UNITED NORWEST CO-OPERATIVES EMPLOYEES' PENSION FUND

Financial Statements
For Year Ended 31 January 2023

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.
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
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 Services 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.

Trustee Directors & Advisers

TCG Northern Trustees Limited is appointed by the Co-op as the Trustee to manage the Fund.

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)
- Carol Kestin (Co-op Appointed Director)
- David Brighouse (Closure MND)
- Alex Price (Co-op Appointed Director)

Which Trustee Directors left?

- Christopher Moss (Closure MND)(Appointment ended 19 September 2022)

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. [There is currently a vacancy for an MND, and a process to fill this vacancy is underway.]

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 PSLT will appoint a replacement.

If an MND vacancy arises then it will be filled in accordance with our MND arrangements. The application process to appoint a Pensioner MND is currently underway.

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.

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 and/or Audit & Risk Committee.

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.

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
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 (mandate terminated on 3 October 2022) M&G Investments Natixis Investment Managers (parent company of Mirova) 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 2023. The financial statements (set out on pages 28 to 46) 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 18 to 23 and the report on actuarial liabilities set out on pages 10 to 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 2023

	31 Jan 2022	**Additions**	**Retirements, leavers and pensions ceasing**	**Deaths**	**31 Jan 2023**
Closure Members	**264**	1	(15)	-	**250**
Deferred Members	**3,623**	2	(192)	(17)	**3,416**
Pensioners	**3,634**	223	(56)	(112)	**3,689**
Total	**7,521**	**226**	**(263)**	**(129)**	**7,355**

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 2022, pensions in payment (in excess of the guaranteed minimum pension, if applicable, and without fixed increases applicable) as at 1 April 2022 were increased by 5%. This increase was in line with the annual increase in the Retail Price Index (RPI) at December 2021.

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 2021 subject to a maximum of 3%. The CPI increased by 3.1% in the year to September 2021, and so a 3% 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.

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 is due as at 31 January 2023 and is currently underway. It is expected that 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

There have been no changes to the Rules of the Fund during the year to 31 January 2023.

The Trustee exercised its existing powers under Rule 34(iv) of Part III of the Rules to modify the Rules in relation to increases applied to early retirement benefits paid from the Fund to comply with preservation laws.

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.

Financial Development of the Fund

During the year ended 31 January 2023 the net assets of the Fund decreased from £785.8m to £499.3m.

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:

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.
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

