The Co-operative Pension Scheme (Pace) ("the Scheme")
Co-op Section Implementation Statement

25 June 2026

Background

From 1 October 2020, and on an annual basis, the Trustee is required to publish an "Implementation Statement" online and in the Scheme's annual report and accounts. This is the Co-op Section of Pace's seventh Implementation Statement and covers the Scheme year from 6 April 2025 to 5 April 2026. It sets out:

- How, and the extent to which, in the opinion of the Trustee, the Statement of Investment Principles ("SIP") for the Co-op Section of Pace has been followed over the year, along with details of any changes to the SIP;
- How the Trustee has implemented its policies on the exercise of voting rights attaching to its investments and engagement activities and how these votes aligned with the Scheme's stewardship priorities; and,
- The voting behaviour of the Trustee, or that undertaken on its behalf, including the most significant votes cast.

Buy-in policies

We have previously noted how, in November 2023, the Co-op Section of Pace entered into a "buy-in" transaction to purchase a bulk annuity insurance policy with Rothesay Life, a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, covering the vast majority of defined benefit pensioner and non-pensioner liabilities not previously insured with Pension Insurance Corporation ("PIC") or Aviva as part of the pensioner buy-in transactions implemented in 2020. Under these policies, Rothesay Life, PIC and Aviva undertake, via the Scheme, to pay the Co-op Section's defined benefit obligations as they fall due. In due course, the Trustee's intention is that the buy-in assets will be moved to a buy-out contract and the Section could then be wound up.

The Trustee does not have oversight of the assets backing these buy-in policies or the insurers' set policies on sustainability, although insurer policies on Environmental, Social and Corporate Governance factors were considered as part of the selection of PIC, Aviva and Rothesay Life

The Trustee's review of the SIP over the year

The Trustee maintains a SIP for the Co-op Section of Pace which sets out the investment principles for both Defined Contribution (DC) and Defined Benefit (DB) investments. The SIP is typically reviewed annually and following any significant changes in investment policy.

The SIP was reviewed in July 2025 but did not result in any substantive change to the Trustee's investment policies. The current version of the Co-op Section SIP is available on Pace's website, via https://coop.pacepensions.co.uk/useful-information/pace-investments/.

In preparing the SIP for the Co-op Section of Pace, the Trustee consults with the sponsoring employer, the Co-op. The Co-op is consulted regarding any proposed changes to the SIP and investment strategy, however the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

How have the policies in the SIP been followed over the year?

In the opinion of the Trustee, the SIP has been followed throughout the year for the Co-op Section as set out below.

The Trustee's policies for choosing and realising investments, and the kinds of investments to be held (Sections 2.1, 2.4, 3.1, 3.4 and 6 of the SIP – July 2025 numbering)

The SIP sets out the Trustee's policies for choosing investments - specifically by identifying appropriate objectives which reflect the Section's risk and return requirements, identifying a suitable range of options for members of the DC Section or constructing a portfolio of investments to meet these objectives for DB investments.

In considering these objectives and selecting investments, the Trustee obtains and considers written advice from a regulated investment adviser. The investment managers have discretion in the timing of realisation of investments, and this has continued over the year.

The Trustee's policies on managing and measuring risk, and expected returns (Sections 2.3, 2.5, 3.3 and 3.4 of the SIP)

For the DC Section, the Trustee's objective is to make available to members a programme of investment, via pooled funds, which seeks to generate income and capital growth and which, together with new contributions from members and the Scheme's employers will provide a fund at retirement with which to provide an income in retirement. In particular, the default arrangement aims to grow member contributions ahead of inflation over a member's working life, reducing absolute fund volatility as the member approaches retirement. It is designed to be appropriate for members who want to take all of their account as a lump sum on retirement.

As at 5 April 2026 the DB Section was predominately invested in bulk annuity policies held with PIC, Aviva and Rothesay Life, therefore the Section's investment strategy does not have a return target and instead the target is to maintain liquidity and security in such a manner that member' entitlements can be paid when they fall due; and to support progress towards any future buy-out of the Section's liabilities.

The Trustee is happy that the risks set out in the SIP have been considered when setting the investment strategy for the DC and DB Sections, and that the policies on portfolio construction were followed when constructing the portfolios for Pace DB.

