021 were increased by 1.2% (except the pensions of former members of the United Co-operatives Dairies Pension Fund). This increase was in line with the annual increase in the Retail Price Index (RPI) at December 2020.

The pensions in payment of the former United Co-operative Dairies Pension Fund members were increased by a rate of 5% which is fixed in accordance with the arrangements existing at the time that the United Co-operative Dairies Pension Fund was closed in 1991.

Guaranteed Minimum Pensions (GMP) arise in respect of periods of service when a contributing member was contracted-out of the State Second Pension arrangements prior to 6 April 1997. GMPs in the Fund are increased in line with statutory requirements. This means they were increased in line with the annual increase in the Consumer Prices Index (CPI) at September 2020. The CPI increased by 0.5% in the year to September 2020, and so a 0.5% increase was applied to the GMP.

Deferred pensions for leavers prior to 1 January 1986 are increased by a fixed rate of 3% per annum during deferment and in respect of leavers since then by 5% per annum, or in line with the increase in the RPI if lower over the whole period of deferment.

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 2020. The recovery plan contributions payable by the Co-op are as follows:

- £33.7m p.a. (payable monthly) was paid from 1 February 2020 to 30 June 2020.

- £25m p.a. (payable monthly) was paid from 1 July 2020 to 24 March 2021 (£15.9m p.a. under the Recovery Plan agreed following the 2017 actuarial valuation, and a discretionary additional payment of £9.1m p.a.).

- £15.9m p.a. (payable monthly) payable from 25 March 2021 to 30 September 2023.

These contributions are contingent on the Fund remaining underfunded on the Technical Provisions basis. The Fund Actuary will monitor the funding level monthly (using the last day of the month) and if these monthly updates indicate that at two consecutive months' end dates the Fund is fully funded against the Technical Provisions, then the deficit contributions set out above will cease with effect from the first day of the following month. For the avoidance of doubt, any contribution that has fallen due on the second of the two consecutive month end dates will still be paid. The Co-op will continue to pay contributions to the Fund to meet the costs of the Fund's PPF levies and expenses or the Co-op will put in place arrangements to meet these expenses directly.

In the event that deficit contributions cease under the above condition, the Fund Actuary will continue to monitor the funding level monthly (using the last day of the month) on the Technical Provisions basis. If these updates indicate that at two consecutive month end dates the Fund is in deficit against the Technical Provisions, then the deficit contributions set out above will recommence with effect from the first day of the following month at the levels set out above. For the avoidance of doubt, no contribution will be deemed to have fallen due on the second of the two consecutive month end dates.

The cessation of contributions outlined above will not apply if the Trustee has received confirmation from their covenant advisor 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 the effective date the contributions ceased, at the conclusion of which a revised Schedule of Contributions will be put in place.

The Trustee will generally meet the regular administrative expenses and PPF levies of the Fund, unless they relate to specific terms where the Trustee and Co-op have agreed that the Co-op will meet the expenses directly or if the Trustee and Co-op agree a different approach in writing. As part of the 31 January 2020 valuation, it was agreed that the Co-op will continue to make an additional contribution to the Fund of £1.5m per annum in respect of the Fund's regular administration expenses and PPF levies which will be met by the Fund.

These contributions are in accordance with the Schedule of Contributions certified by the Actuary on 25 March 2021.

Discretionary Contributions

In addition to the contributions required under the Schedule of Contributions, the Co-op has been paying additional discretionary contributions of c£9.1m p.a.

Following the Q3 2021 Trustee meeting a dialogue took place between representatives of the Co-op and the Board to discuss the cessation of these discretionary contribution payments to the Fund.

The Board noted the Co-op's decision to cease the discretionary contribution payments with immediate effect, reserving the Trustee's position to revisit the payment of discretionary contributions in future should a need arise.

The final monthly discretionary payment for the 2021/22 Fund year was received by the Fund on 10 September 2021.

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 2020, 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 90% as at 31 January 2020 on the agreed on-going funding basis.

The Trustee and the Co-op agreed a Recovery Plan and Schedule of Contributions on 25 March 2021. These documents confirm the Co-op has agreed to pay contributions as outlined in the contributions section above. In addition to the required contributions, the Co-op has also paid discretionary contributions for a period but as noted above the discretionary contributions have now ceased.

The next actuarial valuation of the Fund will take place as at 31 January 2023 and the results of this valuation will be communicated to all members of the Fund in 2024.

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 2020.

This showed that on that date:

The value of the Technical Provisions was:	£813 million
The value of the assets at that date was:	£732 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).

- Future Consumer Price inflation (CPI): derived from the assumption for future RPI less an adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. On 25 November 2020 the Government responded to the RPI reform consultation and confirmed that RPI will increase in line with CPIH from 2030. To allow for this change, it was assumed for the purpose of the 31 January 2020 valuation that the appropriate adjustment will be a deduction of 1.1% per annum up to 2030 and nil thereafter.

- Pension increases: in line with the provisions in the Fund's rules, pension increases are either fixed rate or based on RPI or CPI (with a cap and floor applied). The assumption for the rate of pension increases applying to each benefit tranche is 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. No additional allowance has been made 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 S3PA ("SAPS") Year of Birth tables (standard for male and middle for female) with weightings of 107% for male pensioners and 111% for male non-pensioners. The weighting for female pensioners is 104% and non-pensioner members is 106%. Future improvements in life expectancy are based on the CMI 2019 model with a long term improvement rate of 1.5% p.a., a smoothing parameter of sk=7.5 and no additional improvement parameter.

Fund Changes during the Year

A resolution was made to amend the Rules of the Fund on 10 March 2021. The purpose of the resolution was to alter the Rules in order to:

- Allow all Deferred Members and Deferred Closure Members to begin receiving their Fund pension after their Normal Retirement Date if they choose to do this and the Trustee agrees. Closure Members already have the option to retire late if the Co-op agrees.
- Change the rules which currently (in very limited circumstances) can prevent Closure Members, Deferred Closure Members and Deferred Members from transferring certain benefits out of the Fund to another pension arrangement. Following the change, these members are able to transfer all their benefits if they wish to do this, if the transfer requirements are met.

- Introduce an explicit discretion for the Trustee to pay certain Additional Voluntary Contributions (AVCs) as a lump sum. However, there may still be circumstances where some AVCs cannot be paid as a lump sum.
- Reflect the introduction of civil partnerships between people of the opposite sex. These partners will receive the same survivor's benefits from the Fund as same-sex civil partners.
- Remove a requirement to certify the proportion of transferring assets which is represented by member contributions. This requirement reflects legislation that is no longer in force, and its removal will enable future improvements to the services offered to members to support decision-making at retirement.
- Enable members and dependants receiving a small pension to choose to exchange it for a one-off lump sum payment. Currently, a 'small pension' is one with a value of up to £10,000, or up to £30,000 if all pensions the member has in registered pension schemes (including the Fund) are taken into account. Due to legal restrictions, this option won't be available for all members and dependants.

There have been no further changes to the Rules of the Fund during the year to 31 January 2022.

Covid-19

Since January 2020 the effects of Covid-19 have adversely affected the global economy and may continue to do so, thereby negatively impacting the Fund's investment return and the fair value of investments during the Fund's accounting year.

The Trustee continues to assess the impact of the Covid-19 pandemic. However, given the relatively high levels of interest rate and inflation protection in place, together with the low exposure to growth assets and the diversification of the Fund's assets both by asset class and geography, the Trustee is comfortable that the investment strategy remains appropriate.

The Trustee has no significant concerns about the covenant of the Co-op's key businesses and considers that the going concern basis remains the appropriate basis for the Fund's accounts.