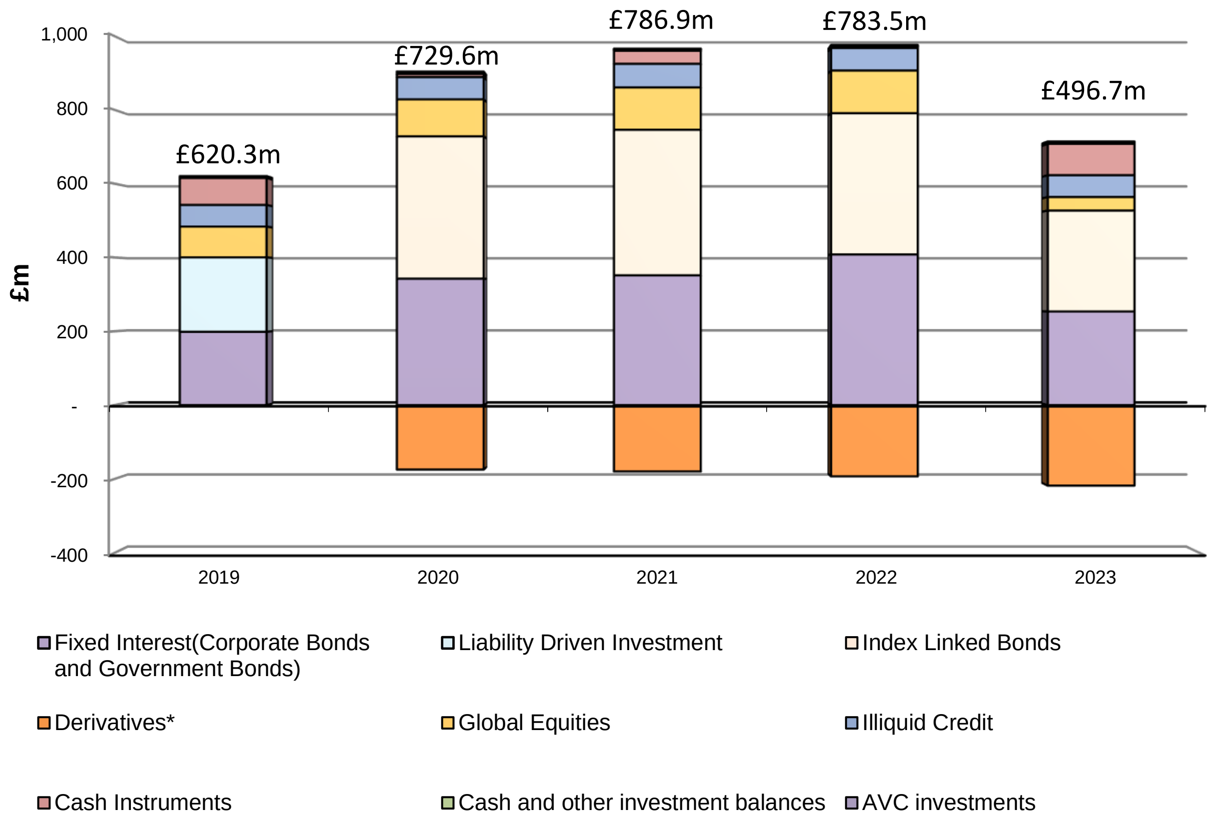
	investing in equities via a pooled fund. See “pooled fund”.
ESG (Environmental, Social and Corporate Governance)	Factors considered in investment analysis and portfolio construction. ESG is used to evaluate corporate behaviour and the sustainability of business’ operations.
Fixed Interest	See “bond”.
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.
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.
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.



	2019		2020		2021		2022		2023	
	£000	%	£000	%	£000	%	£000	%	£000	%
Fixed Interest (Corporate Bonds and Government Bonds)	198,589	32.0	342,444	46.9	351,538	44.7	408,178	52.1	253,515	51.0
Liability Driven Investment	201,577	32.5	-	-	-	-	-	-	-	-
Index Linked Bonds	-	-	385,893	52.9	394,672	50.2	382,954	48.9	273,609	55.1
Derivatives*	-	-	(174,257)	(23.9)	(179,204)	(22.8)	(192,522)	(24.6)	(217,621)	-43.8
Global Equities	83,563	13.5	100,349	13.8	114,875	14.6	115,843	14.8	36,712	7.4
Illiquid Credit	58,557	9.4	60,344	8.3	63,922	8.1	60,855	7.8	59,205	11.9
Cash Instruments	73,171	11.8	8,348	1.1	35,579	4.5	3,380	0.4	84,947	17.1
Cash and other investment balances	2,333	0.4	4,295	0.6	3,266	0.4	2,608	0.3	4,071	0.8
AVC investments	2,541	0.4	2,229	0.3	2,211	0.3	2,176	0.3	2,293	0.5
TOTAL	**620,331**	**100.0**	**729,645**	**100.0**	**786,859**	**100.0**	**783,472**	**100.0**	**496,731**	**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 2022.

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?

