

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

07 June 2023

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 those in the DWP's statutory guidance on Reporting on Stewardship and Other Topics, dated June 2022), 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 third published Implementation Statement and covers the Fund year from 1 February 2022 to 31 January 2023.

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 in March 2022 following the implementation of the sustainable equity mandate managed by Mirova, and again in March 2023 following a review of the Fund's long-term investment strategy. The SIP 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
<i>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.</i>	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: <ul style="list-style-type: none">• Climate change and the protection of the environment;• Labour conditions and equal pay; and• Corporate governance.
<i>The Trustee gives its investment managers full discretion to evaluate ESG factors and engage</i>	

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.

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") through its Future World equity index funds; and Mirova, via its active Sustainable Global Equity mandate. Following an investment strategy review which resulted in a lower exposure to equities, the holdings in LGIM's Future World equity index funds were fully disinvested at the end of September 2022.

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.

LGIM's Future World equity index funds "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.

	<p>The Fund’s equity investments are held through pooled vehicles and the Trustee does not therefore directly exercise voting rights.</p> <p>Mirova</p> <ul style="list-style-type: none"> • 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. <p>LGIM (holdings now redeemed)</p> <ul style="list-style-type: none"> • 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. <p>The Trustees reviewed L&G and Mirova’s voting policies on appointment and as part of their engagement on an ongoing basis (and through review of LGIM’s quarterly ESG impact reports) and are comfortable that the managers’ voting policies and voting behaviour aligns with the Fund’s stewardship priorities as set out on page 1.</p>
<p><i>The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.</i></p>	<p>No specific issues were escalated to investment managers during the year, although the Co-op Pensions Department worked with all of the Fund’s asset managers to quantify and understand exposure to Russian investments</p>

	<p>following Russia’s invasion of Ukraine at the beginning of 2022.</p> <p>In addition, the Trustee asked its investment advisor, Mercer, to run its Analytics for Climate Transition (‘ACT’) analysis in order to set credible ‘Net Zero’ targets on the Fund’s portfolios that allow the Trustee to meet climate and financial objectives. The Trustee is currently engaging with the managers to ensure its carbon emissions reduction targets are met.</p>
<p><i>Investment Managers are asked to report to the Investment Committee on the issue of Responsible Investment.</i></p>	<p>The Trustee, directly or through the Co-op’s Manager Monitoring committee, met with all six 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.</p> <p>Over the year, LGIM published their deforestation policy and launched an engagement campaign, writing to 300 companies from a set of deforestation-critical sectors explaining their expectations and potential consequences if these expectation were not met.</p> <p>The Investment Committee will meet with Mirova during 2023 to understand their engagement with companies invested in their Global Sustainable mandate.</p>
<p><i>In addition, the Investment Committee monitors how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.</i></p>	<p>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.</p> <p>Since Q2 2020 (and until divestment in Q4 2022), each quarter the Investment Committee has reviewed LGIM’s quarterly ESG impact</p>

	<p>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.</p>
<p><i>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.</i></p>	<p>No managers were appointed over the year, although after the year end BlackRock have been appointed to manage a passive equity mandate alongside the Fund's LDI investments; in selecting the specific pooled funds, the Trustee considered the ESG approach and Net Zero alignment of available options, and the alignment with the Trustee's wider ESG priorities.</p>
<p><i>In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.</i></p>	<p>As noted above, the Co-op's Manager Monitoring committee met with all six 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 Mirova and received a presentation on their ESG policies and approach to engagement in May 2022 and January 2023.</p>
<p><i>The Fund's passive and active global equity managers are expected to report on their adherence to the UK Stewardship Code on an annual basis.</i></p>	<p>LGIM report on their compliance with their engagement policies annually via their Active Ownership Report. The 2022 report was published in April 2023.</p> <p>Mirova's 2023 Stewardship report was published in March 2023.</p>

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 Mirova and, until September 2022, LGIM. The table below sets out further details relating to LGIM's voting record for stocks held within each of their funds for the year to 31 December 2022 (data to 30 September 2022, the point the Fund disinvested from these holdings, was not available), and Mirova's voting record for stocks held within the Global Sustainable Equity fund to the Fund's year end at 31 January 2023.

