



The United Norwest Co-operatives Employees' Pension Fund and the Yorkshire Co-operatives Limited Employees' Superannuation Fund

Responsible Investment Policy

This policy has been prepared by TCG Northern Trustees Limited, the Trustee of both the United Norwest Co-operatives Employees' Pension Fund and the Yorkshire Co-operatives Limited Employees' Superannuation Fund together, ("the Funds"), to set out our views on responsible investment and how we address this within the Funds.

How do the Funds work, and who decides how their assets are invested?

The Funds aim to pay benefits to their members and their dependents as set out in their respective Trust Deed and Rules. These benefits are paid out of investments selected by the Trustee, who is responsible for the investments of both Funds.

The Trustee's investment objectives and our approach to risk management and measurement for each Fund is explained in their Statements of Investment Principles. The way we invest reflects the long term nature of the Funds – we don't pursue short term, speculative gains.

What are the Trustee's views on Responsible Investment?

As the Trustee we're required by law to act in the best interests of the members of each Fund. This means that our main responsibility is to choose investments which are expected to give the best possible chance of the benefits being paid in full.

However, we're committed to achieving these goals in a way that takes into account broader social and environmental concerns.

Responsible Investment (RI) is therefore a key aim for the Trustee. We recognise our obligations to invest in a responsible and sustainable way but we also recognise that things can change, and so we will keep this policy under review and consider other themes and opportunities as they arise

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1 Angel Square, Manchester, M60 0AG

Are there any Responsible Investment issues that are of particular importance to the Trustee?

We would like our approach to RI to reflect the views of the Funds' members as far as reasonably possible. We therefore welcome member views on RI issues. We also believe that our approach to RI should be consistent with the values of the Co-op, and the Co-op's members and colleagues, again as far as reasonably possible. Finally, we believe that our RI policy should reflect the extent to which environmental, social and corporate governance (ESG) issues might represent a risk to the Funds.

Having worked with the Co-op, we've identified three broad RI issues which we feel reflect the views of the relevant stakeholders, represent particular risk to the Funds and which we believe can be well addressed by our RI policy. These issues are:

- Climate change, and protection of the environment.
- Labour conditions and equal pay.
- Corporate governance.

What is the Trustee doing to ensure that the Funds invest in a responsible way?

Our main responsibility is to deliver the best possible outcomes for members. Without compromising this duty, we implement RI in a number of ways:

- We consider the risk associated with ESG issues as part of our investment activities
- Through active ownership, via our investment managers
- We avoid, as far as reasonably possible, investing in companies that are involved in activities which we believe may conflict with the values of relevant stakeholders

We need to do this in a balanced way so that we avoid incurring high costs for the Funds, and for the Co-op as their sponsor.

Our approach to RI applies to all markets and asset classes.

Tell me more about how you allow for ESG issues when making investment decisions

Many decisions are needed about how the Funds' assets should be invested. These range from high level decisions about asset allocation, which the Trustee makes, to decisions on the particular companies we invest in, which are made by our investment managers.

When the Trustee makes investment decisions, one of the factors we consider is the impact on our level of ESG risk, where this risk could impact the investments of the Funds. As part of this, we have considered the Funds' exposure to climate change risk and will use this to inform our strategy.

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Tell me more about the investments you are avoiding

We've decided that, where possible, the Funds will aim to reduce or avoid investing in:

- Companies involved in the manufacture or transfer of indiscriminate weapons or the manufacture or transfer of armaments to oppressive regimes
- Government bonds issued by states which deny their citizens basic human rights
- Companies that we believe are the worst polluters and contributors to climate change

We recognise that we may be limited in doing this in certain circumstances, for example where we are invested in 'pooled assets'. These types of funds are held collectively with other investors, normally in order to reduce costs or ensure that we can invest in a wide range of companies, and over 2018 and 2019 we intend to engage with our managers to understand how these risks can be managed within pooled funds, and what steps we can take to align our investments better with our policy.

We also recognise that ethics are not always clear-cut and that difficult judgements need to be made. In deciding on which investments to avoid, we take into account the degree to which a company is involved in the activities identified above, together with any evidence that it is improving its practices and other positive aspects of its business. Over time, we will continue to develop our investment strategy with respect to RI.

How do you work with the fund managers in relation to RI?

We recognise the growing expertise on RI within the pensions industry and feel that the most effective way to align our investments with our values is to engage fund managers who take a responsible and sustainable approach to investment.

We appoint investment managers who will act as conscientious and capable stewards for the Funds' investments. As part of the selection process we look at their expertise and track record in responsible investment, particularly when we're choosing a manager for an asset class which might be particularly exposed to ESG risks.

All of the Funds' investment managers are signatories to the UN-backed Principles for Responsible Investment and adhere to the FRC UK Stewardship Code. These are factors that we consider when we select investment managers.

We receive regular reports from our investment managers about their RI activity and monitor this in our quarterly Manager Monitoring and Implementation Committee meetings. In addition, our independent investment adviser, Mercer, assesses the RI capabilities of our investment managers and provides a rating for each.

What information is available to members about the Funds' RI activity?

As responsible investors, we believe that details of our RI activities should be visible and easily accessible. Our investment performance is included in each of the Funds' annual report and accounts, which are published on the Co-op Pensions website. The following information on our RI activities is available on the website.

- The Funds' Statements of Investment Principles.
- This Responsible Investment Policy.

Further information on our RI activities will be updated on the website over time.

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How often will you review the RI policy?

We see the development of our RI policy as an evolving process and intend to review our approach to RI at least annually. In carrying out our review we will take into account significant developments in market practice and any changes in the views of our stakeholders, including the Co-op's values. We also welcome members' feedback and will consider this as we continue to develop our policy for Responsible Investment. If you have feedback on the RI policy, please let us know by email: staffpensions@co-operative.coop

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