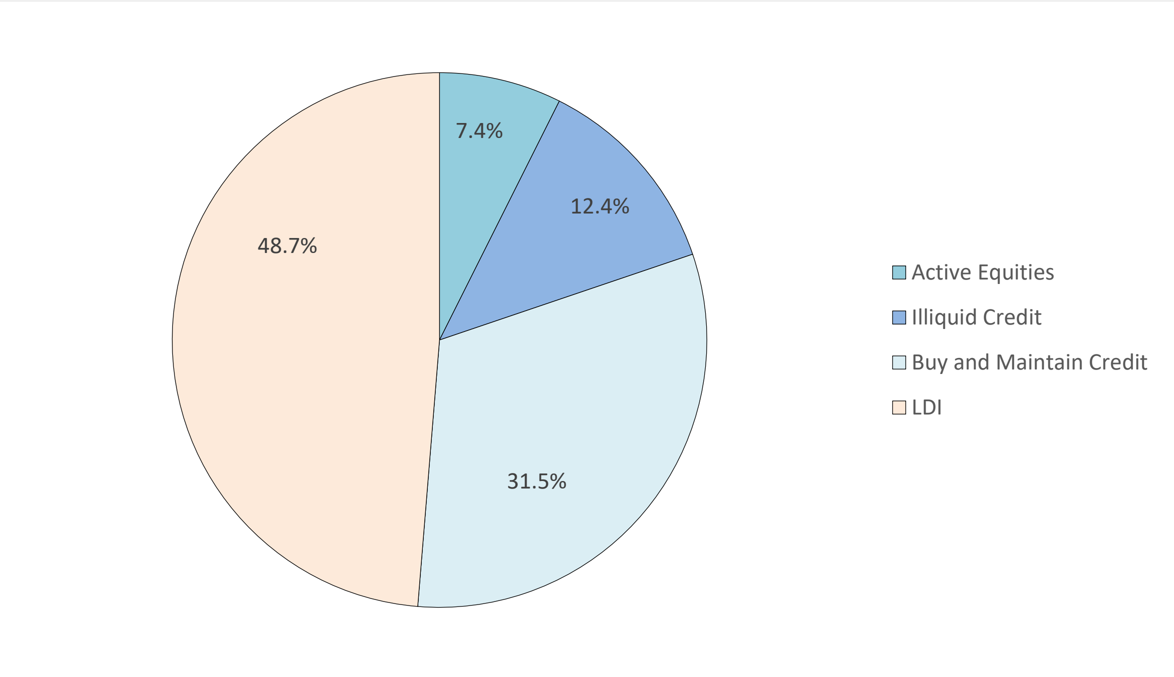
The strategic asset allocation as at the year-end is shown below. As stated in the Fund's SIP, the Trustee acknowledges that the asset allocation may deviate from the strategic benchmark allocation over time (particularly during periods of market volatility as outlined below) and is monitored by the Trustee on a quarterly basis. Rebalancing of the Fund's assets is considered by the Trustee in conjunction with their investment advisor and is dependent on factors including the liquidity of asset classes and the suitability of market conditions.

.During the year, financial markets were very volatile, particularly following the Chancellor's "mini-budget" on 23 September 2022. This caused gilt yields to rise sharply and prompted the Bank of England to intervene to stabilise financial markets, announcing a £65bn emergency bond-buying package.

Although the sharp rises in gilt yields caused the value of the Fund's liabilities to fall, the liability hedging programme, by design, has also resulted in a decline in the value of Liability Driven Investment (LDI) assets managed by BlackRock. As per the Trustee's LDI collateral waterfall management policy, during September and October 2022 the Trustee transferred c. £171m of cash to BlackRock to use as collateral to cushion against the effects of potential further increases in gilt yields and to maintain the current levels of interest rate and inflation hedging. This cash was sourced from the sale of both corporate bonds (c.£112m) and a sale of all the passively managed equity assets managed by LGIM (c.£59m). The Trustee continues to closely liaise with its investment advisors and LDI manager to monitor collateral levels and, in October 2022, also reviewed its collateral waterfall management framework to ensure it remains sufficiently robust given the volatile market environment.

