



THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2023

SCHEME REGISTRATION NUMBER: 10005498

isio.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

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THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2023

Trustee

The Midcounties Co-operative Pension Trustee Ltd

Employer Nominated Trustee Directors

Irene Kirkman

Zedra (formerly PTL) – represented by Alison Bostock

Fiona Ravenscroft

Vivian Woodell – Appointed as Chair

Member Nominated Trustee Directors

James English

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

Scheme Actuary

Damian McClure FIA

Mercer Ltd

12 Booth Street

Manchester

M2 4AW

Scheme Administrator

Isio Group Ltd

AMP House

Dingwall Road

Croydon

CR0 2LX

Auditor

RSM UK Audit LLP

Statutory Auditor

Chartered Accountants

10th Floor

103 Colmore Row

Birmingham

West Midlands

B3 3AG

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2023

Fiduciary 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

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2023

Enquiries

The Midcounties Co-operative Pension Scheme

Isio Group Ltd

AMP House

Dingwall Road

Croydon

Surrey

CR0 2LX

Email: Midcounties.Co-operativePensionScheme@ISIO.com

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023. 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 – Zedra 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 three or four years. They may be removed before the end of their 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 Employer 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 29 November 2022, 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.

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Employer Covenant (continued)

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 for the year are given below:

	Total 2023	<i>Total 2022</i>
PENSIONERS		
Pensioners at the start of the year	1,211	1,172
Adjustments	29	13
New pensioners	68	60
Deaths	(28)	(44)
Trivial commutations	(4)	(1)
Spouses and dependants	9	11
Pensioners at the end of the year	1,285	<i>1,211</i>
 MEMBERS WITH DEFERRED BENEFITS		
Members with deferred benefits at the start of the year	2,137	2,234
Adjustments	(34)	(15)
Retirements	(68)	(60)
Transfers out	(3)	(10)
Trivial commutations	(14)	(9)
Deaths	(1)	(3)
Members with deferred benefits at the end of the year	2,017	<i>2,137</i>
 TOTAL MEMBERSHIP AT THE END OF THE YEAR	3,302	<i>3,348</i>

Deferred members at the year-end included employed members totalling 196 (2022: 213) and non-employed deferred members totalling 1,821 (2022: 1,924). 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 46 pensioners (2022: 49) included within the above table at the year end.

Financial Development of the Scheme

The financial statements on pages 19 to 31 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 £167,900,685 at 31 December 2022 to £172,411,288 at 31 December 2023.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME
TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Pension Increases

Pensions in payment were increased on 1 April 2023 as follows:

- Guaranteed Minimum Pension post 6 April 1988: 3.0% (2022: 3.0%)
- Pension accrued before 1 July 2006: 5.0% (2022: 5.0%)
- Pension accrued on or after 1 July 2006: 2.5% (2022: 2.5%)

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.

Recent Developments

There were no significant developments within the Scheme during the year.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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. 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.

A summary of the funding position as at 31 December 2021, the date of the latest Triennial Actuarial Valuation of the Scheme, shows the following:

	£m
The Statutory Funding Objective (SFO) in relation to the liabilities:	(332.1)
Valuation of assets:	281.4
Deficit relative to the SFO:	(50.7)
Funding level:	85%

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 take a more cautious view of the future, and also seek to make a profit.

The actuarial valuation at 31 December 2021 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 as shown below:

	£m
Estimated cost of buying benefits with an insurance company:	(402.2)
Value of assets:	281.4
Buy-out position deficit:	(120.8)
Funding level:	70%

This does not mean that the Employer is thinking of winding up the Scheme. The fact 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 "snap shot" of the Scheme's funding position, and it can change considerably if there are sudden changes in investment values or gilt yields, or if members live longer than expected.

Method

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

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
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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	2.05% p.a.
Investment return post-retirement	1.55% p.a.
RPI price inflation	3.64% p.a.
CPI price inflation	3.32% p.a.
Deferred increases:	
LPI (5% maximum)	3.64% p.a.
CARE (5% maximum)	3.34% p.a.
CARE (2.5% maximum)	2.10% p.a.
Pension increases in payment:	
CPI (3% maximum)	2.40% p.a.
RPI (5% maximum)	3.34% p.a.
RPI (2.5% maximum)	2.10% p.a.
Mortality:	S3PMA for males and S3PFA_middle for females YoB tables with CMI 2021 projections, a smoothing factor of 7.5 and: • 1.5% p.a. long term future improvements with a 104% (male) and 105% (female) weighting for non-pensioners and 100% weighting for pensioners

Recovery Plan

As a result of the latest completed valuation, the Employer and Trustee agreed a Recovery Plan on 29 November 2022. This stated that the funding shortfall should be eliminated by deficit funding contributions of £7m per annum, with monthly contributions in November 2022 and December 2022, and quarterly contributions from 1 May 2023 to 31 January 2027 inclusive. The Employer also agreed to make a one-off contribution of £2,333,333 by 30 April 2023. The £7m contributions from 1 May 2023 will be payable quarterly, falling due on the last day of each quarter (31 July, 31 October, 31 January and 30 April), and is payable by the 19th day of the following month.