The Trustee's policies on Investment Manager appointment, engagement and monitoring (Section 5 of the SIP)

The table below summarises how the Trustee's policies on investment manager appointment, engagement and monitoring were implemented over the year:

Policy	**Assessment**
Aligning Manager Appointments with Investment Strategy *Investment managers are appointed based on their capabilities and, therefore, the perceived likelihood of achieving the stated expected return and risk characteristics required for the asset class they are selected to manage.*	No new investment manager appointments were made over the year.

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If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the wider Trustee investment objectives.	
Manager Appointments and Performance *The Trustee receives, and considers, performance reports produced on a quarterly basis, which present performance information and commentary on the funds they invest in over various time periods.* *The Trustee may review a manager's appointment if:* • *There are sustained periods of underperformance.* • *There is a change in the underlying objectives of the investment manager, or a change in the portfolio manager.* • *There is a significant change to the Investment Adviser's rating of the manager; or* • *There is a change to the Trustee's overall strategy that no longer requires exposure to that asset class or manager.* *The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, then it may look to replace the manager, or in some circumstances, ask the manager to review the Annual Management Charge.*	The Trustee reviewed investment performance for the DC Section at each quarterly DC Committee meeting over the year. The only remaining DB Section investment manager appointment relates to a cash fund, held by the Section primarily to meet future expense, and performance of this fund is considered at quarterly Trustee meetings. No periods of underperformance, downgrades to investment adviser ratings or changes to objectives were identified that led the Trustee to review manager appointments or to take further action.
Portfolio Turnover Costs *Investment manager performance is generally reported net of transaction costs (where possible), and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.* *The Trustee will continue to monitor industry improvements concerning the monitoring and reporting of portfolio turnover costs.*	Over the year, DC fund performance was regularly monitored by the DC Committee. Since the DB Section is invested solely through the purchase of the bulk annuity policies held with PIC and Rothesay Life, the Trustees are unable to incentivise the insurer, remunerate or monitor portfolio turnover costs as these are not applicable to a bulk annuity policy.

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Manager Turnover *The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis. There is therefore no set duration for manager appointments. The Trustee typically expects to retain an investment manager unless:* • *There is a change to the overall investment strategy that no longer requires exposure to that asset class or manager.* • *The manager appointed has been reviewed and the Trustee has decided to terminate the mandate.*	No changes were made over the year for Pace DC that resulted in the termination of any investment manager appointments.

In addition to the policies set out in the SIP for monitoring investment managers, the Trustee also monitors its investment consultants.

The Trustee introduced objectives for each of its investment consultant appointments in December 2019 to comply with regulations governing the role of investment advisors. The Trustee reviews performance against the agreed objectives and the suitability of the consultant's objectives on an annual basis.

During the year to 5 April 2026, the Trustee reviewed its investment advisers against those objectives.

The Trustee's policies on ESG considerations (Section 8 of the SIP)

The Trustee is committed to achieving its investment objectives in a way that takes into account broader environmental, social and corporate governance concerns. The Trustee believes that as both DC and DB pensions are long-term investments this is important, and it would also like the Scheme's approach to responsible investment to reflect the views of Pace members as far as reasonably possible, and to be consistent with the values of Pace's sponsors, their members and their colleagues. As a result, Pace has developed a Responsible Investment policy covering both DC and DB investments. The policy was developed with input from the Co-op and the Co-operative Bank.

The Responsible Investment Policy is available on the Scheme's via
https://coop.pacepensions.co.uk/useful-information/pace-investments/

The Responsible Investment policy should be read in conjunction with, and as if it formed part of, this implementation statement.

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 Scheme members would share these concerns (or, for example, members' personal ethical and religious beliefs), and where the decision is not expected to have material financial detriment; aligned with this, the Trustee has made the Pace Growth (Ethical Shares) Fund and the Pace Growth (Shariah) Fund available as self-select options in the DC Section. As noted above, at year-end the DB Section's assets were fully invested in the buy-in policies with Rothesay Life, PIC and Aviva and as such there is limited scope to apply these principles. Furthermore, as the Trustee's objective is to achieve an

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appropriate discharge of the scheme's liabilities, which would then allow the Section to be wound up, the timeframe for consideration of these factors is relatively short.