We consider alternative investment opportunities on a regular basis within overall investment policy requirements

Asset Allocation as at 31 December 2022



Source: Respective Investment Managers
LDI - Liability Driven Investment
All figures reported as at 31 December 2022

The Fund currently invests with the following investment managers:

Active Equity	Illiquid Credit	Buy and Maintain Credit	Liability Driven Investment (LDI) and cash
Mirova 7.4%	Insight 5.0%	RLAM 16.2%	BlackRock 48.7%
	ICG 2.9%	Insight 15.3%	
	M&G 4.5%		
7.4%	**12.4%**	**31.5%**	**48.7%**

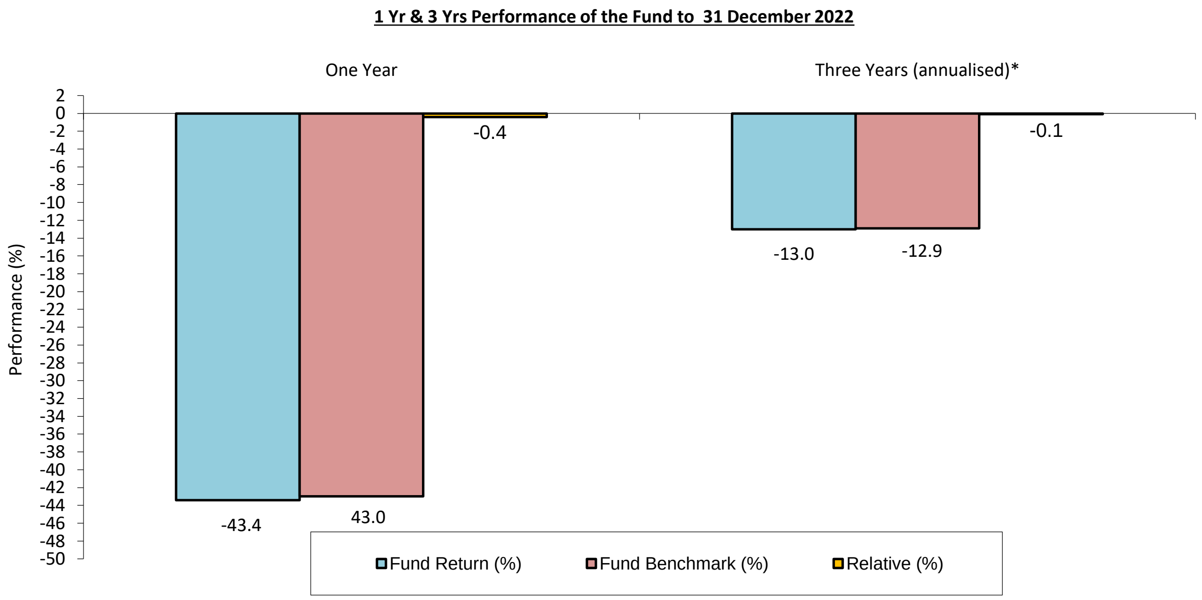
Percentages are of total Fund assets as at 31 December 2022.

Investment Performance

Investment performance is measured on a quarterly basis; all performance data is shown to 31 December 2022.

On absolute basis, the value of Fund's assets decreased from £785.8m on 31 January 2022 to £499.3m on 31 January 2023. Looking over the calendar year, the performance of the Fund for the year to 31 December 2022, gross of investment managers' fees, was -43.4% compared with the overall total fund monitoring benchmark of -43.0%, mainly due to the turbulence in the market during September and October of 2022.