GMP Equalisation

In October 2018 and late 2020 the High Court gave its judgments regarding the equalisation of pensions for men and women, the 2020 judgement specifically dealing with historic transfers. The judgments affect Guaranteed Minimum Pension ('GMP') built up in any UK pension scheme which was contracted out of the State Second Pension between 17 May 1990 and 5 April 1997. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee has considered the next steps in relation to equalising for the effect of GMPs and has taken advice. The Fund now provides equalised transfer values and trivial commutation payments. Consideration of equalising for the effect of GMPs for retired scheme members, as well as future retirees, is still underway, as is the consideration of historic transfer outs from the Fund. Under the ruling schemes are required to backdate benefit adjustments in relation to equalising for the effect of unequal GMPs and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Russia and Ukraine

In the early hours of 24 February 2022, Russia invaded Ukraine. This led to volatility in financial markets with share prices around the world falling, and had a significant impact on oil and gas prices at a time when inflation in the UK was already high. The invasion also led to economic sanctions against Russia, and significant restrictions on trading of Russian investments.

The Fund’s relatively low risk investment strategy meant that investments in Russia and in Russian companies were already limited. United had no direct exposure through segregated mandates, and a limited holding through the pooled Legal & General Future World Emerging Market Equity Index Fund (as at 23 February 2022, less than 2% of the emerging market fund was exposed to assets with a “country of risk” of Russia, Ukraine or Belarus, or was exposed to the Rouble – this equates to c. 0.03% of United’s total assets).

Solactive, the provider of the index that the Future World Emerging Market Equity Index fund tracks, took the decision to remove Russian equities from their indices at a price of zero at close of business 9 March 2022; L&G had already taken the decision to place a fair value on these holdings of zero with effect from 2 March 2022. The Trustee continues to monitor the impact of market volatility on its assets and funding position.

Financial Development of the Fund

During the year ended 31 January 2022 the net assets of the Fund decreased from £791.6m to £785.8m.

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 Fund’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: 21/07/2022

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.
Asset Backed Securities	An Asset Backed security is the term given to a bond, whose value is derived from a pool of underlying assets which together generate income and collateralise the specific pool. Examples include a pool of mortgages or credit card debt.
Benchmark	An appropriate and relevant "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 with low default risk that can 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.

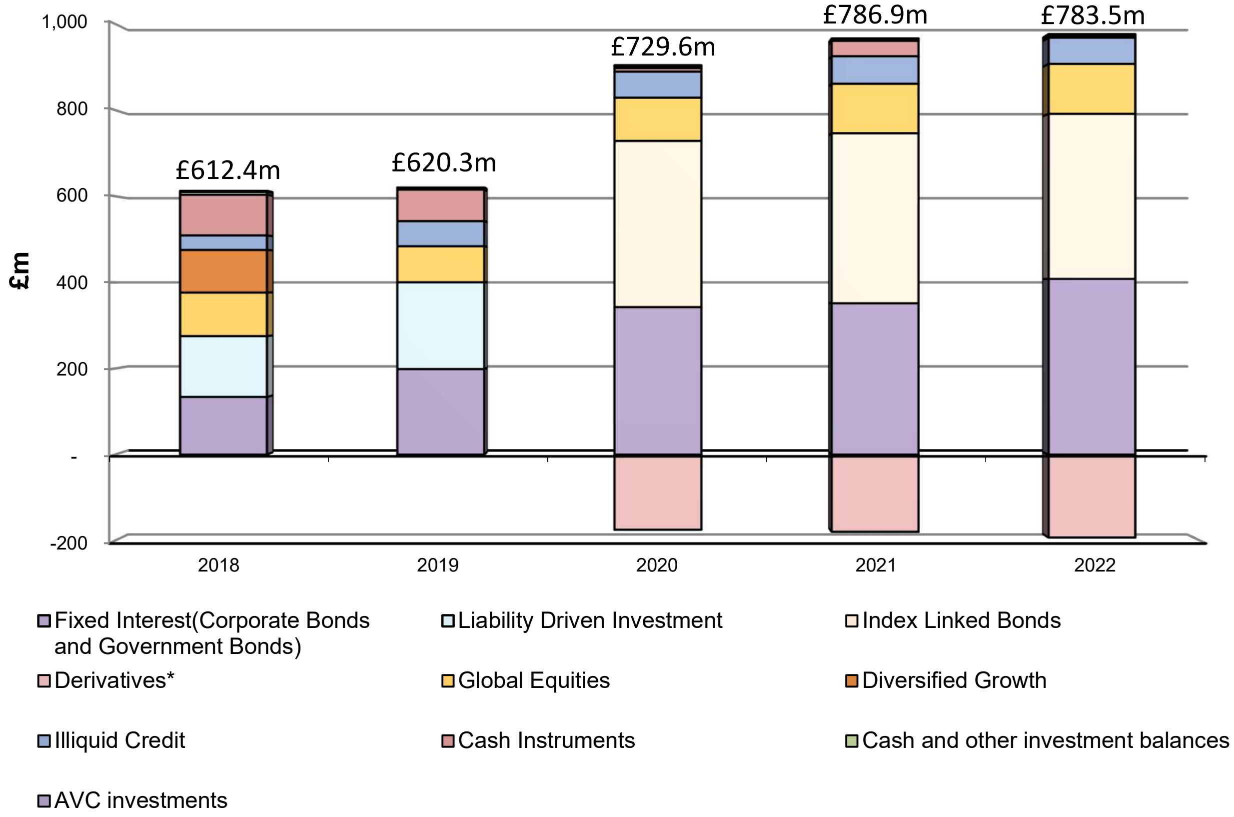
Equity	An investment in the form of shares in companies (also known as stocks). Owning shares makes shareholders part owners of the company in question and usually entitles them to a share of the profits (if any), which are paid as dividends. An investor does not have direct ownership rights if investing 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.
Gilt repurchase agreement ("gilt repo")	A transaction used to finance ownership of a bond. In a 'repo' agreement, a government bond is sold with a combined agreement for it to be repurchased in the future at an agreed price. This process is used to raise ready money and is backed by the sold asset. This allows a pension scheme to access bond investments in an efficient way, allowing it to increase interest rate and inflation protection through leverage in an LDI portfolio.
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.
Segregated	Where assets are legally owned by a pension scheme rather than a pooled fund, and 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.
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 investment categories held by the Fund at each year end.



	2018		2019		2020		2021		2022	
	£000	%	£000	%	£000	%	£000	%	£000	%
Fixed Interest (Corporate Bonds and Government Bonds)	133,903	21.9	198,589	32.0	342,444	46.9	351,538	44.7	408,178	52.1
Liability Driven Investment	141,371	23.1	201,577	32.5	-	-	-	-	-	-
Index Linked Bonds	-	-	-	-	385,893	52.9	394,672	50.2	382,954	48.9
Derivatives*	-	-	-	-	(174,257)	(23.9)	(179,204)	(22.8)	(192,522)	(24.6)
Global Equities	101,232	16.5	83,563	13.5	100.349	13.8	114,875	14.6	115,843	14.8
Diversified Growth	98,901	16.1	-	-	-	-	-	-	-	-
Illiquid Credit	33,562	5.5	58,557	9.4	60,344	8.3	63,922	8.1	60,855	7.8
Cash Instruments	94.548	15.4	73,171	11.8	8,348	1.1	35,579	4.5	3,380	0.4
Cash and other investment balances	6,472	1.1	2,333	0.4	4,295	0.6	3,266	0.4	2,608	0.3
AVC investments	2,385	0.4	2,541	0.4	2,229	0.3	2,211	0.3	2,176	0.3
TOTAL	**612,374**	**100.0**	**620,331**	**100.0**	**729,645**	**100.0**	**786,859**	**100.0**	**783,472**	**100.0**

*Repurchase agreements included within derivatives

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. The Statement of Investment Principles was last updated in September 2021.

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.

