THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2021

SCHEME REGISTRATION NUMBER: 10005498

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

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THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2021

Trustee
The Midcounties Co-operative Pension Trustee Ltd

Employer Nominated Trustee Directors
Stephen Allsopp (Chair) – Retired 14 October 2021
Irene Kirkman
PTL – represented by Alison Bostock
Fiona Ravenscroft
Vivian Woodell – Appointed as Chair 14 October 2021

Member Nominated Trustee Directors
James English
Mari Frost – Resigned 11 June 2021
Stephen Ridler
Dennis Young

Secretary to the Trustee
Helen Flint-Hill
The Midcounties Co-operative Ltd
Co-operative House
Warwick Technology Park
Warwick
CV34 6DA

Principal Employer
The Midcounties Co-operative Ltd
Co-operative House
Warwick Technology Park
Warwick
CV34 6DA

Actuary
Damian McClure FIA
Mercer Ltd
12 Booth Street
Manchester
M2 4AW

Administrator
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
Surrey
CR0 2LX

Auditor
RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Investment Managers
BNY Mellon Investment Management
160 Queen Victoria Street
London
EC4V 4LA

Capstone Investment Advisors LLC (terminated 30 April 2021)
7 World Trade Center
30th Floor, 250 Greenwich Street
New York
NY 10007

Insight Investment Management (Global) Ltd
160 Queen Victoria Street
London
EC4V 4LA

JP Morgan Asset Management (Europe) S.a.r.l.
60 Victoria Embankment
London
EC4Y 0JP

Legal & General Assurance (Pensions Management) Ltd
One Coleman Street
London
C2R 5AA

Prudential M&G
PO Box 156
Dorey Court, Admiral Park
St Peter Port
Guernsey
GY1 4EU

Siguler Guff & Company LP
825 Third Avenue
New York
10022

Investment Managers (continued)

State Street Global Advisors
20 Churchill Place
Canary Wharf
London
E14 5HJ

Towers Watson Investment Management Ltd
MidCity Place
1 High Holborn
London
WC1V 6TP

Wellington Management International Ltd
80 Victoria Street
Westminster
London
SW1E 5JL

Fiduciary Investment Manager
Willis Towers Watson Ltd
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Custodian
State Street Bank & Trust Company
20 Churchill Place
Canary Wharf
London
E14 5HJ

Additional Voluntary Contribution (AVC) Provider
Royal London Mutual Insurance Society Ltd
5th Floor
Churchgate House
56 Oxford Street
Manchester
M1 6EU

Life Assurance Provider
Royal London Group
5th Floor
Churchgate House
56 Oxford Street
Manchester
M1 6EU

Banker
Clydesdale Bank PLC (trading as Virgin Money)
48-50 Market Street
Manchester
M1 1PW

Legal Adviser
Eversheds Sutherland LLP
115 Colmore Row
Birmingham
West Midlands
B3 3AL

Employer Covenant Adviser
RSM Restructuring Advisory LLP
25 Farringdon Street
London
EC4A 4AB

Enquiries
The Midcounties Co-operative Pension Scheme
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
Surrey
CR0 2LX

Email: Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk

Introduction

The Trustee of The Midcounties Co-operative Pension Scheme (the "Scheme") is pleased to present its report together with the financial statements for the year ended 31 December 2021. The Scheme was established on 1 October 1932 and is governed by a definitive trust deed dated 31 January 2011. The Scheme is a defined benefit scheme, and was closed to future accrual on 14 June 2014.

Management of the Scheme

A list of Trustee Directors is included on page 1.

There are currently four Employer Nominated Trustee Directors (including an independent Trustee Director – PTL represented by Alison Bostock) and three Member Nominated Trustee Directors. In accordance with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member Nominated Trustee Directors.

The three Member Nominated Trustee Directors are nominated by the members under the rules notified to the members of the Scheme to serve for a period of four years. They may be removed before the end of their four year term only by agreement of all the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Scheme.

In accordance with the Trust Deed, the Principal Employer, The Midcounties Co-operative Ltd, has the power to appoint and remove the Trustee of the Scheme. The Employer Nominated Trustee Directors of the Scheme are appointed and removed in accordance with the Company's Articles of Association.

Governance and Risk Management

The Trustee has in place an activity plan which sets out its objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Scheme efficiently and serves as a useful reference document.

The Trustee has also focused on risk management and a risk register has been put in place, which sets out the key risks which the Scheme is subject to, along with the controls in place to mitigate them.

The Trustee has set up a Governance Committee to review the register on an annual basis.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires the Trustee to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding, to assist the Trustee on this matter. The Trustee has agreed a training plan to enable it to meet these requirements.

Transfers

Transfer values paid during the year have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Employer Covenant

The Trustee regularly reviews and updates the covenant assessment of the Employer by meeting with the Society on a regular basis at Trustee meetings and taking advice from their Employer Covenant Adviser.

Furthermore, in accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 27 March 2020, the Employer has confirmed that it will provide contingent security during the term of the recovery period as follows:

- A first charge over £10m worth of property assets that will remain in place until 1 September 2026.
- A first charge over an additional £12m worth of property assets that will remain in place until the Trustee and the Employer agree it is no longer required.

If it is agreed that a property is sold that is currently charged to the Scheme, the Trustee and the Employer have agreed that any proceeds from the sale of that property will be paid into the Scheme as soon as reasonably practicable (but in any event within 5 business days) following the Employer receiving proceeds of the sale. Further, the Trustee and Employer have agreed that any contributions received following the sale of a property will not be used to offset any deficit contributions otherwise payable.

The only exception to the above is if the sold property is substituted for an alternative property of similar (or higher) value.

Membership

Details of the membership of the Scheme as at 31 December is shown below:

	2021	*2020*
Deferreds		
Deferreds at the start of the year	**2,312**	*2,412*
Adjustments	**(7)**	*(12)*
Retirements	**(49)**	*(58)*
Trivial commutations	**(10)**	*(7)*
Deaths	**(4)**	*(5)*
Transfers out	**(8)**	*(18)*
Deferreds at the end of the year	**2,234**	*2,312*
Pensioners		
Pensioners at the start of the year	**1,139**	*1,116*
Adjustments	**8**	*3*
Retirements	**49**	*58*
Spouses and dependants	**7**	*4*
Trivial commutations	**-**	*(1)*
Deaths	**(31)**	*(41)*
Pensioners at the end of the year	**1,172**	*1,139*
Membership at 31 December	**3,406**	*3,451*

Deferred members at the year end included employed members totalling 226 *(2020: 269)* and non-employed deferred members totalling 2,008 *(2020: 2,043).* Employed deferred members are not contributing members but have continuing ancillary benefits.