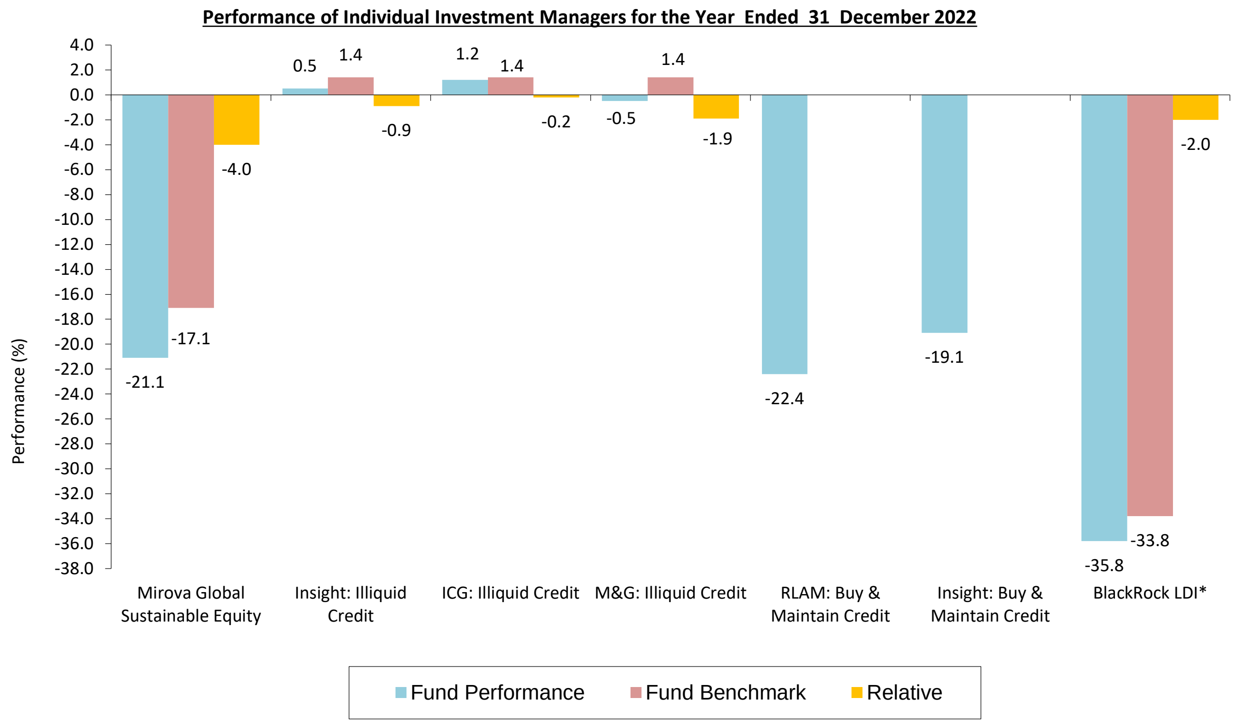
The overall performance of Fund assets, over one and three years, is shown below:



Source: Performance estimated by Co-op Pensions Department ("CPD") using performance provided by the underlying investment managers to 31 December 2022 (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:

- Mirova active equities: to outperform the MSCI World Index
- Illiquid Credit: benchmarks based on SONIA
- BlackRock LDI: to match changes in the profile of the liabilities



Source: Respective Investment Managers
*Performance reflects total hedge portfolio (including LDI and external credit assets) vs the total liability benchmark with figures provided by BlackRock; leveraged performance figures are used to calculate total Fund returns on the previous page.

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 six investment managers across a number of different mandates as shown on page 20. 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 four 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, 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 through investment analysis, stock selection, active ownership and engagement with the holdings in the mandate.

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 manager is expected to report on its 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 2023 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 13, 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.

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)

As a result of performing the above, we identified the greatest portential for fraud in the misappropriation of investment assets. In response we have obtained an understanding of the relevant controls over investment holdings and transactions, agreed investment holdings to independent confirmations and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

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:

Fund Account

for the year ended 31 January 2023

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	**2023** £	**2022** £
Employer contributions	2	17,400,000	22,708,333
Benefits paid or payable	3	(18,768,713)	(34,261,621)
Payments to and on account of leavers	4	(3,491,761)	(3,553,900)
Administrative expenses	5	(977,320)	(1,037,494)
Pension Levies	6	(82,875)	(179,583)
		(23,320,669)	**(39,032,598)**
Net withdrawals from dealings with members		**(5,920,669)**	**(16,324,265)**
Return on investments			
Investment income	7	19,857,819	20,392,708
Change in market value of investments	9	(299,636,943)	(8,959,975)
Investment management expenses	8	(799,008)	(931,084)
Net return on investments		**(280,578,132)**	**10,501,649**
Net decrease in the Fund		**(286,498,801)**	**(5,822,616)**
Net assets of the Fund as at 1 February		**785,817,707**	**791,640,323**
Net assets of the Fund as at 31 January		**499,318,906**	**785,817,707**

The notes on pages 30 to 46 form part of these financial statements.