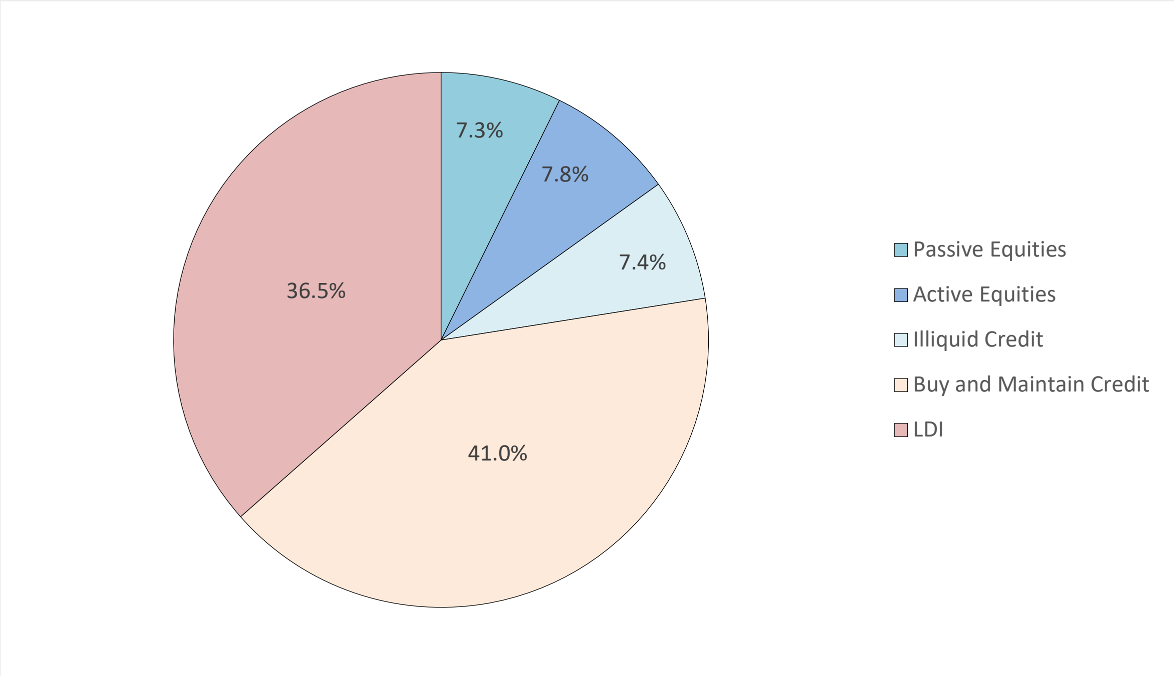
A number of changes to the investment strategy were implemented over the course of the year:

- In September 2020, the Trustee agreed to put the ICG secured finance mandate into run-off. As a result, since January 2021 the Fund has started to receive the return of capital along with the quarterly income payment.

- In July 2021, the Trustee reviewed their current investment strategy and agreed to implement a new strategy with a lower risk level. The revised investment strategy reduced the Fund's allocation to the LDI mandate by 7.5% of total assets; increased the Buy and Maintain credit mandates by 7.5% (split equally between the Royal London Asset Management ("RLAM") and Insight mandates); and, agreed to move the proceeds from the run-off from the ICG secured finance mandate to the Buy and Maintain credit mandates.

- In December 2021, the Trustee appointed Mirova to manage a new active Sustainable Global Equity mandate. The Mirova mandate is actively managed and ESG principles are fully embedded within the investment process. In building the portfolio, there is a focus on thematic views, and Mirova's opinion on ESG risks and alerts on potential human rights breaches.The allocation to Mirova accounts for c.50% of the Fund's overall equity allocation (c7.0% of total assets).

Asset Allocation as at 31 December 2021



Source: Respective Investment Managers
LDI - Liability Driven Investment
All figures reported as at 31 December 2021

The Fund currently invests with the following investment managers:

Passive Equity	Active Equity	Illiquid Credit	Buy and Maintain Credit	Liability Driven Investment (LDI) and cash
LGIM 7.3%	Mirova 7.8%	Insight 2.9%	RLAM 20.5%	BlackRock 36.5%
		ICG 1.9%	Insight 20.5%	
		M&G 2.6%		
7.3%	**7.8%**	**7.4%**	**41.0%**	**36.5%**

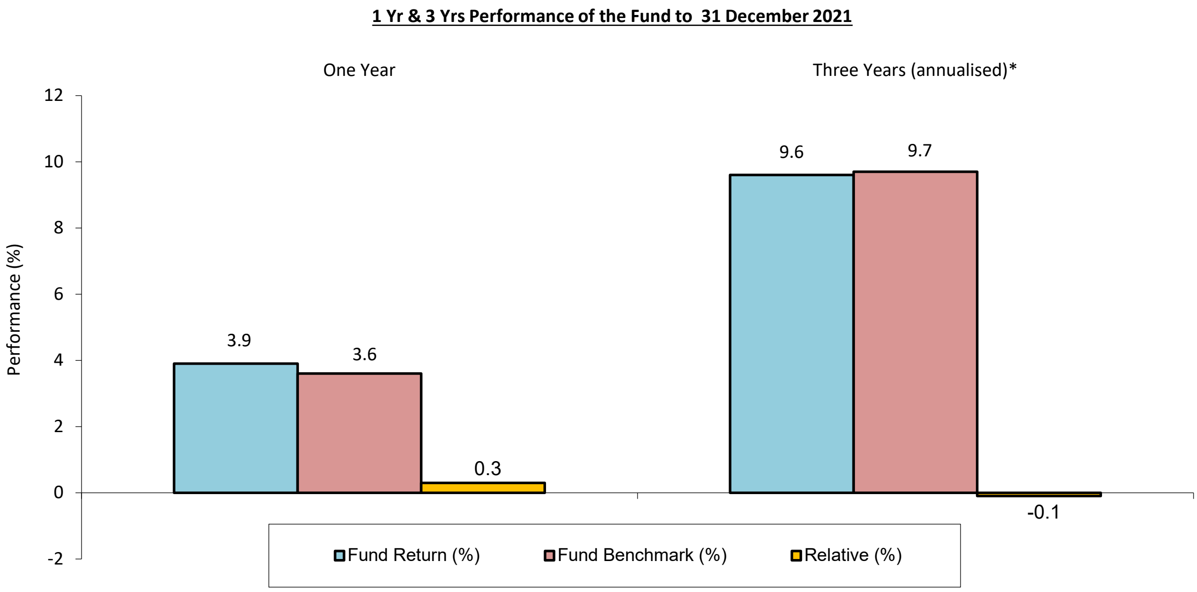
Percentages are of total Fund assets as at 31 December 2021.

Investment Performance

Investment performance is measured on a quarterly basis; all performance data is shown to 31 December 2021.

On absolute basis, the value of Fund's assets decreased from £791.6m on 31 January 2021 to £785.8m on 31 January 2022. Looking over the calendar year, the performance of the Fund for the year to 31 December 2021, gross of investment managers' fees, was 3.9% compared with the overall total fund monitoring benchmark of 3.6%.