	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	Mirova Global Sustainable Equity Fund
Number of equity holdings in the fund (at 31 December 2022 for LGIM and 31 January 2023 for Mirova)	331	1,389	1,340	47
Number of meetings at which fund manager was eligible to vote over the year	488	1,545	2,909	46
Number of resolutions fund manager was eligible to vote on over the year	7,258	20,914	24,925	673
% of resolutions fund manager was eligible to vote on where they exercised that vote	100.0%	99.7%	99.98%	97.8%
% of resolutions where fund manager voted for management / voted against management / abstained from voting*	Voted with 94.6% Voted against 5.4% Abstained 0.0%	Voted with 76.6% Voted against 23.2% Abstained 0.2%	Voted with 79.5% Voted against 18.5% Abstained 2.0%	Voted with 56.8% Voted against 39.4% Abstained 3.8%
% of meetings at which fund manager voted at least once against management	34.8%	84.5%	56.8%	95.6%
% of meetings at which fund manager voted against the recommendation of the proxy advisor	5.1%	16.2%	7.5%	95.6%

*May not sum due to rounding.

Significant Votes

LGIM (to 30 September 2022)

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 on the first page of this Statement.

Mirova

Mirova utilizes Institutional Shareholder Services, Inc. (ISS) as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to ISS research, however its recommendations are not prescriptive or determinative to Mirova's voting decision.

Mirova identify "Core" companies, and therefore significant votes, based on internal guidelines that consider the proportion of a company Mirova hold, and also the relative weight in their portfolio. Mirova also identify potentially contentious or complex votes and thematic issues that are related to their engagement strategy.

All voting decisions are made pursuant to Mirova's Voting Policy. For votes that do not have a pre-determined policy, Mirova's voting and engagement analyst liaises with the relevant internal parties on the sustainability research team and/or financial analyst. Certain votes are reviewed by their voting committee, as needed or required. As time and voting deadlines permit, Mirova would consult with clients on a case-by-case basis.

It is worth highlighting that Mirova has limited opportunities to cast votes on climate-related proposals because of the ESG methodology applied as part of its actively managed investment process. For instance, all issuers are pre-screened for climate and environmental issues, meaning that Mirova is not exposed to the largest emitting sectors and companies such as oil, coal and banks with strong exposure to fossil fuels.

LGIM

Stewardship priority	Climate change and the protection of the environment	Climate change and the protection of the environment	Labour conditions and equal pay	Labour conditions and equal pay
Asset manager	LGIM	LGIM	LGIM	LGIM
Company	Rio Tinto Plc	Alphabet Inc.	Apple Inc.	Amazon.com, Inc
Date of the vote	8 April 2022	29 June 2022	4 March 2022	25 May 2022
Approximate size of the Fund's holding at the date of the vote	c£0.1m	c£0.4m	c£2.7m	c£0.9m
Summary of the resolution	To approve Rio Tinto Group's Climate Action Plan	A shareholder resolution (co-filed by the New York State Common Retirement Fund) to require Alphabet to publish a regular periodic assessment of resilience to the physical risks of climate change.	Shareholder resolution to require Apple to undertake a third-party audit analyzing the impact of Apple's policies and practices on the civil rights of company stakeholders, and to provide recommendations for improving the company's civil rights impact.	To elect Director Daniel P. Huttenlocher
Why has the Trustee considered this vote "significant"?	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities / size of holding	Aligned with the Trustee's engagement priorities
How the asset manager voted	Against	In favour	In favour	Against
Was the voting intention communicated to the company ahead of the vote?	No	No	No	Yes, via its website