Statement of Net Assets

(available for benefits) as at 31 January 2023

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	**2023** £	**2022** £
Investment assets			
Bonds		451,846,832	627,681,273
Pooled investment vehicles		256,140,901	343,528,633
Derivatives		-	135,293
AVC investments		2,292,807	2,176,105
Other investment balances		2,436,442	390,744
Income due		1,633,589	2,216,950
Recoverable Tax		727	-
Investment liabilities			
Amounts due under repurchase agreements		(217,620,621)	(192,657,121)
		496,730,677	783,471,877
Current assets	13	3,393,786	3,096,036
Current liabilities	14	(805,557)	(750,206)
Total net assets of the Fund as at 31 January		**499,318,906**	**785,817,707**

The notes on pages 30 to 46 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 10 to 12 of the Annual Report and these financial statements should be read in conjunction with them.

The Trustee approved these financial statements on ____________________.

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 Schedule 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.

	2023 £	2022 £
Deficit funding	15,900,000	15,900,000
Additional	-	5,308,333
Expense allowance	1,500,000	1,500,000
	17,400,000	22,708,333

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 and expense allowance contributions of £1.5m per annum. These contributions are payable in monthly instalments.

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.

	2023 £	2022 £
Pensions	15,221,588	15,013,969
Commutation and lump sum retirement benefits	3,514,434	19,179,614
Lump sum death benefits	32,691	68,038
	18,768,713	34,261,621

Pensions paid includes annuity pension paid of £83,181 (2022: £87,597).

During the prior year, an exercise to remind members of the option to trivially commute their benefits took place. £15m of trivial commutations were paid out to members who chose to trivialise their pension. This reminder exercise involved multiple communications regarding the trivial commutation option to around 2,000 deferred and pensioner members.

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.

	2023 £	2022 £
Individual transfers to other schemes	3,491,761	3,553,900

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.

	2023 £	2022 £
Actuarial fee	260,038	389,302
Administration fee	276,067	248,408
Audit fee	16,110	13,950
Legal & other professional fees	97,165	106,763
Personnel costs	279,719	253,098
Other expenses	48,221	25,973
	977,320	1,037,494

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.

	2023 £	2022 £
Pension levies	82,875	179,583

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 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.

	2023 £	**2022** £
Income from bonds	30,969,741	19,215,444
Income from pooled investment vehicles	1,882,823	1,092,853
Loss from derivatives	(13,076,809)	-
Interest received/(paid) on cash deposits	22,275	(293)
Loss on exchange	(23,392)	(2,893)
Annuity income	83,181	87,597
	19,857,819	20,392,708

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.

	2023 £	**2022** £
Investment manager fees	472,043	647,706
Investment consultancy fees	274,483	237,291
Custody fees	33,812	33,766
Investment expenses	18,670	12,321
	799,008	931,084

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 2022** £	**Purchases at cost** £	**Sales proceeds** £	**Change in market value** £	**31 January 2023** £
Bonds		627,681.273	174,849,993	(96,093,175)	(254,591,259)	451,846,832
Pooled investment vehicles	9.1	343,528,633	233,660,526	(279,497,210)	(41,551,048)	256,140,901
Derivatives	9.2	135,293	-	-	(135,293)	-
AVC investments	9.3	2,176,105	-	(125,794)	242,496	2,292,807
		973,521,304	**408,510,519**	**(375,716,179)**	**(296,035,104)**	**710,280,540**
Repurchase agreements		(192,657,121)	207,388,090	(228,749,751)	(3,601,839)	(217,620,621)
Other investment balances	9.4	390,744				2,436,442
Income due		2,216,950				1,633,589
Tax recoverable		-				727
TOTAL		**783,471,877**			**(312,713,752)**	**496,730,677**