Pensioners include individuals receiving a pension upon the death of their spouse. Where a pensioner had previously had 2 periods of service with the Employer, these are shown as 2 separate pensioner records in the table above.

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal - such movements are shown within "Adjustments" the following year.

The Scheme receives income from two insurance policies held with Royal London in the name of the Trustee. These policies represented 38 pensioners *(2020: 51)* included within the above table at the year end.

Pension Increases

Pensions in payment were increased on 1 April 2021 as follows:

- GMP post 6 April 1988: 0.5% *(2020: 1.7%)*
- Pension accrued before 1 July 2006: 1.2% *(2020: 2.2%)*
- Pension accrued on or after 1 July 2006: 1.2% *(2020: 2.2%)*

Deferred pensions are increasing in the period up to retirement in accordance with legislation that affects UK approved pension plans generally, as required by the Trust Deed and Rules of the Scheme.

No discretionary pension increases were granted during the year.

Financial Development of the Scheme

The financial statements on pages 21 to 36 have been prepared and audited in accordance with the Regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund has increased from £270,831,300 at 31 December 2020 to £282,087,877 as at 31 December 2021.

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 based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

Actuarial Position of the Scheme

A summary of the funding position as at 31 December 2018, the date of the latest completed actuarial valuation of the Scheme, showed the following:

	£m
Value of liabilities:	(302.8)
Value of assets:	214.2
Funding deficit:	88.6
Funding level:	71%

If the Employer goes out of business or decides to stop contributing to the Scheme, the Scheme may be "wound up" and the Employer would be required to pay additional money to buy all members' benefits from an insurance company. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "buy-out position". A pension scheme's buy-out position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future, and they also seek to make a profit.

The actuarial valuation at 31 December 2018 showed that the Scheme's assets would not have been sufficient to buy all members' benefits from an insurance company, as the "buy-out position" at that date was:

	£m
Value of liabilities:	(373.0)
Value of assets:	214.2
Funding deficit:	158.8
Funding level:	57%

This does not mean that the Employer is thinking of winding up the Scheme. The fact that there was a shortfall at the last valuation has not affected the pensions paid from the Scheme and all members who have retired have received the full amount of their pension.

It is worth remembering that a valuation is just a "snapshot" of the Scheme's funding position, and it can change considerably if there are sudden changes in share prices, gilt yields, or members live longer than expected.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Report on Actuarial Liabilities (continued)

Significant Actuarial Assumptions

The key assumptions used for calculating the technical provisions and future contribution requirement for the Scheme were:

Investment Return Pre-Retirement:	2.75% p.a.
Investment Return Post-Retirement:	2.25 % p.a.
RPI Price Inflation:	3.30 % p.a.
CPI Price Inflation:	2.80 % p.a.
Deferred Increases: LPI (5% maximum) CARE (5% maximum) CARE (2.5% maximum)	 3.30 % p.a. 3.10 % p.a. 2.05 % p.a.
Pension Increases In Payment: RPI (5% maximum) RPI (2.5% maximum)	 3.10 % p.a. 2.05 % p.a.
Mortality:	S3PMA for males and S3PFA_middle YoB tables with CMI 2018 projections, a smoothing factor of 7.5 and: • 1.75% p.a. long term future improvements with a 98% weighting for male non-pensioners and 94% weighting for male pensioners • 1.5% p.a. long term future improvements with a 96% weighting for female non-pensioners and 94% weighting for female pensioners

Recovery Plan

As a result of the latest completed valuation, the Employer and Trustee agreed a Recovery Plan on 27 March 2020. This stated that the funding shortfall should be eliminated by deficit funding contributions of £7m per annum from 1 April 2020 to 31 January 2031 inclusive. The Employer also agreed to continue its payment beyond the end of the recovery period and agreed to pay £7m per annum between 1 February 2031 and 30 June 2033 inclusive. The contributions will normally be paid in four-weekly instalments, but the Trustee and Employer can agree for payments to be made earlier if appropriate. The annual funding update carried out by the Scheme Actuary as at 31 December 2020 showed the funding level had increased to 76%.

The full triennial valuation as at 31 December 2021 is currently underway.

Investment Matters

Introduction

All the main investments for the Scheme have been managed during the year by the Investment Managers and AVC Provider detailed on pages 2 and 3. The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify risk exposures and to manage its investments effectively. The Trustee has appointed an investment manager to manage the Scheme's assets on a discretionary basis and to provide investment advisory services to the Trustee (the "Fiduciary Manager").

Investment Objective

The Trustee has the following investment objectives:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with deficit contributions from the Employer, the cost of current and future benefits which the Scheme provides, and to ensure the security, quality and profitability of the portfolio as a whole.
- To limit the risk of the assets failing to meet the liabilities, both over the long term and on a shorter term basis.
- To minimise the long term costs of the Scheme, by maximising the return on the assets whilst having regard to the objectives shown under the points above.

The long term investment objective of the Scheme is to be 100% funded on a Gilts + 0.7% p.a. basis (the current Technical Provisions as agreed with the Scheme Actuary), achieved by targeting a net expected return on the portfolio of Gilts + 2.0% p.a. for at least three years from 31st December 2020.

Investment Strategy

The investment strategy makes use of two types of investments:

- A range of investments that provide a broad match to changes in liability values.
- A diversified range of return seeking assets.

The balance within and between these investments will be determined from time-to-time at the discretion of the Fiduciary Manager, with the objective of maximising the probability of achieving the Scheme's investment objective set by the Trustee. The Fiduciary Manager's discretion is subject to guidelines set by the Trustee within the Fiduciary Management Agreement between the parties as amended from time to time (the "FMA"). In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations set out in the FMA, including the guidelines and any investment restrictions set out therein. This ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

Investment Matters (continued)

Investment Strategy (continued)

As part of the mandate, Willis Towers Watson Ltd ("WTW") has responsibility for managing the ongoing strategy of the Scheme against a target set by the Trustee and within ranges set by the Trustee. The long term investment objective of the Scheme is to be 100% funded on a Gilts + 0.7% p.a. basis (the current Technical Provisions as agreed with the Scheme Actuary), achieved by targeting a net expected return on the portfolio of Gilts + 2.0% p.a. for at least three years from 31st December 2020. The Trustee will review this performance objective in three years, or earlier should there be a significant change in investment policy, and amend as appropriate.

