

The Midcounties Co-operative Pension Scheme

Implementation Statement – 31 December 2023

Why have we produced this Statement?

The Trustees of the Midcounties Co-operative Pension Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustees' investment objectives and investment strategy.

It also explains how and why the Trustees delegate certain responsibilities to third parties and the risks the Scheme faces and how these are mitigated.

The Trustees last reviewed the SIP in late 2023, with an updated version formally adopted in January 2024. The latest version of the SIP can be found online [here](#).

What is the purpose of this Statement?

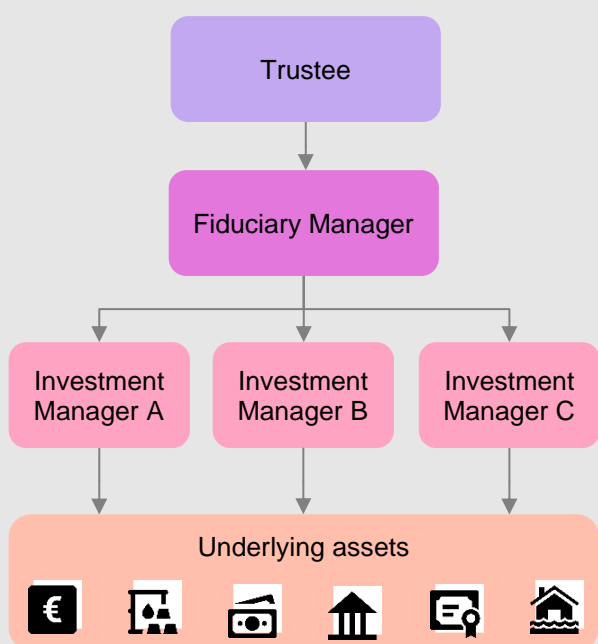
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe how the voting rights attached the Scheme's assets have been exercised over the year.

What changes have we made to the SIP?

The Trustees have made the following changes to the SIP over the year:

- Assessed the Scheme objective and added a long-term investment objective to achieve a low dependency on the Sponsor.
- Added "Secure Income Assets" as one of the key types of investments.
- Expanded the policy in relation to stewardship, including engagement and voting, to address broad ESG considerations. Identified climate change as key area of focus.
- Added 'Derivatives risk' as a specific risk being monitored by the Trustees in conjunction with the Fiduciary Manager.

How are the Scheme's investments managed?



Trustees - The Trustees' key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustees retain overall responsibility for the Scheme's investment strategy, but delegate some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Fiduciary Manager (WTW) – The Trustees employ a Fiduciary Manager to implement the agreed investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset classes and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers using pooled vehicles. The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate eg shares in a company or government bonds.

Why does the Trustees believe voting and engagement is important?

The Trustees' view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustees further believe that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of their overall assessment of the Fiduciary Manager.

What is the Trustees' voting and engagement policy?

The Trustees expect investment managers to address broad ESG considerations in their stewardship policies but have identified climate change as the most significant ESG risk facing the Scheme.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. Where appropriate, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

What training have the Trustees received over the year?

To ensure the Trustees are kept up to date with best practice in ESG considerations, voting and engagement the Trustees received training from the Fiduciary Manager as part of a sustainable investment item over the year.

What are the Fiduciary Manager's policies?

Climate change and net zero pledge

The Trustees believe Climate Change is a current priority when engaging on public policy and with investment managers and corporates.

The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions in the portfolios that it manages (including the Scheme's) by 2050 at the latest, with a 50% reduction by 2030.

Public policy and corporate engagement

The Fiduciary Manager partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2023 include:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations or proactive equivalents and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 against management.
- Active participation in a range of global stewardship initiatives.

Industry collaboration initiatives

The Fiduciary Manager engages in several industry initiatives including:

- Signatory of the UK Stewardship Code
- Co-founder of the Net Zero Investment Consultants Initiative
- Member of Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- Member of the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founder of the Investment Consultants Sustainability Working Group
- Founding member of The Diversity Project
- Supporter of the Transition Pathway Initiative

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) on an ongoing basis. In 2023 the Fiduciary Manager conducted engagements with over 150 investment managers on sustainability and stewardship. In 2022 it also introduced engagement priorities on climate, modern slavery and engagement reporting for all highly rated investment managers.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas.

Example of engagements with investment managers carried out over the year

Core Structured Credit Manager Other ESG issue

Issue: No ESG reporting, measurement of carbon emissions and scoring of portfolio ESG risks.

Outcomes: Formalised ESG reporting, measurement of carbon emissions and scoring of portfolio ESG risks.

Secure Income Asset Manager (real estate) General ESG issue

Issue: Need to meet minimum ESG requirements (notably modern slavery & human trafficking reporting), improve energy data collection, and consider firm/fund ESG policies.

Outcomes: Considered the introduction of a structure to allow a percentage of team members' bonuses to be coinvested in fund.

Engaged with all fund tenants and collect data on emissions, energy use, waste, and water.

Screened tenants and 3rd party service providers against firm and fund ESG policy.

Articulate/report on social / community engagement at fund level.

Infrastructure Manager Governance Issue

Issues: No formal valuations committee. No processes to identify potential conflicts of interest between investors with interests in debt and equity of the same company.

Outcomes: Manager set up a formal valuation committee including independent membership. The manager also established two advisory committees to provide input where conflicts of interest arise and in relation to material changes to fund documentation.

What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes that carry different ownership rights – for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment manager.

The response received is provided in the following pages. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priority (climate change)
- Financial outcome for members, including size of holding
- High profile vote

In conclusion...

The Trustees are satisfied that over the year all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Towers Watson Investment Management – Core Diversified Fund

Voting policy	The manager's approach to voting can be found at the following link: https://www.wtwco.com/-/media/wtw/solutions/services/sustainable-investing-policy.pdf?modified=20230104213422	
Voting activity	Number of votes eligible to cast:	42,932
	Percentage of eligible votes cast:	94.7%
	Percentage of votes with management:	86.0%
	Percentage of votes against management:	14.0%
	Percentage of votes abstained from:	1.0%
Most significant votes cast	Company	Berkshire Hathaway Inc.
	Size of holdings	0.26%
	Resolution	Report If and How Company Will Measure, Disclose and Reduce GHG Emissions
	Vote Cast	For
	Rationale for voting decision	Shareholder proposal promotes better management of ESG opportunities and risks
	Outcome of vote	Not Approved
Most significant votes cast	Company	JPMorgan Chase & Co.
	Size of holdings	0.05%
	Resolution	Disclose 2030 Absolute GHG Reduction Targets Associated with Lending and Underwriting

	Vote Cast	For
	Rationale for voting decision	Shareholder proposal promotes better management of ESG opportunities and risks
	Outcome of vote	Not Approved
Most significant votes cast	Company	Microsoft Corporation
	Size of holdings	1.16%
	Resolution	Report on Risks Related to AI Generated Misinformation and Disinformation
	Vote Cast	For
	Rationale for voting decision	Shareholder proposal promotes better management of ESG opportunities and risks
	Outcome of vote	Approved
Use of proxy voting	The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.	

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