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

	2023 £	2022 £
Bonds	75,277,937	163,450,351
Equity	36,711,526	115,842,563
Cash funds	84,946,618	3,380,492
Illiquid credit	59,204,820	60,855,227
	256,140,901	343,528,633

Concentration of investments

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

		2023		2022	
		Market Value £	Net assets %	Market value £	Net assets %
BlackRock	ICS Sterling Leaf Premier Fund	84,946,618	17.0	3,380,492	0.4
Insight	Buy and Maintain Bond Fund	75,277,937	15.1	163,450,351	20.8
Mirova	Mirova GLB Sus Eqty fd SI NPF	36,711,525	7.4	58,063,106	7.4

9.2 Derivatives

	2023 £	2022 £
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	**-**	**-**	**-**
Total 2023		**-**	**-**
Total 2022		135,293	-

At the end of the year there was no cash collateral held for the swaps (2022: £950,000). The prior year balance was not recorded in the statement of net assets.

9.3 AVC investments

	2023 £	2022 £
Royal London (CIS) Limited	2,292,807	2,176,105

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

	2023 £	2022 £
Cash deposits	2,486,861	417,265
Cash in transit	-	366,053
Sales awaiting settlement	115,903	101,983
Purchases awaiting settlement	(166,322)	(494,557)
	2,436,442	390,744

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 2023

	Held at amortised cost not fair value £	Level 1 £	Level 2 £	Level 3 £	Total £
Bonds	-	-	444,941,953	6,904,879	451,846,832
Pooled investment vehicles	-	-	218,548,643	37,592,258	256,140,901
Repurchase agreements	(217,620,621)	-	-	-	(217,620,621)
AVC investments	-	-	-	2,292,807	2,292,807
Other investment balances	-	2,346,442	-	-	2,346,442
Income due	-	1,633,589	-	-	1,633,589
Recoverable tax	-	727	-	-	727
TOTAL	**(217,620,621)**	**4,070,758**	**663,490,596**	**46,789,944**	**496,730,677**

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
Other investment balances	-	390,744	-	-	390,744
Income due	-	2,216,950	-	-	2,216,950
TOTAL	**(192,657,121)**	**2,607,694**	**922,058,685**	**51,462,619**	**783,471,877**

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 19 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.

<u>Credit risk – UK government and investment grade bonds:</u>

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 0.8% of the Fund's invested assets were sub-investment grade corporate bonds (2022: 0.9%).

<u>Credit risk – cash:</u>

Cash is held within financial institutions which are at least investment grade credit rated. At year end, the total cash held is 0.4% of the Fund's total net assets (2022: 0.2%).

<u>Credit risk – repurchase agreements:</u>

Credit risk on repurchase agreements is mitigated through collateral agreements. At year end, the Fund held nil in collateral (2022: £4.7m).

<u>Credit risk – pooled investments:</u>

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.

		2023 £	2022 £
Open Ended Investment Company			
-	Insight buy and maintain bond fund	75,277,937	163,450,351
-	BlackRock cash fund	84,946,618	3,380,492
Unit Linked Insurance Policy			
-	LGIM equity funds	-	57,779,458
Société d'Investissement à Capital Variable (SICAV)			
-	Mirova equity fund	36,711,526	58,063,105
Qualifying Investor Alternative Investment Funds			
-	M&G illiquid credit fund	21,612,562	21,553,181
-	Insight illiquid credit fund	23,982,130	23,611,734
Luxembourg Securitisation Undertaking (“organisme de titrisation”)			
-	ICG illiquid credit fund	13,610,128	15,690,312
TOTAL		**256,140,901**	**343,528,633**

At year end, 52% of invested assets were held in pooled investment vehicles (2022: 44%).