The Trustee's policies on the exercise of voting rights and undertaking engagement activities (Section 8 of the SIP)

The Trustee's specific policies on engagement are summarised below, together with the Trustee's assessment of how, and the extent to which, these policies have been implemented over the scheme year to 5 April 2026:

Policy	**Assessment**
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 Scheme 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 considers the most effective way to align Pace's investments 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 the Trustee identifies as priorities in the Scheme's responsible investment policy, namely: • **Climate change and the protection of the environment**; • **Labour conditions and equal pay**; and • **Corporate governance**. Members' pension pots in Pace DC are invested entirely in pooled investment funds alongside other investors, and the Trustee does not therefore directly invest in underlying companies or have the ability to engage directly with these companies, although further detail on the approach taken by Legal & General Investment Management ("L&G"), and (in the case of the Pace Growth (Shariah) Fund) HSBC, to exercise voting rights is set out in the section below this table. The default option currently invests (via the Pace "Build Your Pot", "Consolidate Your Pot" and "Take Your Pot – as Cash" bespoke blended funds) in the Pace Growth (Shares) 2021 Fund and the Pace Growth (Mixed) Fund, switching out of equities as members approach retirement, and then into a cash fund over the 10 years prior to a member's expected retirement date. The Pace Growth (Mixed) Fund is invested 100% in the L&G Future World Multi-Asset Fund, which the Trustee and the sponsors believe is aligned with their shared values. This fund "tilts" investments towards companies that have higher governance standards, and aims to

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	achieve positive social and environmental impacts, including companies which are less carbon-intensive or earn green revenue; it also excludes investment in coal miners, and companies involved in the manufacture or distribution of controversial weapons (companies on the "Future World Protection List"). L&G also applies its "Climate Impact Pledge" to the fund – each year they engage with the largest companies across the world identified as key to meeting global climate change goals to help improve their strategies, and commit to disinvesting from companies that fail to demonstrate sufficient action. Similarly, the Pace Growth (Shares) 2021 Fund tilts to invest more in companies with strong and improving ESG attributes, and doesn't invest in companies that manufacture controversial weapons or that earn a sizeable revenue from mining coal or using coal for power generation. The Pace Growth (Shariah) Fund follows a process that has been approved by an independent Shariah Supervisory Committee which aims to meet the requirements of Shariah law and the principles of Islamic finance. It doesn't invest in financial services companies, companies that manufacture weapons, or companies in industries that are prohibited by the Quran such as alcohol, tobacco, gambling and entertainment, or pork-related products. The Trustee review L&G's voting policies as part of their engagement on an ongoing basis (and through review of L&G's quarterly ESG impact reports) and are comfortable that their voting policies and voting behaviour aligns with the Scheme's stewardship priorities as set out above. The 'ESG aware' LEAF cash fund that the DB Section implemented within its LDI mandates in March 2022 and which it continues to hold following the buy-in referenced above prohibits investment in issuers that fall within the exclusionary screens defined for the LEAF strategy. For example, the exclusionary list screens out issuers that:

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	• have exposure to the production of controversial weapons; • derive 5% or more of their revenues from fossil fuel mining exploration and/or refinement; • derive 5% or more of their revenues from the production or distribution of tar sands or oil sands
The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.	No specific ESG issues were raised with investment managers during the scheme year.
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 the Investment Adviser's own system 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 Pace'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*	No new asset managers were appointed over the year. The Trustee has met with BlackRock through the Co-op Pensions Department's Manager Monitoring and Implementation Committee (MMIC) during the year, and BlackRock's approach to ESG factors, particularly exclusionary screens, within the LEAF cash fund were discussed. L&G report on their compliance with their engagement policies annually, via their Active Ownership Report. The 2025 report was published in May 2026 and considered by the DC Committee in the 3 June 2026 meeting. As well as receiving reporting at meetings on ESG considerations, the Trustee and the DC Committee received reporting over the year from Pace's investment consultants on their researchers' assessment of the integration of ESG considerations into each manager's investment processes and their stewardship practices.
As a responsible investor, the Trustee exercises rights, including any voting rights attaching to Pace's investments, in the best interests of Pace's members. Specifically, the Trustee has instructed the investment managers to exercise voting rights accordingly, where applicable and wherever it is practicable to do so, and to report to the Trustee.	Since Q2 2020 the DC Committee has reviewed L&G's quarterly ESG impact reports, which includes notes from their engagement with companies and summaries of how L&G voted on key corporate matters, alongside a summary of their policy work in different regions. The Trustee is comfortable that L&G's voting policies and voting behaviour aligns with the

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	Scheme's stewardship priorities as set out above.