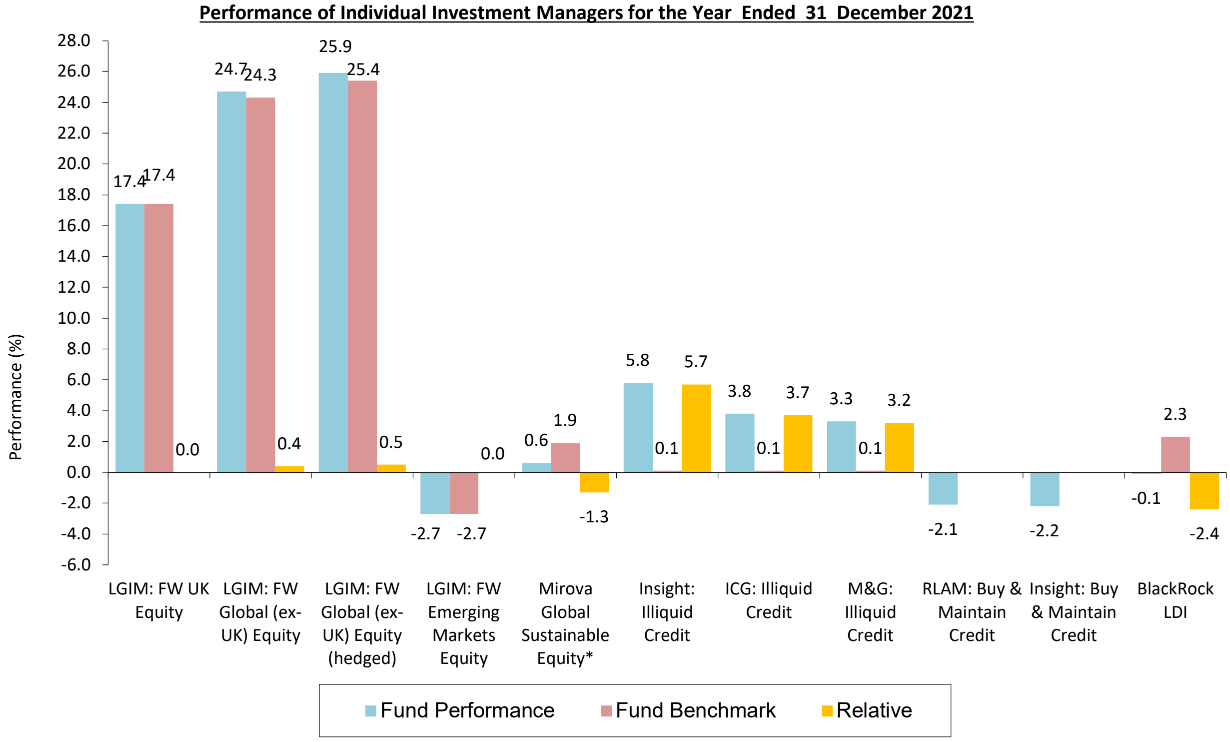
The overall performance of Fund assets, over one and three years, is shown below:



Source: Performance estimated by Co-op Pensions Department ("CPD") using performance provided by the underlying investment managers to 31 December 2021 (the latest available reporting data).
*Includes the performance of terminated mandates.

The performance of the individual investment managers is shown below. The benchmark assigned to each individual manager is based on the particular strategy or asset class that they invest and therefore different to the overall Fund benchmark. The benchmarks for each manager are as follows:

- LGIM equities: to track the component equity indices
- Mirova active equities: to outperform the MSCI World Index
- Illiquid Credit: benchmarks based on LIBOR/SONIA
- BlackRock LDI: to match changes in the profile of the liabilities



Source: Respective Investment Managers

* Performance for Mirova is shown from inception of the mandate – 1 December 2021.
Please note that the Buy and Maintain Credit funds with Insight and RLAM do not have formal performance benchmarks.

Custodial arrangements

We have invested with seven investment managers across a number of different mandates as shown on page 22. The Fund has a segregated corporate bond mandate managed by RLAM and a segregated LDI mandate with BlackRock (where the Fund directly owns the underlying investments), for which we have appointed Bank of New York Mellon as an independent custodian. The other five managers manage pooled funds which appoint their own custodians.

Responsible Investment and Corporate Governance

The Trustee has a Responsible Investment Policy which is reviewed annually. 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 United's investment managers' performance on ESG issues, engagement with investee companies, consideration of and participation in third party ESG initiatives and public disclosure of United'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 is not expected to have material financial detriment.

The Trustee will apply these considerations in setting the Responsible Investment ("RI") Policy, with the Trustee assessing members' likely concerns (as far as this is practically possible) through engagement with members and through engagement with the Co-op when developing the Policy.

At the time of writing, the RI Policy reflects three broad Responsible Investment issues which the Trustee believes represent particular risk to the Fund and which the Trustee believes can be addressed. As the RI Policy is kept under regular review, (at least annually) the issues identified may change over time. These issues are:

- Protection of the environment.
- Labour conditions and equal pay.
- Corporate Governance.

The Trustee seeks to address these issues in a number of ways. For example, c50% of the Fund's equity assets are invested in an active equity fund managed by Mirova. Mirova's mandate is to focus on long term sustainability by integrating ESG at all levels of the investment process including active ownership and engaging with the underlying companies. The remaining c50% of the Fund's equity investments are invested in the LGIM Future World Funds which have tilts towards companies with positive ESG scores.

The Trustee also applies a specific exclusion list of stocks for the segregated investment grade credit mandate to restrict investment in companies identified as conflicting with the Trustee's aims under these issues.

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.

Investment Managers are asked to report to the Investment Committee on the issue of Responsible Investment. In addition, the Investment Committee monitors how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.

As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's Responsible Investment policy. This includes the investment managers' policy on voting and engagement.

In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.

The Fund's equity managers are both expected to report on their adherence to the UK Stewardship Code on an annual basis.

Independent Auditor's Report to the Trustee of the United Norwest Co-operatives Employees' Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of the United Norwest Co-operatives Employees' Pension Fund (the 'Fund'):

- show a true and fair view of the financial transactions of the Fund during the year ended 31 January 2022 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 which comprise:

- the fund account;
- the statement of net assets available for benefits; and
- the related notes 1 to 17.

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 Financial Reporting Council's (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 United Norwest Co-operatives Employees' Pension Fund (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities on page 15, 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.

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Independent Auditor's Report to the Trustee of the United Norwest Co-operatives Employees' Pension 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Fund's industry and its control environment, and reviewed the Fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Fund's ability to operate or to avoid a material penalty. These included the Fund's regulatory requirements.

We discussed among the audit engagement team, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent Auditor's Report to the Trustee of the United Norwest Co-operatives Employees' Pension Fund (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittee meetings, and reviewing correspondence with the Pensions Regulator.

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
Belfast
United Kingdom

Date: 27 July 2022

Fund Account

for the year ended 31 January 2022

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	**2022** £	**2021** £
Employer contributions	2	22,708,333	30,125,000
Benefits paid or payable	3	(34,261,621)	(18,351,863)
Payments to and on account of leavers	4	(3,553,900)	(1,868,547)
Administrative expenses	5	(1,037,494)	(844,898)
Pension Levies	6	(179,583)	(487,109)
		(39,032,598)	**(21,552,417)**
Net (withdrawals)/additions from dealings with members		**(16,324,265)**	**8,572,583**
Return on investments			
Investment income	7	20,392,708	9,454,745
Change in market value of investments	9	(8,959,975)	40,521,151
Investment management expenses	8	(931,084)	(748,631)
Net return on investments		**10,501,649**	**49,227,265**
Net (decrease)/increase in the Fund		**(5,822,616)**	**57,799,848**
Net assets of the Fund as at 1 February		**791,640,323**	**733,840,475**
Net assets of the Fund as at 31 January		**785,817,707**	**791,640,323**

The notes on pages 32 to 48 form part of these financial statements.

Statement of Net Assets

(available for benefits) as at 31 January 2022

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.

Investments	Note 9	**2022** £	**2021** £
Investment assets			
Bonds		627,681,273	617,105,569
Pooled investment vehicles		343,528,633	343,480,282
Derivatives		135,293	-
AVC investments		2,176,105	2,211,727
Cash deposits		417,265	1,732,048
Income due		2,216,950	1,964,741
Sales awaiting settlement		101,983	-
Cash in transit		366,053	-
Investment liabilities			
Amounts due under repurchase agreements		(192,657,121)	(179,203,899)
Purchases awaiting settlement		(494,557)	(431,306)
		783,471,877	786,859,162
Current assets	13	3,096,036	5,474,877
Current liabilities	14	(750,206)	(693,716)
Total net assets of the Fund as at 31 January		**785,817,707**	**791,640,323**

The notes on pages 32 to 48 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 pages 11 and 12 of the Annual Report and these financial statements should be read in conjunction with them.

The Trustee approved these financial statements on 21/07/2022.

Signed for and on behalf of TCG Northern Trustees Limited:

Russell Gill
Chair

Tom Taylor
Secretary

Notes to the Financial Statements

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 (2018).

1.2 Identification of the financial statements

The Fund is established as a trust under English law. The address for enquiries to the Fund is Co-operative Group Limited, Pensions Department, Department 10406, 1 Angel Square, Manchester, M60 0AG.