The funds invested with Legal & General Assurance (Pensions Management) Ltd ("L&G") are held free from charge or lien except for the provisions of the floating charge and any liens in place by counterparties or custodians (that is normal practice within the industry). The floating charge was put in place for the benefit of all policyholders. The Trustee believes all other investments are held free from charge.

Asset Allocation

The allocation of the Scheme's invested assets (excluding AVCs) at the year end is shown below:

	2021 £	*2020* £
Liability Driven Investments (LDI)	**81,427,120**	*76,669,552*
Diversifying Strategies	**45,824,811**	*45,719,104*
Equities	**40,869,529**	*35,221,827*
Bonds	**36,807,497**	*35,692,212*
Property	**35,474,219**	*34,320,883*
Liquidity	**25,057,182**	*26,050,142*
Infrastructure	**11,084,804**	*10,741,325*
Private Equity	**2,503,550**	*2,565,307*
Downside Risk Hedge	**426,651**	*1,356,304*
	279,475,363	*268,336,656*

Performance

The performance of the Scheme's investments to 31 December 2021, is shown below:

	1 Year %	**3 Years % p.a.**	**5 Years % p.a.**
Scheme	4.3	10.4	6.8
Benchmark	*3.1*	*10.5*	*7.0*

Investment Matters (continued)

Statement of Investment Principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles, dated May 2021: https://www.midcounties.coop/legal/corporate-info/governance/

The main priority of the Trustee when considering the investment policy is to make available investment funds, which serve to meet the varying investment needs and risk tolerances of the Scheme. The Trustee has prepared an Implementation Statement detailing how their policies on engagement and voting as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year, which is appended to this Report.

Custodial Arrangements

The Trustee has appointed State Street Bank & Trust Company as Custodian of the Scheme's assets and records of entitlements. The Custodian is responsible for the safekeeping of share certificates and other documentation relating to the listed investments. The custodial arrangements are the responsibility of the Trustee of the Scheme and are reviewed from time to time. The Trustee has no direct ownership of the underlying assets of any pooled fund in which the Scheme invests.

Investment Management Expenses

The Investment Managers are remunerated based on the value of the funds under management.

Environmental, Social and Governance Considerations

The Trustee has delegated investment selection, deselection and the ongoing management of relationships with investment managers to the Fiduciary Manager within guidelines set by the Trustee in the FMA. Investments will be made by the Fiduciary Manager on behalf and in the name of the Trustee, either directly in pooled vehicles or by the appointment of third party investment managers to provide discretionary investment management services to the Trustee.

The Trustee considers the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager. The Trustee expects the Fiduciary Manager to ensure that, the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in the SIP, in particular those required under the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee expects the Fiduciary Manager to:

- Check that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's policies contained in the SIP.

- Set appropriate guidelines within each investment management agreement for segregated investments with a view to ensuring consistency with the Trustee's policies contained in the SIP.

In accordance with the Financial Services and Markets Act 2000, the selection of specific investments will be delegated to investment managers. The Investment Managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

Investment Matters (continued)

Environmental Social and Governance Considerations (continued)

The Trustee and Fiduciary Manager are not involved in the Investment Managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to investment managers appointed by the Trustee where it considers it appropriate. The Fiduciary Manager will maintain processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each Investment Manager, consistent with the achievement of the Scheme's long term objectives.

The Trustee expects the Fiduciary Manager to assess the alignment of each Investment Managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. The Trustee expects the Fiduciary Manager to engage with the Scheme's Investment Managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and Environmental, Social and Governance ("ESG") impact of underlying holdings. In addition, the Trustee expects the Fiduciary Manager to review the Investment Managers' approach to sustainable investment (including engagement) on a regular basis and engage with the Investment Managers to encourage further alignment as appropriate.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Scheme's Investment Managers to sign up to local or other applicable stewardship codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the Investment Managers. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement.

The Trustee expects the Fiduciary Manager to consider the fee structures of Investment Managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial selection of an investment manager and on an ongoing basis. Investment Managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long- term factors and engagement. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual Investment Manager level, the Trustee expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Compliance Matters

The Pensions Regulator

The statutory body that regulates occupational pension schemes is the Pensions Regulator and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 1011
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pensions Tracing Service

A pension tracing service is carried out by the Department for Work and Pensions. This service can be contacted as follows:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193
Website: www.gov.uk/find-pension-contact-details

MoneyHelper Service

For any general enquiries on their pensions, members can contact the MoneyHelper Service. A local adviser can usually be contacted through a Citizen's Advice Bureau. Alternatively, the Service can be contacted at:

MoneyHelper
120 Holborn
London
EC1N 2TD

Telephone: 0115 965 9570
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.maps.org.uk

Compliance Matters (continued)

Pensions Ombudsman

Any concerns connected with the Scheme should be referred to Premier Pensions Management Ltd, AMP House, Dingwall Road, Croydon, CR0 2LX as quickly as possible. Members and beneficiaries of pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the Administrator or Trustee can consult with The Pensions Ombudsman. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

Data Protection

The Trustee is registered as a Data Controller within the meaning of GDPR guidelines (formerly under the Data Protection Act 1998) to hold such information as is necessary for the management of the Scheme. Premier Pensions Management Ltd is registered as a Data Processor under GDPR guidelines (formerly under the Act).

Enquiries

Members can obtain information about their own pension benefits, copies of the Scheme's governing documentation or further information about the Scheme by contacting:

The Midcounties Co-operative Pension Scheme
Premier Pensions Management Ltd
AMP House
Dingwall Road
Croydon
Surrey
CR0 2LX

Email: Midcounties.Co-operativePensionScheme@Premiercompanies.co.uk

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK 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 Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, 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, including 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 judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme 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 Scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

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 Scheme by or on behalf of the Employer and the active members of the Scheme 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 Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustee's Report and Statement of Trustee's Responsibilities were approved by the Trustee and signed on its behalf by:

Trustee Director: V S Woodell

Trustee Director:

Date: 14/07/22

Opinion

We have audited the financial statements of The Midcounties Co-operative Pension Scheme for the year ended 31 December 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2021, 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; 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.