In each of these areas, the Trustee is comfortable that it has implemented the policies it intended to over the year.

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Exercise of voting rights

Following changes to reduce risk in its investment strategy in late 2017, Pace DB no longer invests in company shares (either directly or through pooled funds) and therefore does not hold investments with attaching voting rights.

Pace DC offers options for investment to members which do include exposure to shares (either through equity funds or the multi-asset fund). The Trustee does not directly exercise voting rights as these investments are through pooled funds with many other investors.

L&G

Voting rights are exercised by L&G using ISS's ProxyExchange electronic voting platform, although voting decisions are retained by L&G and strategic decisions are made by L&G's Investment Stewardship Team in accordance with their governance policies for each region.

HSBC

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund, which is the underlying fund behind the Pace Growth (Shariah) Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC uses the ISS to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.

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The table below, sets out the further details relating to L&G's voting record for stocks held within each fund held within Pace DC which has exposure to equities for the year to 31 March 2026.

	Pace Growth (Shares) 2021 Fund	**Pace Growth (Mixed) Fund**	**Pace Growth (Ethical Shares) Fund**	**Pace Growth (Shares) Fund**	**Pace Growth (Shariah) Fund***
Size of Co-op Section's holdings as at 31 March 2026.	c£464m	c£529m	c£13.8m	c£0.7m	c£4.4m
Asset Manager	L&G	L&G	L&G	L&G	HSBC
Number of equity holdings in the fund (at 31 March 2026)	1,966	6,577	1,103	4,648	498
Number of meetings at which asset manager was eligible to vote over the year	2,915	9,732	1,229	7,448	108
Number of resolutions asset manager was eligible to vote on over the year	34,376	100,087	17,338	76,354	1,645
% of resolutions asset manager was eligible to vote on where they exercised that vote	100%	99.9%	100%	100%	95.0%
% of resolutions where asset manager voted for management / voted against management / abstained from voting*	Voted with 77.8% Voted against 20.6% Abstained 1.6%	Voted with 75.5% Voted against 23.7% Abstained 0.8%	Voted with 82.4% Voted against 17.2% Abstained 0.4%	Voted with 79.5% Voted against 19.1% Abstained 1.4%	Voted with 84.2% Voted against 15.3% Abstained 0.5%
% of meetings at which asset manager voted at least once against management	67.2%	69.1%	69.7%	59.7%	70.0%
% of meetings at which asset manager voted against the recommendation of the proxy advisor	14.4%	13.9%	13.7%	9.1%	1.0%

*May not sum due to rounding.

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Significant Votes

L&G

L&G provide a quarterly ESG impact report, which summarises L&G'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 L&G via the Co-op Pensions Department.

In determining what votes are 'significant', L&G 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 L&G's annual stakeholder roundtable event, or where L&G 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 L&G engagement campaign – in line with the L&G Investment Stewardship team's five-year engagement policy.

The Trustee and the Co-op Pensions Department have reviewed L&G's reporting and identified the votes on the following page as 'most significant' using these criteria and considering which votes were most aligned with the Trustee's stewardship priorities as set out above. Note that shares in individual companies will likely be held across multiple funds within the DC Sections.

HSBC

HSBC regard votes against management recommendation as the most significant. With regards to climate, in their engagement HSBC encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

