

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
<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>	<p>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:</p> <ul style="list-style-type: none">• Climate change and the protection of the environment;• Labour conditions and equal pay; and• Corporate governance.

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.

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

	<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>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><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 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.</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 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.</p>

	<p>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.</p> <p>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.</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, 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.</p>
<p><i>As part of the appointment of new investment managers and its ongoing monitoring process,</i></p>	<p>Mirova was appointed in December 2021 to manage the Fund's active sustainable equity</p>

<p><i>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>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.</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 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.</p>
<p><i>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.</i></p>	<p>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.</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 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 December 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 joined a	Frasers Group had failed for two consecutive years to meet the requirements of the Modern Slavery Act to publish a statement on out	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives	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-governed markets to have at least 30%

	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.	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.	it is 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.	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.