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 Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Conclusions relating to going concern

In auditing the financial documents, we have concluded that the Scheme's 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 Scheme'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 Scheme's 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 annual report, other than the financial statements and our auditor's report thereon. The Scheme's 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.

Other information (continued)

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 Trustee

As explained more fully in the Trustee's responsibilities statement on page 17 the Trustee is responsible for the preparation of 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 Scheme'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 Scheme or to cease operations, or have no realistic alternative but to do so.

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements 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 Scheme'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 Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 14/07/22

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

FUND ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	*2020* *£*
Contributions and Benefits			
Employer contributions	4	**8,397,961**	*7,896,155*
Other income	5	**59,490**	*3,168*
		8,457,451	*7,899,323*
Benefits paid or payable	6	**(6,476,699)**	*(6,577,809)*
Payments to and on account of leavers	7	**(1,289,076)**	*(3,472,019)*
Administrative expenses	8	**(1,197,773)**	*(1,352,119)*
		(8,963,548)	*(11,401,947)*
Net Withdrawals from Dealings with Members		**(506,097)**	*(3,502,624)*
Returns on Investments			
Investment management expenses	9	**(709,204)**	*(836,652)*
Investment income	10	**15,983,852**	*8,672,364*
Change in market value of investments	11	**(3,511,974)**	*24,030,489*
Net Returns on Investments		**11,762,674**	*31,866,201*
Net Increase in the Fund		**11,256,577**	*28,363,577*
Net Assets at 1 January		**270,831,300**	*242,467,723*
Net Assets at 31 December		**282,087,877**	*270,831,300*

The notes on pages 23 to 36 form an integral part of these financial statements.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2021

	Note	2021	*2020*
		£	*£*
Investments			
Pooled investment vehicles	**12**	**279,475,363**	*268,336,656*
AVC investments	**13**	**712,557**	*857,232*
Income receivable	**11**	**200,000**	*180,000*
		280,387,920	*269,373,888*
Current Assets	**18**	**2,199,358**	*2,242,182*
Current Liabilities	**19**	**(499,401)**	*(784,770)*
Net Assets at 31 December		**282,087,877**	*270,831,300*

The financial statements summarise the transactions of the Scheme 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 Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 9 and 10 and the Actuarial Certificate on page 37 and these financial statements should be read in conjunction with them.

The notes on pages 23 to 36 form part of these financial statements.

The financial statements were approved by the Trustee and signed on its behalf by:

Trustee Director: V S Woodell

Trustee Director:

Date: 14/07/22

1. BASIS OF PREPARATION

The financial statements have been prepared, on a going concern basis, in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council, and with the guidelines set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (revised 2018) (the "SORP").

In determining the appropriate basis of preparation of the financial statements, the Trustee is required to consider whether the Scheme can continue in existence for a period of at least 12 months from the date of the approval of the financial statements.

The Trustee believes the going concern basis to be appropriate as the Scheme has adequate liquid resources to meet pension and member benefit obligations in the normal course of operation for at least the next twelve months. In reaching this conclusion, the Trustee has also considered forecasts prepared by the Society and the Society assessment of current and future trading. The Trustee is of the view that the scenarios outlined by the Society, which are deemed to represent a severe and plausible test on the Society's ability to continue to adopt the going concern basis, confirm that the Society has adequate resources and will comply with its covenant requirements, to allow the Society to continue to meet its required contributions to the Scheme for the foreseeable future.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is registered as a trust under English law. The address for enquiries is included in the Trustee's Report.

3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements and have been applied consistently.

3.1 Contributions

Employer deficit funding and expenses contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions.

3.2 Other Income

All other income is accounted for on an accruals basis.

3.3 Payments to Members

a) Pensions in payment are accounted for in the period to which they relate.

b) 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. Benefits taken are reported gross of any tax settled by the Scheme on behalf of the member.

c) Individual transfers out are accounted for when member liability is discharged, which is normally when the transfer amount is paid.

3.4 Expenses

Administrative and investment management expenses are accounted for on an accruals basis.

3.5 Investment Income

a) Income from pooled investment vehicles is accounted for when declared by the fund manager and on a received basis for Liability Driven Investment ("LDI") income, given the unpredictability of receipt.

b) Income on pooled investment vehicles which do not distribute income is reflected within the unit price of the investment.

c) Income from insurance policies and interest on cash deposits is accounted for on an accruals basis.

3. ACCOUNTING POLICIES (continued)

3.6 Currency

a) The Scheme's functional and presentational currency is Pounds Sterling (GBP).

b) Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year end.

c) Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

3.7 Valuation of Investments

a) Investments are included at fair value.

b) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager at the year end. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the investment manager at the year end.

c) The AVC investments comprise policies of assurance. The market value of these policies has been taken as the surrender value of the policies at the year end, as advised by the AVC provider.

d) The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but their capital value is not deemed material to disclose within the financial statements.

3.8 Accounting Estimates

The Trustee makes estimates and assumptions concerning the future. The accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme's investments and, in particular, those classified in Level 3 of the fair value hierarchy.

3.9 Change in Market Value of Investments

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 any profits and losses realised on sales of investments during the year.

4. EMPLOYER CONTRIBUTIONS

	2021	*2020*
	£	*£*
Deficit funding	**7,000,000**	*6,923,078*
Expenses	**1,397,961**	*973,077*
	8,397,961	*7,896,155*

In accordance with the Recovery Plan and Schedule of Contributions certified by the Scheme Actuary on 27 March 2020, the Employer will continue to pay deficit funding contributions after the year end, of £7m per annum until 31 January 2031 inclusive.

The Employer has also agreed to continue its payment beyond the end of the recovery period and has agreed to pay £7m per annum between 1 February 2031 and 30 June 2033 inclusive. Contributions will be paid in four-weekly instalments, but the Trustee and Employer can agree for payments to be made earlier if appropriate. In addition, contributions of £450,000 are payable four-weekly to cover administration expenses. The Employer also meets the cost of the PPF levy. The Trustee estimates the PPF levy payable and the Society pays an amount into the Scheme equal to the estimate. Any difference between the estimate and actual levy payable is adjusted for the following year.