<p>Rationale</p>	<p>LGIM recognise the considerable progress Rio Tinto Plc has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts.</p> <p>However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>	<p>A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p>	<p>A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as LGIM considers these issues to be a material risk to companies.</p>	<p>A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which LGIM believe is accountable for human capital management failings.</p>
<p>Outcome</p>	<p>Pass - 84.3% of voters supported the resolution.</p>	<p>Rejected - 17.7% of voters supported the resolution.</p>	<p>Pass - 53.6% of voters supported the resolution.</p>	<p>Pass - 93.3% of voters supported the resolution.</p>
<p>Does the asset manager intend to escalate the stewardship efforts?</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM continues to engage with Amazon.com Inc on all of these issues and to push the company to disclose extra information and to be more and more transparent in its disclosures in order that shareholders can effectively evaluate its policies, actions and accountability.</p>

Mirova

Stewardship priority	Climate change and the protection of the environment	Labour conditions and equal pay	Corporate Governance / Climate change and the protection of the environment	Corporate Governance
Asset manager	Mirova	Mirova	Mirova	Mirova
Company	Microsoft Corporation	Essilor Luxottica	SunRun Inc	Vestas Wind Systems
Date of the vote	9 Dec 2022	1 May 2022	1 June 2022	1 April 2022
Approximate size of the Fund's holding at the date of the vote	c£1.4m	c£0.2m	c£1.0m	c.£0.7m
Summary of the resolution	Shareholder proposal requesting an assessment from Microsoft's board about the management of systemic climate risk from the company's investments.	Approve the Compensation Report and Compensation of CEO and CFO	Approve the Executive Compensation and Director Elections	Approve Remuneration Report Resolution
Why has the Trustee considered this vote "significant"?	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities
How the asset manager voted	In favour	Against	Against	In favour
Was the voting intention communicated to the company ahead of the vote?	Yes	Yes	Yes	Yes
Rationale	The proponent requested that Microsoft's Board assess how the company's retirement funds (\$38bn) manage the systemic economic risk from climate	In late 2021, Mirova signed an investor statement seeking engagement regarding allegations of unfair labour practices at one of the	Prior to executing the vote, members of Mirova's sustainability research team engaged with SunRun to discuss the structure of the	After voting against management in 2021 due to the fact that the compensation plan lacked sustainability criteria, Mirova were pleased to see the

	change related to the funds' investments. Sustainability is embedded into Mirova's voting guidelines, which were drafted in tandem with its investment philosophy. Hence, Mirova expects the companies in which it invests in to have a comprehensive approach to addressing climate change, which includes expanding their retirement funds offerings to better cater for ESG concerns and their employee desires. Mirova will always support additional disclosure on such a topic.	company's US locations. Mirova also noted several problematic aspects of the implementation of the compensation structure. To express their dissent with lack of engagement and concerns with the amount of compensation paid, Mirova voted against several compensation items.	compensation plan. Mirova advocated for the elimination of share options and explained their rationale. The company has been very responsive and committed to examining this possibility. Mirova further gave insight into possible meaningful sustainability metrics that the plan could incorporate as the company grows.	incorporation of a Corporate Social Responsibility (CSR) metric in the 2022 Short Term Incentive Plan (STIP). Mirova therefore voted with management on the remuneration resolution.
Outcome	Fail	Pass	Pass	Pass
Does the asset manager intend to escalate the stewardship efforts?	This vote allowed Mirova to revive its connection with the company, clarify its various points of attention and 2023 is already a very positive year in terms of dialogue between Mirova and Microsoft.	Mirova intend to communicate to the board that if they continue to be unable to have fruitful engagement dialogue regarding the labour allegations, Mirova reserve the right to begin to vote against members of the board for unresponsiveness to shareholders.	Mirova found the company to be quite open and eager to receive shareholder feedback. It was helpful to have the ESG analyst that focuses on climate change and the energy sector part of the call to provide detailed insight regarding the various potential sustainability criteria the company could incorporate into the plan.	Mirova has not been able to support previous resolutions due to the absence of CSR criteria but were encouraged to find the company responsive to their suggestions to incorporate such criteria going forward.