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L&G

Relevant 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**	**Corporate Governance**	**Corporate Governance**
Asset manager	L&G	L&G	L&G	L&G	L&G	L&G
Company	The Toronto-Dominion Bank	Broadcom Inc	Marks & Spencer Group Plc	Caterpillar, Inc.	The Home Depot, Inc.	SK hynix, Inc.
Date of the vote	10 April 2025	21 April 2025	01 July 2025	11 June 2025	22 May 2025	25 March 2026
Approximate size of the Co-op Section of Pace DC's holding (based on holding at year end)	c£1.0m	c£1.5m	c£230k	C£935k	c£1.2m	c£20.9m
Summary of the resolution	Shareholder resolution to approve Annual Energy Supply Ratio Disclosure	Shareholder resolution to elect Director Henry Samueli	Shareholder resolution to oversee the Preparation of a Report to Provide Investors the Information Needed to Assess the Company's Approach to Human Capital Management	Shareholder resolution to report on a Civil Rights Audit	Shareholder resolution to elect Director Edward P. Decker	Shareholder resolution to amend Articles of Incorporation (Commercial Act)
Why the Trustee considers this vote "significant"	Aligned with the Trustee's engagement priorities; high profile as an emerging issue	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities; high profile as an emerging issue	Aligned with the Trustee's engagement priorities	Aligned with the Trustee's engagement priorities; Pre-declaration vote as L&G deem the vote to be particularly contentious, or as part of an engagement programme	Aligned with the Trustee's engagement priorities; Pre-declaration vote as L&G deem the vote to be particularly contentious, or as part of an engagement programme
How the asset manager voted	In favour (against management)	Against (against management)	In favour (against management)	In favour (against management)	Against (against management)	In favour (in line with management)
Was the voting intention communicated to the company ahead of the vote?	Yes	Yes	Yes	Yes	Yes	No (Voted in line with management)
Rationale	A vote in favour of this proposal is applied as L&G believes that banks and financial institutions have a significant role to	A vote against is applied as the company is deemed not to have made sufficient progress against L&G Climate	A vote in favour is applied as, while L&G acknowledges that M&S offers all of their own employees a real living	A vote in favour is applied as L&G supports proposals related to diversity and inclusion policies as it considers	A vote against is applied as L&G expects companies to separate the roles of Chair and CEO	A vote for is applied as L&G supports amendments that strengthen shareholder rights and participation.

	play in shifting financing away from 'brown' sectors such as oil and gas, and towards 'green' sectors such as renewable energy. L&G expects the company to be undertaking appropriate analysis and reporting on climate change matters, as L&G considers this issue to be a material risk to companies.	Impact Pledge expectations and red lines, and as set out in L&G's dial-mover engagement programme where the rate of progress is deemed too slow.	wage, knowing the turnover rates at least for full-time workers would help to build a picture of the positive impact paying a real living wage and treating their colleagues well impacts retention rates. Although the UK is considered a low risk country in terms of human rights abuses, L&G believes having a thorough understanding of the third party contractors that operate in M&S premises will reduce any potential future risks from human rights issues.	these issues to be a material risk to companies	due to risk management and oversight concerns.	These reforms to the Korea Commercial Code that included mandatory cumulative voting and the introduction of hybrid shareholder meetings were introduced to strengthen shareholder participation and oversight. L&G will assess their effectiveness in practice rather than on a purely procedural basis.
Outcome	Not Passed	Passed	Not passed	Not passed	Passed	Passed
Does the asset manager intend to escalate the stewardship efforts?	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	L&G will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

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HSBC

Relevant Stewardship priority	**Climate change and the protection of the environment**	**Labour conditions and equal pay**	**Corporate Governance**
Asset manager	HSBC	HSBC	HSBC
Company	The Home Depot, Inc.	Microsoft Corporation	Mizuho Financial Group Corporation
Date of the vote	22 May 2025	05 December 2025	25 June 2025
Approximate size of the Co-op Section of Pace DC's holding (based on holding at year end)	c£28k	c£233k	c£358k
Summary of the resolution	Shareholder resolution to disclose a Biodiversity Impact and Dependency Assessment	Shareholder resolution to conduct Human Rights Risk Assessment	Shareholder resolution to ratify PricewaterhouseCoopers LLP as Auditors
Why the Trustee considers this vote "significant"	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 management)	In favour (against management)	Against (against management)
Was the voting intention communicated to the company ahead of the vote?	No	No	No
Rationale	HSBC believes that the proposal would lead to the better management of environmental risks and be in the interest of shareholders.	HSBC believes that the proposal would contribute to the better management of human rights issues and be in the interest of shareholders.	HSBC has concerns about auditor independence.
Outcome	Not passed	Not passed	Passed
Does the asset manager intend to escalate the stewardship efforts?	HSBC will likely vote against the management for a similar proposal should they see insufficient improvements.	HSBC will likely vote against the management for a similar proposal should they see insufficient improvements.	HSBC will likely vote against the management for a similar proposal should they see insufficient improvements.

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