1.3 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year, are as follows.

Contributions and benefits paid and payable

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

Benefits are accounted for in the period in which the member notifies the Trustee of their 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 out

Individual transfers out represent the capital sums 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 paid.

Expenses

Expenses are accounted for on an accruals basis.

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 as investment income.

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.

Bonds are stated at their clean (excluding accrued income) prices. Accrued income is accounted for within investment income.

Derivatives are stated at market value.

Exchange traded derivatives are stated at market values determined using market quoted prices

Swaps are valued at fair value, using a pricing model which calculates the current value of future expected net cash flows arising from the swap, for which the time value of money is taken into account. Interest is accrued monthly under the terms relating to individual contracts.

Net receipts or payments on swap contracts are reported either within investment income where the economic purpose of the swap is income related, or within change in market value where the economic purpose of the swap is related to the assets and liabilities of the Scheme. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

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

Repurchase agreements are valued on a cash basis and are accounted for as follows:

- Repurchase agreements – the Fund continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as payable amount.

- Reverse repurchase agreements – the Fund does not recognise the securities received as collateral in its financial statements. The Fund does recognise the cash delivered to the counterparty as a receivable in the financial statements.

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

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

	2022 £	**2021** £
Deficit funding	15,900,000	23,316,667
Additional	5,308,333	5,308,333
Expense allowance	1,500,000	1,500,000
	22,708,333	30,125,000

In accordance with the recovery plan dated 26 April 2018, the employer paid deficit funding contributions of £33.7m per annum from 1 February 2020 to 30 June 2020 and £15.9m per annum from 1 July 2020 to 24 March 2021. In accordance with the recovery plan dated 25 March 2021, deficit funding contributions of £15.9m per annum are payable from 25 March 2021 to 30 September 2023. These contributions are payable in monthly instalments.

Expense allowance contributions of £1.5m per annum were payable in accordance with the recovery plan dated 26 April 2018. The same amount is payable in accordance with the updated plan dated 25 March 2021.

Under the 26 April 2018 recovery plan, a discretionary additional contribution of £9.1m per annum was paid from 1 July 2020 to 25 March 2021. This reference to a discretionary contribution was not included in the 25 March 2021 Recovery Plan, however, to help further reduce the funding shortfall, the Co-op agreed to continue to pay this discretionary additional contribution until 10 September 2021. The final monthly discretionary additional contribution was received by the Fund on 10 September 2021.

3 Benefits paid or payable

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

	2022 £	**2021** £
Pensions	15,013,969	14,985,809
Commutation and lump sum retirement benefits	19,179,614	3,303,713
Lump sum death benefits	68,038	62,341
	34,261,621	18,351,863

Pensions paid includes annuity pension paid of £87,597 (2021: £92,510).

During the year, a trivial commutation exercise took place whereby £15m of trivial commutations were paid out to members who chose to trivialise their pension. This exercise involved multiple communications regarding the trivial commutation offer to around 2,000 deferred and pensioner members of United.

4 Payment to and on accounts of leavers

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.

	2022 £	2021 £
Individual transfers to other schemes	3,553,900	1,868,547

5 Administrative expenses

What does this show?	This note shows what expenses the Fund has incurred during the year. It splits expenses into key categories, such as actuarial and administration fees.

	2022 £	2021 £
Actuarial fee	389,302	306,594
Administration fee	248,408	226,093
Audit fee	13,950	13,950
Legal & other professional fees	106,763	43,200
Personnel costs	253,098	241,569
Other expenses	25,973	13,492
	1,037,494	844,898

All administration expenses are borne by the Fund.

6 Pension Levies

What does this show?	This note shows the total amount of levies paid to the Pensions Regulator and Pensions Protection Fund during the year.

	2022 £	2021 £
Pension levies	179,583	487,109

The Pensions Act 2004 introduced the Pension Protection Fund levy and the Fund, in common with other pension schemes, is required to contribute.

7 Investment (payments)/income

What does this show?	The Fund receives income and pays interest from its assets; this note shows the different types of income received and interest paid during the year.

	2022 £	2021 £
Income from bonds	19,215,444	8,538,335
Income from pooled investment vehicles	1,092,853	821,676
Interest (paid)/received on cash deposits	(293)	2,192
(Loss)/gain on exchange	(2,893)	32
Annuity income	87,597	92,510
	20,392,708	9,454,745

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.

8 Investment management expenses

What does this show?	This note shows the investment management expenses incurred by the Fund during the year.

	2022 £	2021 £
Investment manager fees	647,706	555,761
Investment consultancy fees	237,291	153,986
Custody fees	33,766	30,930
Investment expenses	12,321	7,954
	931,084	748,631

9 Reconciliation of investments

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 2021** £	**Purchases at cost** £	**Sales proceeds** £	**Change in market value** £	**31 January 2022** £
Bonds		617,105,569	238,968,019	(209,914,422)	(18,477,893)	627,681,273
Pooled investment vehicles*	9.1	343,480,282	183,021,065	(192,645,104)	9,672,390	343,528,633
Derivatives	9.2	-	-	-	135,293	135,293
AVC investments	9.3	2,211,727	-	(109,801)	74,179	2,176,105
		962,797,578	**421,989,084**	**(402,669,327)**	**(8,596,031)**	**973,521,304**
Repurchase agreements		(179,203,899)	339,164,591	(352,253,869)	(363,944)	(192,657,121)
Other investment balances	9.4	1,300,742				390,744
Income due		1,964,741				2,216,950
TOTAL		**786,859,162**			**(8,959,975)**	**783,471,877**

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 incur any direct transaction costs this year.

Indirect costs are borne by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

9.1 Pooled investment vehicles

	2022 £	2021 £
Bonds	163,450,351	129,104,828
Equity	115,842,563	114,874,758
Cash funds	3,380,492	35,578,586
Illiquid credit	60,855,227	63,922,110
	343,528,633	343,480,282

Concentration of investments

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

		2022		2021	
		Market Value £	Net assets %	Market value £	Net assets %
Insight	Buy and Maintain Bond Fund	163,450,351	20.8	129,104,828	16.3
Mirova	Mirova GLB Sus Eqty fd SI NPF	58,063,106	7.4	-	-
LGIM	GPDT - FW Dev ex UK Eq Index Hdgd	-	-	73,201,411	9.2

9.2 Derivatives

	2022 £	2021 £
Total return swaps	135,293	-

Derivative contracts - Objectives and policies

We have authorised the use of derivatives by investment managers as part of the investment strategy for the Fund. The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

Swaps – Our aim is to match, as far as possible, the liability matching portfolio and the Fund's long-term liabilities, in particular in relation to sensitivity to interest rate and inflation movements. For capital efficiency, we have entered into derivative agreement such as gilt total return swaps that enable the liability matching portfolio to better match the long-term liabilities of the Fund. Total return swaps allow exposure to index-linked and conventional gilts to match the long-term liabilities of the Fund in a capital efficient manner.

Swaps contracts

The Fund held the following Swaps contract at the year-end:

Nature Duration	Notional Principal £	Asset value at year-end £	Liability value at year-end £
Total Return Swaps to 20 July 2022	62,520,805	135,293	-
Total 2022		**135,293**	**-**
Total 2021		-	-

At the end of the year, cash collateral held for the swaps was £950,000 (this is not recorded in the statement of net assets).

9.3 AVC investments

	2022 £	2021 £
Royal London (CIS) Limited	2,176,105	2,211,727

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

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

9.4 Other investment balances

	2022 £	2021 £
Cash deposits	417,265	1,732,048
Cash in transit	366,053	-
Sales awaiting settlement	101,983	-
Purchases awaiting settlement	(494,557)	(431,306)
	390,744	1,300,742

10 Tax Status

The Fund is a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004. with Her Majesty's Revenue and Customs for tax purposes As a registered scheme its income and investment gains are free of taxation.