5. OTHER INCOME

	2021	*2020*
	£	*£*
Life assurance claims	**56,061**	**-**
Interest on cash held with the Scheme Administrator	**1,749**	**2,748**
Transfer calculation fees	**1,680**	**420**
	59,490	**3,168**

6. BENEFITS PAID OR PAYABLE

	2021	*2020*
	£	*£*
Pensions	**5,063,730**	*4,947,734*
Commutation of pensions and lump sum retirement benefits	**1,252,229**	*1,533,799*
Lump sum death benefits	**160,740**	*93,406*
Purchase of annuities	**-**	*2,870*
	6,476,699	*6,577,809*

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021	2020
	£	£
	1,289,076	*3,472,019*

8. ADMINISTRATIVE EXPENSES

	2021	2020
	£	£
PPF & TPR levies	**771,816**	*658,632*
Actuarial & consultancy	**220,509**	*315,350*
Administration	**154,649**	*150,245*
Audit	**22,520**	*24,894*
Covenant review	**21,611**	*6,939*
Legal	**5,223**	*194,520*
Bank charges	**1,445**	*1,539*
	1,197,773	*1,352,119*

Administrative expenses are borne by the Scheme, with the Employer remitting additional contributions to cover part of the cost of these expenses (as detailed in Note 4).

9. INVESTMENT MANAGEMENT EXPENSES

	2021	2020
	£	£
Fiduciary investment management	**497,706**	*523,548*
Other administration, management and custody	**211,498**	*317,862*
Fee rebates	**-**	*(4,758)*
	709,204	*836,652*

10. INVESTMENT INCOME

	2021	2020
	£	£
Income from pooled investment vehicles	**15,931,445**	*8,619,375*
Income from insurance policies	**52,407**	*52,989*
	15,983,852	*8,672,364*

Income from pooled investment vehicles includes £14.8m *(2020: £7.4m)* distributed from the Insight LDI portfolio in response to falling bond yields.

11. RECONCILIATION OF INVESTMENTS

Reconciliation of investments held at the beginning and the end of the year:

	Value at 1 January 2021 £	Purchases at Cost £	Sales Proceeds £	Change in Market Value £	Value at 31 December 2021 £
Pooled investment vehicles	**268,336,656**	**100,414,436**	**(85,725,775)**	**(3,549,954)**	**279,475,363**
AVC investments	**857,232**	**-**	**(182,655)**	**37,980**	**712,557**
	269,193,888	**100,414,436**	**(85,908,430)**	**(3,511,974)**	**280,187,920**
Income receivable	**180,000**				**200,000**
	269,373,888				**280,387,920**

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 are included in the cost of purchases and deducted from sales proceeds. The Scheme investments are held exclusively within pooled investment vehicles and as such the Scheme does not incur any direct transaction costs.

Indirect costs are incurred through the bid-offer spreads on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

12. POOLED INVESTMENT VEHICLES

The Scheme's investment in pooled investment vehicles at the year end comprised:

	2021	*2020*
	£	*£*
Liability driven investments (LDI) *	**81,427,120**	*76,669,552*
Diversifying strategies **	**45,824,811**	*45,719,104*
Equities	**40,869,529**	*35,221,827*
Bonds	**36,807,497**	*35,692,212*
Property	**35,474,219**	*34,320,883*
Liquidity	**25,057,182**	*26,050,142*
Infrastructure	**11,084,804**	*10,741,325*
Private equity ***	**2,503,550**	*2,565,307*
Downside risk hedge	**426,651**	*1,356,304*
	279,475,363	*268,336,656*

* LDI investments are held with Insight and represent the matching assets held by the Scheme. This includes fixed and inflation linked gilts and swaps.

** The Scheme invests in the Towers Watson Diversifying Strategies Fund, which holds a variety of investments including bonds, derivatives, commodities and other investments.

*** Private equity investments comprise a limited partnership that invests in other private equity funds, equities and bonds.

13. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members electing to pay AVCs. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The aggregate amounts of AVC investments held at the year end are as follows:

	2021	*2020*
	£	*£*
Royal London	**712,557**	857,232

14. EMPLOYER RELATED INVESTMENTS

During the year there were no direct or indirect Employer related investments.

15. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment dates.

Level 2: Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset or liability either directly or indirectly).

Level 3: Inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the purposes of this analysis, daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

	Level 1	**Level 2**	**Level 3**	**2021**
	£	**£**	**£**	**£**
Pooled investment vehicles	-	**276,971,813**	**2,503,550**	**279,475,363**
AVC investments	-	**-**	**712,557**	**712,557**
Income receivable	**200,000**	**-**	**-**	**200,000**
	200,000	**276,971,813**	**3,216,107**	**280,387,920**

	Level 1	*Level 2*	*Level 3*	*2020*
	£	*£*	*£*	*£*
Pooled investment vehicles	-	*265,771,348*	*2,565,308*	*268,336,656*
AVC investments	-	-	*857,232*	*857,232*
Income receivable	*180,000*	-	-	*180,000*
	180,000	*265,771,348*	*3,422,540*	*269,373,888*

16. INVESTMENT RISK DISCLOSURES

FRS 102 requires the disclosure of information in relation to certain investment risks. FRS 102 sets out these risks as follows:

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.

Market Risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- **Interest Rate Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

- **Other Price Risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits, which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's Investment Managers and monitored by the Trustee by regular reviews of the investment portfolio.

The Scheme investments are invested across a range of asset classes such as equities, credit, alternative credit and other alternatives (property, infrastructure and diversifiers). The Scheme assets have exposure and are correlated to wider market risks including interest rate and credit risk within the underlying pooled funds. The risks within the Scheme are subject to constant monitoring by WTW.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out on pages 32 and 33. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

16. INVESTMENT RISK DISCLOSURES (continued)

Credit Risk

The Scheme invests in pooled investment vehicles (as detailed in Note 12) and is therefore directly exposed to credit risk in relation to these investments.

The Scheme's holdings in pooled investment vehicles are unrated due to the nature of the funds. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. WTW, on behalf of the Trustee, carries out due diligence checks on the appointment of new investment managers and monitors any changes to the regulatory and operating environment of the pooled manager. In addition, WTW monitor the underlying managers independently.