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 27% of invested assets at year end – 2022: 29%). 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 at least 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 was nil (2022: 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 (largely) 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 £0.9 million for a change in interest rates of 0.01% (2022: £1.7 million). The Fund's liabilities would change by approximately £1.0 million for a change in interest rates of 0.01% (2022: £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 be expected to change in value by £0.6 million for a change in expected inflation of 0.01% (2022: £1.2 million). The Fund's liabilities would change by approximately £0.6 million for a change in expected inflation of 0.01% (2022: £1.3 million).

At the year-end the LDI and bond investments represented 80% of the Fund's total investment portfolio (2022: 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 7% and 12% of total invested assets for the equity mandate and Illiquid Credit funds respectively (2022: 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.

	2023 £	2022 £
Contributions due:*	1,450,000	1,450,000
Cash balances:		
Current bank account	1,328,170	810,651
Administration bank account	461,057	690,506
Sundry debtors	154,559	144,879
	3,393,786	3,096,036

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

	2023 £	2022 £
Investment and administration fees due	(551,730)	(548,949)
Unpaid benefits	(253,688)	(201,257)
Sundry creditor	(139)	-
	(805,557)	(750,206)

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 £279,719 (2022: £253,098) in relation to personnel costs. Included in current liabilities is £45,525 (2022: £38,953) of accrued personnel costs (note 14);

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 (TBC)

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.

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 2023 to which this statement is attached.

In our opinion contributions for the Fund year ended 31 January 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid 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 Schedule 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 Schedule of Contributions.

Respective Responsibilities of Trustee and Auditor

As explained in the Statement of Trustee’s Responsibilities in respect of Contributions on page 48, 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 Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule 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

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 Schedule of Contributions. Where breaches of the Schedule 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 2023

This Summary of Contributions has been prepared by, or on behalf of, the Trustee and is our responsibility. It sets out the employer contributions payable to the Fund in respect of the period from 1 February 2022 to 31 January 2023 under the schedule certified by the Fund Actuary on 25 March 2021. The Fund Auditor reports on these contributions payable under the Schedule of Contributions in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Fund year	**£**
Employer:	
Deficit funding	15,900,000
Expense	1,500,000
Contributions payable under the Schedule (as reported on by the Fund auditor)	**17,400,000**
Reconciliation of contributions payable under the Schedule of Contributions to total contributions reported in the financial statements	
Contributions payable under the Schedule (as above)	17,400,000
Total contributions reported in the financial statements	**17,400,000**

Signed for and on behalf of TCG Northern Trustees Limited on ___________________.

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	DMcC
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

xx 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
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	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:

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.*	• **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") 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. The Fund's equity investments are held through pooled vehicles and the Trustee does not therefore directly exercise voting rights. 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. LGIM (holdings now redeemed) • 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. 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.
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 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 at the beginning of 2022. 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.
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 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. 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. The Investment Committee will meet with Mirova during 2023 to understand their engagement with companies invested in their 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 (and until divestment in Q4 2022), 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.	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.
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 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.
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.	LGIM report on their compliance with their engagement policies annually via their Active Ownership Report. The 2022 report was published in April 2023. Mirova's 2023 Stewardship report was published in March 2023.

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

Rationale	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. 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.	A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	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.	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.
Outcome	Pass - 84.3% of voters supported the resolution.	Rejected - 17.7% of voters supported the resolution.	Pass - 53.6% of voters supported the resolution.	Pass - 93.3% of voters supported the resolution.
Does the asset manager intend to escalate the stewardship efforts?	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	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.

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 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.	In late 2021, Mirova signed an investor statement seeking engagement regarding allegations of unfair labour practices at one of the 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.	Prior to executing the vote, members of Mirova's sustainability research team engaged with SunRun to discuss the structure of the 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.	After voting against management in 2021 due to the fact that the compensation plan lacked sustainability criteria, Mirova were pleased to see the 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	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	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.

		board for unresponsiveness to shareholders.	potential sustainability criteria the company could incorporate into the plan.	