11 Fair value determination

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 entity 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 2022

	Held at amortised cost not fair value **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Bonds	-	-	617,696,805	9,984,468	627,681,273
Pooled investment vehicles	-	-	304,226,587	39,302,046	343,528,633
Swaps	-	-	135,293	-	135,293
Repurchase agreements	(192,657,121)	-	-	-	(192,657,121)
AVC investments	-	-	-	2,176,105	2,176,105
Cash deposits	-	417,265	-	-	417,265
Income due	-	2,216,950	-	-	2,216,950
Purchases awaiting settlement	-	(494,557)	-	-	(494,557)
Sales awaiting settlement	-	101,983	-	-	101,982
Cash in transit	-	366,053	-	-	366,053
TOTAL	**(192,657,121)**	**2,607,694**	**922,058,685**	**51,462,619**	**783,471,877**

At 31 January 2021

	Held at amortised cost not fair value £	Level 1 £	Level 2 £	Level 3 £	Total £
Bonds	-	-	605,966,651	11,138,918	617,105,569
Pooled investment vehicles	-	-	300,599,310	42,880,972	343,480,282
Repurchase agreements	(179,203,899)	-	-	-	(179,203,899)
AVC investments	-	-	-	2,211,727	2,211,727
Cash deposits	-	1,732,048	-	-	1,732,048
Income due		1,964,741	-	-	1,964,741
Purchases awaiting settlement	-	(431,306)	-	-	(431,306)
TOTAL	**(179,203,899)**	**3,265,483**	**906,565,961**	**56,231,617**	**786,859,162**

12 Investment risk disclosures

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
- "**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
- "**Environmental, social and governance ("ESG") risk**". The risk that the Fund does not comply with its Responsible Investment Policy when implementing the investment strategy and does not comply with appropriate legislation and/or the value of investments fall 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 either directly or via pooled funds, the selected counterparty cannot fulfil its obligations.

12.1 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 21 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 the Trustee's 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), enters into repurchase agreements 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 these pooled investment vehicles.

Credit risk – UK government and investment grade bonds:

We look to limit the credit risk the Fund is exposed to through its bond holdings by ensuring that the majority of the bonds held by RLAM and BlackRock are either government bonds (where the risk of default is minimal) or corporate bonds which are rated at least investment grade (i.e. where they are higher quality). The risk is also reduced by requiring the appointed investment managers to invest in a range of bonds issued by different entities, which reduces the impact on the total portfolio if a bond issuer is unable to meet the payments due.

The Fund's investment managers are also allowed to invest in corporate bonds and similar investments which are not rated as investment grade. These investments are held at the investment managers' discretion and are subject to limits. RLAM are allowed to invest in corporate bonds which are not rated as investment grade, at RLAM's discretion and subject to limits; if a bond is downgraded RLAM can continue to hold it, but at most 20% of the Fund's investment with RLAM can be sub-investment grade.

At the period end a total of 0.9% of the Fund's invested assets were sub-investment grade corporate bonds (2021: 0.2%).

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 0.2% of the Fund's total net assets (2021: 0.4%).

Credit risk – repurchase agreements:

Credit risk on repurchase agreements is mitigated through collateral agreements. At year end, the Fund held £4.7m in collateral (2021: £2.3m).

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). A summary of pooled investment vehicles by type of arrangement is set out below.

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.

		2022	2021
		£	£
Open Ended Investment Company			
-	Insight buy and maintain bond fund	163,450,351	129,104,828
-	BlackRock cash fund	3,380,492	35,578,586
Unit Linked Insurance Policy			
-	LGIM equity funds	57,779,458	114,874,758
Société d'Investissement à Capital Variable (SICAV)			
-	Mirova equity fund	58,063,105	-
Qualifying Investor Alternative Investment Funds			
-	M&G illiquid credit fund	21,553,181	21,041,138
-	Insight illiquid credit fund	23,611,734	22,518,469
Luxembourg Securitisation Undertaking ("organisme de titrisation")			
-	ICG illiquid credit fund	15,690,312	20,362,503
TOTAL		**343,528,633**	**343,480,282**

At year end, 44% of invested assets were held in pooled investment vehicles (2021: 39%).

Credit risk – custody:

We have appointed a global custodian for the safe-keeping of assets. The risk that the custody of the Fund's assets is not secure is addressed by monitoring the custodian's activities and creditworthiness. In addition, cash balances held by the custodian are transferred to a ring-fenced fund each night to reduce the risk of losses occurring should the custodian become un-creditworthy overnight.

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

Indirect credit risk:

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles that the Fund invests in (totalling 29% of invested assets at year end – 2021: 25%). For example, if the Fund invested in a pooled illiquid credit fund 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 our 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 developed market equities, and 100% for buy and maintain credit and illiquid credit mandates.

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

(iii) Interest rate risk

The Fund is subject to interest rate risk on its assets (e.g. investments in bonds and financial derivatives) and its liabilities. However, the Fund adopts an investment strategy that is structured to (partially) offset the risks from its assets and liabilities. This is referred to as a liability driven investment strategy and is intended to protect the Fund against the impact of changes in interest rates and inflation on the Fund's liabilities.

The Fund currently manages this risk through investments in a segregated LDI investment managed by BlackRock, and long duration corporate bond holdings with Insight and RLAM. The LDI mandate holds government bonds, financial derivatives and cash collateral. We monitor the level of cash held within the LDI funds and operate a framework to ensure that if gilt yields rise then additional cash can be provided in a timely manner, should it be required.

We have set a target benchmark for total investment in LDI and bonds of 79.3% of the total investment portfolio. Under this strategy, if interest rates fall, the value of LDI and bond 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 and bond 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 £1.7 million for a change in interest rates of 0.01% (2021: £1.7 million). The Fund's liabilities would change by approximately £1.9 million for a change in interest rates of 0.01% (2021: £1.9million).

(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 change be expected to change in value by £1.2 million for a change in expected inflation of 0.01% (2021: £1.1 million). The Fund's liabilities would change by approximately £1.3 million for a change in expected inflation of 0.01% (2021: £1.3 million).

At the year-end the LDI and bond investments represented 77% of the Fund's total investment portfolio (2021: 77%).

(v) Other price risk

The Fund is also exposed to "other price risk", largely because of its investments in return seeking assets (which include equities held in pooled vehicles), and holdings invested in Illiquid Credit which covers less standard and liquid areas of the credit markets. To spread this risk, the Fund invests across multiple illiquid credit managers, each of which have diversified holdings by issuer and asset class.

The Fund manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets by limiting the target allocation to both the equity and illiquid credit allocation to 20.7%.

At the year end, the Fund's exposure to investments subject to other price risk was 15% and 8% of total invested assets for the equity mandate and Illiquid Credit funds respectively (2021: 15% and 8% respectively).

(vi) Other risks

- **Manager risk** – this is managed by spreading the Fund's assets over 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 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** – managed via the diversification of counterparties and the collateralisation process.

13 Current assets

What does this show?	This note shows the value of non-investment assets held by the Fund at the year end.

	2022 £	**2021** £
Contributions due:*	1,450,000	2,208,333
Cash balances:		
Current bank account	810,651	1,634,293
Administration bank account	690,506	1,487,373
Sundry debtor	144,879	144,878
	3,096,036	5,474,877

*Contributions due at year-end were all received subsequent to the year-end in accordance with the Schedules of Contributions.

14 Current liabilities

What does this show?	This note shows the value of non-investment liabilities owed by the Fund at the year end.

	2022 £	**2021** £
Investment and administration fees due	(548,949)	(537,766)
Unpaid benefits	(201,257)	(155,950)
	(750,206)	(693,716)

15 Related party transactions

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 administration costs charged to the Fund by the Co-op are £253,098 (2021: £241,569) in relation to personnel costs. Included in current liabilities is £38,953 (2021: £35,418) of accrued personnel costs (note 14);
- up to 12 March 2021, one pensioner MND was in receipt of a pension from the Yorkshire Fund. This pension was calculated and paid in accordance with the Trust Deed and rules. Further details on Trustee Directors remuneration can be found on page 6.