Indirect credit risk arises on the pooled investment vehicles apart from the equity, private equity and property funds as detailed in Note 12 although the proportion subject to credit risk will depend on the investments held at the time. The Investment Managers will consider the risk and expected reward when determining which investments to invest in. Pooled investment arrangements used by the Scheme comprise unit linked insurance contracts and units in open ended investment funds and a closed limited partnership.

Currency Risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee has set a mandate to have exposure to Sterling (£) between 50 - 100%. The Scheme's total exposure by major currency as at 31 December was as follows:

Currency	**% of Pooled Investment Vehicles**	
	2021	*2020*
GBP	**92.9**	*92.3*
EM	**4.5**	*5.2*
USD	**3.5**	*4.4*
CNY	**0.5**	*-*
JPY	**-0.4**	*-0.6*
EUR	**-1.0**	*-1.3*

The Investment Managers consider the risk and reward when determining which investments to hold.

16. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in gilts, corporate and sovereign bonds, and cash through pooled investment vehicles. WTW manages these assets in line with the ranges set out in the Fund Management Agreement. Liability driven investments ("LDI"), to hedge the interest rate exposure, is at the discretion of WTW. Under this strategy, if interest rates fall, the value of the LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in interest rates. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of a rise in interest rates. The LDI mandate is managed by Insight and as at 31 December 2021, this was 29.1% *(2020: 28.3%)* of the Scheme's pooled investment vehicles. The bond and diversified strategies funds as detailed in Note 12 are also exposed to interest rate risk as a proportion of these funds invest in bonds, cash and derivatives although the extent of the risk is dependent upon the portfolio at the time. This was the case at the year ends. The Investment Manager will consider the risk and expected reward when determining which investments to invest in.

Other Price Risk

Other price risk arises in relation to the Scheme's return seeking portfolio, which includes equities, property and private equity funds held in pooled investment vehicles as detailed in Note 12 although the extent of the risk is dependent on the portfolio of the fund held at the time. This was the case at the current and preceding year end. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

17. CONCENTRATION OF INVESTMENTS

The following investments account for 5% or more, of the Scheme's net assets as at 31 December:

	2021		*2020*	
	£	**%**	*£*	*%*
WTW Diversifying Strategies Fund (USD Unhedged)	**37,441,588**	**13**	*35,816,764*	*13*
WTW Fiduciary Leveraged Long Real FX Hedging Fund	**31,585,142**	**11**	*33,550,803*	*12*
L&G Robeco Sustainable Multi Factor Equities Fund	**29,150,577**	**10**	*24,581,480*	*9*
WTW Fiduciary Leveraged Long Fixed Fund	**25,225,527**	**9**	*29,522,641*	*11*
Prudential M&G Secured Property Income Fund	**24,501,976**	**9**	*21,904,528*	*8*
Insight Liquidity Fund (Non LDI)	**20,530,402**	**7**	*23,527,730*	*9*
Insight Liquidity Holding Fund (LDI)	**13,813,563**	**5**	-	-
Wellington Securitized Opps Bond Fund	**13,461,280**	**5**	*12,699,300*	*5*
L&G Heitman Global Prime Sec Fund	**-**	**-**	*12,416,355*	*5*

18. CURRENT ASSETS

	2021	*2020*
	£	*£*
Cash held with the Scheme Administrator	**1,524,938**	*1,567,039*
Employer contributions due	**645,997**	*623,077*
Other amounts due from Employer	**24,026**	*47,700*
Income due from insurance policies	**4,397**	*4,366*
	2,199,358	*2,242,182*

Employer contributions due were received after the year end, in accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 27 March 2020.

19. CURRENT LIABILITIES

	2021	*2020*
	£	*£*
Investment management expenses payable	**217,350**	*394,900*
Benefits payable	**124,205**	*31,663*
Administrative expenses payable	**85,620**	*243,163*
PAYE due to HMRC	**72,226**	*65,044*
Prepaid Employer expenses contributions	**-**	*50,000*
	499,401	*784,770*

20. TAXATION

The Scheme is a registered Pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income and capital gains tax.

21. RELATED PARTY TRANSACTIONS

Key Management Personnel of the Entity

At the Scheme year end, three Trustee Directors were pensioners of the Scheme.

All Pensioner Trustee Directors receive benefits in accordance with the Scheme Rules and on the same terms as are normally granted to members. Trustee Director fees are borne by the Employer, amounting to £1,078 each per year – dependent on them completing the Pension Regulator's Trustee Toolkit. The only exception to this is the Trustee Chair who receives a higher amount of £1,508 per year. Fees for the services of the independent Trustee, PTL, totalled £28,000 *(2020: £4,667)*. These are also paid by the Employer and not recharged to the Scheme.

A salary is also paid to the Secretary to the Trustee by the Employer.

Entities With Control, Joint Control or Significant Influence over the Entity

Administrative fees and those from the Fiduciary Manager are paid by the Employer and recharged to the Scheme. The amount due to the Employer as at 31 December 2021 was £199,970 *(2020: £517,562).*

22. CONTINGENT ASSET

In accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 27 March 2020, the Employer has confirmed that it will provide contingent security during the term of the recovery period as follows:

- A first charge over £10m worth of property assets that will remain in place until 1 September 2026.
- A first charge over an additional £12m worth of property assets that will remain in place until the Trustee and the Employer agree it is no longer required.

If it is agreed that a property is sold that is currently charged to the Scheme, the Trustee and the Employer have agreed that any proceeds from the sale of that property will be paid into the Scheme as soon as reasonably practicable (but in any event within 5 business days) following the Employer receiving proceeds of the sale. Further, the Trustee and Employer have agreed that any contributions received following the sale of a property will not be used to offset any deficit contributions otherwise payable.

The only exception to the above is if the sold property is substituted for an alternative property of similar (or higher) value.

23. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Siguler Guff Distressed Opportunities Fund IV

The Scheme had contractual commitments at the year end with Siguler Guff Distressed Opportunities Fund IV of $800,000 *(2020: $800,000)* which had a Sterling equivalent of £593,000 *(2020: £589,000)*.

GMP Equalisation

On 26 October 2018, the High Court ruled that benefits provided to members who had contracted out of their scheme must be recalculated to reflect the equalisation of state pension ages between 17 May 1990 and 6 April 1997. Following the ruling, it is expected that the Trustee will need to equalise guaranteed minimum pensions between men and women. This is likely to result in additional liabilities for the Scheme for equalisation of the benefits already crystallised e.g. historical transfers out, retirement benefits etc.

