



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

We would like our approach to responsible investment I to reflect the views of the Funds' members as far as reasonably possible. We therefore welcome member views on responsible investment issues. We also believe that our approach to responsible investment I 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 responsible investment 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 responsible investment I 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 responsible investment I 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 responsible investment 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 responsible investment I applies to all markets and asset classes.

## **How does the Trustee 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.

Responsible investment is also now incorporated as one of the key strategic items for consideration in the Investment Committee's Business Plan.

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## **Tell me more about the investments you are avoiding**

We've decided that, where possible, the Funds will aim to 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 involved in extractive industries with poor environmental standards.

We recognise that we may be limited in doing this, for example where we are invested in 'pooled funds' alongside other investors and don't have direct control of the underlying investments in shares or bonds, or where the list above doesn't apply (for example, for the Funds' "liability driven investments" which invest in UK government bonds and financial instruments to match our liabilities).

Where we do have direct control of investments, and where we can apply restrictions in a way that has a meaningful impact, we've taken steps to assess companies and screen out those which don't adhere to these standards before investing, working with MSCI, and our segregated investment grade credit manager. At the time of writing, these restrictions cover c15.1% of Unites's assets which we hold in segregated corporate bond mandates (i.e. the assets where we can meaningfully apply these restrictions).

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 responsible investment.

Where we invest in pooled funds, we consider the investment manager's approach to ESG when selecting the funds to invest in, and review this on an ongoing basis.

## **How do you work with the fund managers in relation to responsible investment?**

We recognise the growing expertise on responsible investment 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, where it applies to them. These are also factors that we consider when we select investment managers.

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

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## **What information is available to members about the Funds' responsible investment activity?**

As responsible investors, we believe that details of our responsible investment 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 responsible investment 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.

## **How often will you review the RI policy?**

We see the development of our responsible investment policy as an evolving process and intend to review our approach to responsible investment 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 sponsor'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 responsible investment policy, please let us know by email: [staffpensions@co-operative.coop](mailto:staffpensions@co-operative.coop)

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