16 Employer related investments

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.

17 Subsequent events

What does this show?	Significant events which occurred between the reporting date and the date the report and accounts are formally signed by the Trustee.

Russia and Ukraine

In the early hours of 24 February 2022, Russia invaded Ukraine. This led to volatility in financial markets with share prices around the world falling, and had a significant impact on oil and gas prices at a time when inflation in the UK was already high. The invasion also led to economic sanctions against Russia, and significant restrictions on trading of Russian investments.

The Fund's relatively low risk investment strategy meant that investments in Russia and in Russian companies were already limited. United had no direct exposure through segregated mandates, and a limited holding through the pooled Legal & General Future World Emerging Market Equity Index Fund (as at 23 February 2022, less than 2% of the emerging market fund was exposed to assets with a "country of risk" of Russia, Ukraine or Belarus, or was exposed to the Rouble – this equates to c. 0.03% of United's total assets).

Solactive, the provider of the index that the Future World Emerging Market Equity Index fund tracks, took the decision to remove Russian equities from their indices at a price of zero at close of business 9 March 2022; L&G had already taken the decision to place a fair value on these holdings of zero with effect from 2 March 2022. The Trustee continues to monitor the impact of market volatility on its assets and funding position.

Independent Auditor's Statement about Contributions to the Trustee of the United Norwest Co-operatives Employees' Pension Fund

We have examined the summary of contributions to the United Norwest Co-operatives Employees' Pension Fund for the Fund year ended 31 January 2022 to which this statement is attached.

In our opinion contributions for the Fund year ended 31 January 2022 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid for the period from 1 February 2021 to 24 March 2021 at least in accordance with the schedule of contributions certified by the fund actuary on 26 April 2018, and for the period from 25 March 2021 to 31 January 2022 at least in accordance with the schedule of contributions certified by the fund actuary on 25 March 2021.

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 50, 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 schedules of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules 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,
Belfast, United Kingdom

Date 27 July 2022

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is 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.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Fund and for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the schedules of Contributions. Where breaches of the schedules of Contributions 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 and reported on in the Auditor's statement in respect of the Fund year ended 31 January 2022

This Summary of Contributions has been prepared by, or on behalf of, and is our responsibility. It sets out the employer contributions payable to the Fund in respect of the period from 1 February 2021 to 31 January 2022 under the schedules certified by the Fund Actuary on 26 April 2018 and subsequently on 25 March 2021. The Fund Auditor reports on these 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	15,900,000
Expense	1,500,000
Contributions payable under the schedules (as reported on by the Fund auditor)	**17,400,000**
Reconciliation of contributions payable under the schedules of contributions to total contributions reported in the financial statements	
Contributions payable under the schedules (as above)	17,400,000
Contributions payable in addition to those due under the schedules (and not reported on by the Fund auditor)	
Additional contributions	5,308,333
Total contributions reported in the financial statements	**22,708,333**

Signed for and on behalf of TCG Northern Trustees Limited on 21/07/2022.

Russell Gill
Chair

Tom Taylor
Secretary

Actuary's Certification of Schedule of Contributions

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Fund	United Norwest Co-operatives Employees' Pension Fund

Adequacy of rates of contributions

1. 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 2020 to be met by the end of the period specified in the recovery plan dated 25 March 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 25 March 2021.

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	
Scheme Actuary	Damian McClure FIA
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	25 March 2021
Name of employer	Mercer Limited
Address	Belvedere 12 Booth Street Manchester M2 4AW

Appendix 1: Implementation Statement

United Norwest Co-operatives Employees' Pension Fund Engagement Policy Implementation Statement

28 June 2022

Background

In 2019, the government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 which requires the Trustee to publish a statement setting out (among other things) how the Trustee has followed its policies on the exercise of voting rights attaching to its investments and engagement activities. This document is intended to meet those requirements and will be included in the Fund's Report and Accounts and published on the Fund's website.

This is the United Norwest Co-operatives Employees' Pension Fund's second published Implementation Statement and covers the Fund year from 1 February 2021 to 31 January 2022.

The Trustee's review of the Statement of Investment Principles over the year

The Trustee maintains a Statement of Investment Principles (or "SIP") for the Fund, and it is reviewed annually or following any significant changes in investment policy.

The Trustee reviewed and updated the SIP in September 2021 following a change to the Fund's long term investment strategy to reflect one of the Fund's illiquid credit mandates being put into "run off", and again in March 2022 following the implementation of a new sustainable equity mandate managed by Mirova (see below).

The most recent version of the SIP was updated on 22 March 2022 and is available on the Fund's website, https://coop.pacepensions.co.uk/other-schemes/.

In preparing the SIP, the Trustee consults with the sponsoring employer. The employer is consulted regarding any proposed changes to the Statement and investment strategy, however, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

The Trustee's policies on the exercise of voting rights and undertaking engagement activities (Section 12 of the SIP)

The Trustee's policies on engagement (as applicable during the year) are set out in the SIP and are summarised below, together with the Trustee's assessment of how and the extent to which these policies were implemented:

Policy	Assessment
The Trustee seeks to address [the broad Responsible Investment issues set out in its Responsible Investment Policy] … in a number of ways. For example, the Fund's equity assets are invested in the LGIM Future World Funds which have tilts towards companies with positive ESG scores…. The Trustee also applies a specific exclusion list of stocks for the segregated investment grade credit mandate to restrict investment in companies identified as conflicting with the Trustee's aims under these issues. *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 considers the most effective way to align the Fund's investment with its values is to appoint fund managers that take a responsible and sustainable approach to investment, as well as to engage with asset managers in relation to the three broad issues that the Trustee identifies as priorities in the Fund's responsible investment policy, namely: • **Climate change and the protection of the environment**; • **Labour conditions and equal pay**; and • **Corporate governance**. Where assets are held directly by the Fund (specifically the segregated RLAM corporate bond assets), the Trustee applies explicit exclusion lists to prevent investment in companies that manufacture or distribute controversial weapons, or those in the oil, gas or mining industries that have poor environmental records, or in government bonds from countries with poor human rights records. This has been applied throughout the year with updated exclusions lists provided to the managers quarterly based on ESG data licensed from MSCI. Elsewhere, the Fund invests entirely in pooled investment funds alongside other investors, and does not therefore directly invest in underlying companies or have the ability to engage directly with these companies. For the majority of the year, the Fund's equity holdings were managed by Legal & General Investment Management ("LGIM"). This was through LGIM's Future World equity index funds, which "tilt" investments towards companies assessed as having better ESG ratings (e.g. more diverse boards, lower carbon footprints or stronger supply chain policies), and that also publicly disinvest from companies who have failed to engage seriously on climate change, as the Trustee believed this was better aligned with the Fund's responsible investment

	priorities than a traditional market capitalisation approach. In December 2021, the Trustee appointed Mirova to manage a new active Sustainable Global Equity mandate alongside LGIM. The Mirova mandate is actively managed and ESG principles are fully embedded within the investment process – portfolio construction has a focus on thematic views and the manager's opinion on ESG risks and alerts on potential human rights breaches. The Fund's equity investments are held through pooled vehicles and the Trustee does not therefore directly exercise voting rights. LGIM • LGIM votes on its shares using ISS's ProxyExchange electronic voting platform, but voting decisions are retained by the manager and are strategic decisions made by LGIM's Investment Stewardship Team in accordance with their corporate governance policies. • LGIM discloses its voting records on its website, including summaries of their positions for significant shareholder votes, and these are summarised in their quarterly ESG impact reports. Mirova • Mirova's voting decisions are the responsibility of Mirova's Voting Committee, which is composed of its CIO, its Head of Sustainability Research and its Head of Sustainability Research Listed Asset. • Similar to LGIM, Mirova discloses its voting record on their website, including the company's voting universe, companies and AGMs that were voted by Mirova.