The value of the additional liabilities (including backdated payments and interest) has been estimated by the Scheme Actuary as £0.55m, using the “C2” methodology. In addition, a reserve of £1m has been added to the liabilities of the Scheme within the Actuarial valuation carried out as at 31 December 2018, to meet the costs of equalising GMPs and data cleanse work. These liabilities are not considered material to the accounts and therefore no amounts have been accrued on this basis.

A GMP Reconciliation/Rectification Project is currently being carried out by the Scheme Administrator, with the final data cut having now been received from HMRC.

Subsequently, on 20 November 2020, the High Court issued a follow up judgment in respect of the Lloyds Banking Group ruling that any transfers out paid since 17 May 1990 must potentially be increased to reflect additional liabilities arising from the equalisation of GMPs accrued between 17 May 1990 and 5 April 1997. This could potentially result in top-up payments to members but presents significant challenges for the Trustee and Scheme Administrator in terms of:

- Identifying transfers paid since 1990.
- Equalising the transfer payment.
- Tracking the relevant members and the arrangements they transferred to.

The Trustee is currently reviewing all options with its Scheme Advisers.

CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

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 December 2018 to be met by the end of the period specified in the Recovery Plan dated 27 March 2020.

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 27 March 2020.

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 Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature:	*Damian McClure*
Name:	Damian McClure
Date of Signing:	27 March 2020
Address:	Mercer Limited 12 Booth Street Manchester M2 4AW
Qualification:	Fellow of the Institute and Faculty of Actuaries

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of The Midcounties Co-operative Pension Scheme

Qualified Statement about contributions payable under schedule of contributions

We have examined the Summary of Contributions payable to The Midcounties Co-Operative Pension Scheme on page 40, in respect of the Scheme year ended 31 December 2021. In our opinion, except for the effects of the departure from the Schedule of Contributions described in the Basis for qualified statement about contributions paragraph, the contributions for the Scheme year ended 31 December 2021 as reported in the Summary of Contributions page 40 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 Actuary on 27 March 2020.

Basis for qualified statement about contributions

As explained fully on page 40, in relation to the sale of a property currently charged to the Scheme, the proceeds of sale of that property should have been paid into the Scheme within 5 business days following the receipt of proceeds by the Employer rather than the property being replaced by a property of similar value. Contributions as set out in the Schedule of Contributions amounting to £470,000 have not been received by the Scheme.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 40 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 Scheme and the timing of those payments under the Schedule of Contributions.

Respective Responsibilities of Trustee and Auditor

As explained more fully on page 17 in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme 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 Statement

This statement is made solely to the Scheme's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date: 14/07/22

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE
FOR THE YEAR ENDED 31 DECEMBER 2021

During the year ended 31 December 2021, the contributions payable to the Scheme by the Employer were as follows:

Employer Contributions Payable under the Schedule of Contributions:	**2021**
	£
Deficit funding	**7,000,000**
Expenses	**1,397,961**
Contributions per Note 4	**8,397,961**

The Schedule of Contributions requires the Employer to pay the proceeds of sale of any assets held under the guarantee to the Scheme within 5 business days following the receipt of proceeds by the Employer.

On 4 August 2021, a property charged to the Scheme was sold for £470,000 and replaced with a property of similar value, however in accordance with the Schedule of Contributions, the proceeds of sale of £470,000 should have been paid into the Scheme within 5 business days of receipt by the Employer. This constitutes a breach of the Schedule of Contributions despite the fact that the property charged to the Scheme was replaced by a property of similar value on the same day as the sale. As the value of the security has been replaced with a similar value property the Trustees are not seeking to recover the contribution from the Employer.

The Summary of Contributions was approved by the Trustee and signed on its behalf by:

Trustee Director: V S Woodell

Trustee Director:

Date: 14/07/22

Midcounties Co-operative Pension Scheme

Annual Implementation Statement – scheme year ending 31 December 2020

Table of Contents

Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Midcounties Co-operative Pension Scheme ("the Scheme") covering the scheme year ("the year") from 1 Jan 2020 to 31 December 2020.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voting services during the year.

The Scheme makes use of a wide range of investments; therefore the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that the investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme assets on a discretionary basis. The Fiduciary Manager's discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies set out in the Trustee's SIP.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks. The SIP was reviewed and updated once in the year. The version in place as at the end of the year was dated September 2020. This update incorporated new policies in relation to voting and engagement.

For the purpose of assessing how the Scheme's SIP has been followed, this statement specifically focusses on the SIP agreed in September 2020. We consider that all SIP policies and principles relevant to this statement were adhered to.

Section 2: How the Trustee has adhered to its engagement and voting policies

Consistent with the Trustee's view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainability forms the cornerstone of successful long-term investment strategies and has fully embedded the consideration of ESG factors into its process.

Industry wide / public policy engagement

Regarding engagement, the Trustee's SIP states that:

"The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable stewardship codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers."

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). The Fiduciary Manager communicates client policies/sentiment to EOS on a regular basis, including via the Client Advisory Board (currently chaired by Willis Towers Watson) and EOS subsequently engages with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. Engagement activities by EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government's Department for Business, Energy and Industrial Strategy in order to help set out the UK's decarbonization roadmap and steps to achieve agreed climate targets;
- Feedback/assistance on the production of a new anti-microbial resistance benchmark with the aim of reducing the use of anti-biotics in agriculture;
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over $35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 27 companies and collaborating with other investors on another 14 companies as part of this initiative.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Tier 1 signatory of the UK Stewardship Code;
- A signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- A member of the Institutional Investors Group on Climate Change (IIGCC);
- A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum).

The Fiduciary Manager engages with the Scheme's investment managers on behalf of the Trustee. The Trustee has considered and reviewed their stewardship and engagement policies as part of the recent reviews of their Statement of Investment Principles.

The Fiduciary Manager's process for selecting, monitoring and de-selecting investment managers explicitly and formally includes an assessment of a manager's approach to sustainable investment (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). The Scheme is invested across a diverse range of asset classes which carry different ownership rights. This document focusses on the equity holdings, which have voting rights attached.