The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.	No specific issues were escalated to investment managers during the year, although following the year end the Co-op Pensions Department worked with all of the Fund's asset managers to quantify and understand exposure to Russian investments following Russia's invasion of Ukraine.
Investment Managers are asked to report to the Investment Committee on the issue of Responsible Investment.	The Trustee, directly or through the Co-op's Manager Monitoring committee, met with all five of the Fund's managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies are discussed at each meeting to understand the managers' approaches to incorporating ESG considerations in the initial selection of investments, and areas of engagement as well as developments over the year. Over the year, LGIM highlighted their collective engagement in relation to social media responsibility. In response to the Christchurch terror attack in early 2019, LGIM joined 104 global investors in a collaborative effort to engage the world's three largest social media companies to strengthen controls to prevent the livestreaming and dissemination of objectionable content through the Social Media Collaborative Engagement, through the publication of an open letter to Meta, Alphabet and Twitter, and voting in support of shareholder proposals at all three companies. Analysis following the engagement showed that all the company platforms have moved to strengthen controls to prevent the live streaming and distribution of objectionable content, and independent research by an external think tank showed that the platforms have made and continue to make reasonable efforts to reduce the spread of objectionable content. The Investment Committee will meet with LGIM and Mirova over 2022 to understand their engagement with companies invested in through the Future World index funds and the Global Sustainable mandate.
In addition, the Investment Committee monitors how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.	As well as receiving reporting at meetings on ESG considerations when making investment decisions or disinvesting, the Investment Committee receives reporting from its investment consultants integrated

	into the Fund's quarterly performance monitoring on its researchers' assessment of the integration of ESG considerations into each manager's investment processes and their stewardship practices. Since Q2 2020, each quarter the Investment Committee has reviewed LGIM's quarterly ESG impact report, which includes notes from their engagement with companies and summaries of how LGIM voted on key corporate matters, alongside a summary of their policy work in different regions.
As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's Responsible Investment policy. This includes the investment managers' policy on voting and engagement.	Mirova was appointed in December 2021 to manage the Fund's active sustainable equity mandate because of its strong strategic focus on ESG impact and alignment with Net Zero and therefore more aligned with the Fund's responsible investment objectives.
In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.	As noted above, the Co-op's Manager Monitoring committee met with all five of the Fund's managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies were discussed at each meeting. The Manager Monitoring Investment Committee met directly with LGIM and received a presentation on their ESG policies and approach to engagement in August 2021.
The Fund's equity manager (who is registered in the UK) is expected to report on their adherence to the UK Stewardship code on an annual basis.	LGIM report on their compliance with their engagement policies annually via their Active Ownership Report. The 2021 report was published in April 2022 and will be reviewed later in 2022 by the Investment Committee.

In each of these areas, the Trustee is comfortable that it has implemented the policies it intended to over the year.

Exercise of voting rights

As noted above, the Trustee invests in equities through pooled funds managed by LGIM and Mirova. The table below sets out further details relating to LGIM's voting record for stocks held within each fund for the year to 31 December 2021 (as reporting is aligned with calendar quarters); there were no votes on shares held within the Mirova mandate between the date of investment in December 2021 and the Fund year-end on 31 January 2022, and so no votes for that mandate are reported below.

	Fund		
	L&G Future World UK Equity Index Fund	**L&G Future World Developed ex UK Equity Index Fund**	**L&G Future World Emerging Markets Equity Index Fund**
Number of equity holdings in the fund (at 31 1December 2021)	365	1,409	1,130
Number of meetings at which fund manager was eligible to vote over the year	453	1,381	2,027
Number of resolutions fund manager was eligible to vote on over the year	6,449	17,658	17,780
% of resolutions fund manager was eligible to vote on where they exercised that vote	99.94%	99.89%	99.84%
% of resolutions where fund manager voted for management / voted against management / abstained from voting*	Voted with 93.25% Voted against 6.75% Abstained 0.00%	Voted with 78.05% Voted against 21.76% Abstained 0.19%	Voted with 81.52% Voted against 16.97% Abstained 1.50%
% of meetings at which fund manager voted at least once against management	39.82%	81.59%	51.73%
% of meetings at which fund manager voted against the recommendation of the proxy advisor	5.82%	15.10%	7.99%

*May not sum due to rounding.

Significant Votes

LGIM provide a quarterly ESG impact report, which summarises LGIM's votes together with details of 'significant votes'. These reports are reviewed at quarterly Investment Committee meetings, with any comments or questions fed back to LGIM via the Co-op Pensions Department.

In determining what votes are 'significant', LGIM consider the criteria provided by the Pensions & Lifetime Savings Association guidance, such as:

- A high-profile vote (which may be controversial and therefore subject to a degree of client and/or public scrutiny).
- Significant client interest in a vote: communicated directly by clients to the Investment Stewardship team at LGIM's annual stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote.
- A sanction vote as a result of a direct, or collaborative, engagement.
- A vote linked to an LGIM engagement campaign – in line with the LGIM Investment Stewardship team's five-year engagement policy.

The Trustee and the Co-op Pensions Department have reviewed LGIM's reporting and identified the votes on the following page as 'most significant' using these criteria and considering which votes were most aligned with the Trustee's stewardship priorities as set out above.

Stewardship priority	Climate change at the protection of the environment	Labour conditions and equal pay	Labour conditions and equal pay	Corporate Governance	Corporate Governance
Asset manager	LGIM	LGIM	LGIM	LGIM	LGIM
Company	HSBC	Frasers Group plc	Intel Corporation	Microsoft Corporation	NVIDIA Corporation
Date of the vote	28 May 2021	29 September 2021	13 May 2021	30 November 2021	3 June 2021
Approximate size of the Fund's holding at the date of the vote	c£240k	c£1k	c£570k	c£2.7m	c£1.0m
Summary of the resolution	To set, disclose and implement short- and medium-term targets, to publish and implement a phase-out policy and to report on progress.	To receive and adopt the report & accounts.	Shareholder resolution to require Intel to report on Global Median Gender/Racial Pay Gaps	To elect Satya Nadella as a Director.	To elect Harvey C. Jones as a Director
How the asset manager voted	In favour	Against	In favour	Against	Against
Was the voting intention communicated to the company ahead of the vote?	Yes (see below)	No	No	No	No
Rationale	ShareAction initially proposed a resolution to strengthen HSBC's climate change policies and disclosure. LGIM	Frasers Group had failed for two consecutive years to meet the requirements of the Modern Slavery Act to publish a	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. This division of	LGIM views gender diversity as a financially material issue for its clients, and expects companies in well-

	joined a collaborative engagement around the shareholder proposal ahead of the 2021 AGM. As a result of further discussions between the company, the proponents and shareholders, ShareAction was sufficiently comfortable with management's counter proposal to withdraw its own resolution, leading to a single resolution supported by management and proxy advisers.	statement on out the steps they have taken to ensure that slavery and human trafficking is not taking place in their own operations or within their supply chain; LGIM's vote was a sanction against this.	applying to close any stated gap.	responsibilities ensures that a single individual does not have unfettered powers of decision-making at the head of the company, thereby securing a proper balance of authority and responsibility on the board. Its policy is to vote against the election or re-election of any individual holding such a combined role.	governed markets to have at least 30% women on their boards. For the North American market, by 2023 LGIM expects women to make up at least one-third of board directors and Named Executive Officers. To assist companies in reaching this target, LGIM votes against director nominations for companies in the S&P500 and the S&P/TSX that have fewer than 25% women on the board.
Outcome	99.7% of voters supported the resolution.	99.5% of voters supported the resolution.	14.3% of voters supported the resolution.	94.7% of voters supported the resolution.	94.2% of voters supported the resolution.
Does the asset manager intend to escalate the stewardship efforts?	LGIM will continue to monitor the strength of HSBC's climate change policies and progress towards improved disclosure of targets and emissions across the portfolio.	LGIM's engagement with the company suggests it will be compliant with the requirements of section 54 by the end of 2022.	LGIM will continue to engage with the companies it invests in, publicly advocate its position and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with the companies it invests in, publicly advocate its position and monitor company and market-level progress.