The Scheme's equity holdings as at the end of the year were held within the following four pooled investment vehicles:

- Legal & General Investment Management (LGIM) Adaptive Cap ESG Equity Fund
- Legal & General Investment Management (LGIM) Robeco Global Sustainable Multi-Factor Equity Fund
- Legal & General Investment Management (LGIM) Heitman Global Prime Property Fund
- Legal & General Investment Management (LGIM) Infrastructure Equity MFG Fund

As such, the voting entitlements in these funds lie with the equity manager LGIM. However, the Fiduciary Manager engages with LGIM on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements.

Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached. The Scheme invested in the following standalone equity funds over the year to 31 December 2020.

- **LGIM Adaptive Cap ESG Equity Fund:** Global equity index fund which includes considerations to climate change and sustainable investment factors through allocation weightings and exclusions.
- **LGIM Robeco Global Sustainable Multi-Factor Equity Fund:** Global equity semi-passive fund which includes considerations to climate change and sustainable investment factors through allocation weightings and exclusions.
- **LGIM Heitman Global Prime Property Fund**: Global listed equity fund that focusses on prime property
- **LGIM Infrastructure Equity MFG Fund:** Global listed equity fund that focusses on infrastructure assets

As set out in the SIP, the Trustee's policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment managers. This section sets out the voting activities of the Scheme's equity investment managers over the year, including details of the investment managers' use of proxy voting.

The Scheme's investment managers have their own voting policies which determine their approach to voting, and the principles they follow when voting on investors' behalf. All investment managers also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy advisor services:
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision. LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions. LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.

Further information on the voting and engagement activities of the managers is provided in the table below. Where managers provided multiple examples of "significant votes" we show three demonstrative examples.

LGIM Adaptive Cap ESG Equity Fund

Voting activity	Number of votes eligible to cast: 3,820 Percentage of eligible votes cast: 99.8% Percentage of votes with management: 81.8% Percentage of votes against management: 17.5% Percentage of votes abstained from: 0.7%			
Most significant votes cast	**Company**	Fast Retailing Co. Limited.	Qantas Airways Limited	Cardinal Health
	Size of holdings	Unknown	Unknown	Unknown
	Resolution	Elect Director Yanai Tadashi	Approve Remuneration Report.	Advisory Vote to Ratify Named Executive Officers' Compensation
	Decision /Vote	Against	For	Against
	Rationale for decision	LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. On a global level LGIM consider that every board should have at least one female director. They deem this a de minimis standard.	LGIM supported the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic.	LGIM has in previous years voted against executives pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance.
	Rationale for classifying as significant	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	Highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	LGIM believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay.

LGIM Robeco Global Sustainable Multi-Factor Equity Fund

Voting activity	Number of votes eligible to cast: 2,670 Percentage of eligible votes cast: 99.7% Percentage of votes with management: 81.9% Percentage of votes against management: 17.7% Percentage of votes abstained from: 0.4%		
Most significant votes cast	**Company**	The Procter & Gamble Company (P&G)	Medtronic plc
	Size of holdings	Unknown	Unknown
	Resolution	Report on effort to eliminate deforestation.	Advisory Vote to Ratify Named Executive Officers' Compensation.
	Decision /Vote	For	Against

	Rationale for decision	A key priority issue for LGIM is to ensure that companies we invest our clients assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met.
	Rationale for classifying as significant	Linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.	LGIM believe it is contrary to best practice in general and our pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.

LGIM Heitman Global Prime Property Fund

Voting activity	Number of votes eligible to cast: 123 Percentage of eligible votes cast: 100.0% Percentage of votes with management: 85.2% Percentage of votes against management: 14.7% Percentage of votes abstained from: 0.2%
Most significant votes cast	There were no significant votes made in relation to the securities held by this fund during the reporting period.

LGIM Infrastructure Equity MFG Fund

Voting activity	Number of votes eligible to cast: 96 Percentage of eligible votes cast: 99.9% Percentage of votes with management: 85.0% Percentage of votes against management: 15.0% Percentage of votes abstained from: 0.0%
Most significant votes cast	There were no significant votes made in relation to the securities held by this fund during the reporting period.

Other matters

In relation to investment factors, the Trustee has identified a number of risks which it seeks to manage and monitor, in conjunction with the Fiduciary Manager. The Fiduciary Manager reports to the Trustee on Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks in quarterly meeting papers which were discussed at the Trustee’s quarterly meetings.

In addition to these risks, through the fiduciary manager the Trustee also seeks to measure and manage:

- Currency risk: some of the Trustee's investments are denominated in a different currency to the Scheme's liabilities which creates a mismatch. The Fiduciary Manager managed the Scheme's exposure to foreign currencies within guidelines set by the Trustee. Currency hedging was implemented using a combination of hedged and unhedged pooled fund exposures. The Fiduciary Manager left a proportion of the Scheme's foreign currency exposure unhedged for diversification and return perspective. The Fiduciary Manager monitored the Scheme's unhedged exposures on a regular basis and reported this to the Trustee as part of its quarterly meeting papers.

- Custodial risk: the Scheme is exposed to the risk that any assets held on the custodian's balance sheet could be lost if the custodian was to become insolvent. The Trustee addressed this by investing in pooled funds where the Scheme's assets are held by a separate custodian appointed by the manager. In addition, any uninvested cash was swept into a pooled cash fund at the custodian where the assets are held off the custodian's balance sheet. In addition, the Fiduciary Manager's specialist research team reviews the custodian on a periodic basis.

- Political risk: the Trustee recognises that the value of the Scheme's assets may be impacted by political regimes and actions, particularly in less established/ more opaque markets. Throughout the year, the Scheme's portfolio remained well diversified by geography. The Fiduciary Manager considers political risk when determining whether to allocate capital to an investment and in determining the relative sizing of an investment.

- Sponsor risk: the Trustee evaluates information relating to the Sponsor covenant on a regular basis. In addition, the Trustee engages an independent covenant assessor at each triennial valuation. The Trustee has agreed a contribution and funding schedule commensurate with the strength of the Sponsor and the Scheme's journey plan.

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that LGIM are acting in the Scheme members' best interest and are effective stewards of the Scheme's assets.

The Fiduciary Manager will continue to monitor the investment managers' stewardship practices on an ongoing basis. The Fiduciary Manager believes that the governance policies of both the investment managers and the fiduciary manager are aligned with the engagement policy outlined in the SIP.