The Actuarial Certificate in relation to the Schedule of Contributions is shown on page 32 of the Annual Report. The next full triennial valuation is due as at 31 December 2024.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

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INVESTMENT REPORT

Introduction

Over the year under review, the investments of the Midcounties Co-operative Pension Scheme (the "Scheme") were managed by the fiduciary manager and AVC provider shown 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 Objectives

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 31 December 2021.

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.

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 Trustee will review this performance objective every three years, or earlier should there be a significant change in Scheme funding, and amend as appropriate.

The Trustee last reviewed the investment strategy in February 2023 following the completion of the 31 December 2021 triennial valuation. It was agreed to maintain the existing target return following a similar investment approach.

Later in the year the portfolio was rebalanced following the closure of one of the Scheme's pooled fund investments. As part of this, the Trustee agreed to make use of a diversified growth fund to provide broader exposure to return drivers and asset classes. This necessitated the purchase and sale of a number of holdings, a process which was largely complete by early 2024.

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.

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INVESTMENT REPORT (CONTINUED)

Asset Allocation

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

	2023 £	2022 £
Liability Driven Investments (LDI)	72,694,752	66,860,326
Diversified Growth Strategy	58,641,160	27,418,568
Equities	-	9,982,798
Bonds	-	14,860,244
Property	20,028,599	22,422,588
Liquidity	15,460,948	13,216,460
Infrastructure	-	2,545,531
Private Equity	1,518,391	2,007,248
Downside Risk Hedge	-	2,234,046
	168,343,850	161,547,809

Performance

The performance of the Scheme's investments to 31 December 2023, is shown below:

	1 Year %	3 Years % p.a.	5 Years % p.a.
Scheme	3.7	-13.4	-3.5
Benchmark	1.9	-13.1	-4.0

Market Commentary

Over 2023 global investment markets were driven to a large degree by the outlook for inflation and its impact on the path of interest rates in developed economies. Within the UK, the inflation rate as measured by the CPI rose by 3.9% in the 12 months to December 2023, down from 6.6% in September and from a recent peak of 11.1% in October 2022.

As a result of inflation remaining above its 2% target, the Bank of England (BoE) increased the base rate on 5 occasions from a level of 3.5% at the start of the year to 5.25% by August. There were no further rate increases over the remainder of the year with the Governor Andrew Bailey saying the Monetary Policy Committee would be watching closely to see if further rate rises were needed, adding: 'It's much too early to be thinking about rate cuts.

In the US, the Federal Reserve lifted the federal funds rate 4 times during 2023, the most recent rise being to 5.25 – 5.50% in July 2023. There were no further increases over the remainder of the year and indeed during the fourth quarter markets began to price in a number of interest rate cuts over 2024 as inflation continued to fall and economic data weakened.

Over the 12 months to 31 December 2023, sterling has appreciated against the US dollar, the Euro and the Yen by 6.0%, 2.4% and 13.2% respectively.

Over the 12 months to 31 December 2023, equity markets returned positive performance across all regions other than China. The FTSE All World Index returned 15.7% and within this North America was the best performing region with a return of 19.4% (both in sterling terms).

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

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Market Commentary (continued)

Fixed interest UK government bond yields (which move inversely to bond prices) decreased over the 12 months to 31 December 2023. As a result, long maturity UK gilts returned 1.6% over the period (as measured by FTSE-A Gilts Over 15 Years Index). Conversely, inflation-linked gilt yields decreased over the 12-month period with long maturity UK index-linked gilts falling -4.3% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index).

The Scheme outperformed its liability benchmark by 1.8% over 2023. This was primarily due to positive returns from the return-seeking assets combined with a modest underhedged position relative to the Scheme's liabilities.

Statement of Investment Principles

An updated SIP was agreed in January 2024 incorporating the following changes:

- Clarification of the short- and long-term investment objectives for the Scheme
- Introduction of secure income assets as a specific asset class used to achieve these objectives
- Greater detail on the Trustee's approach to stewardship, engagement and delegation of voting policies.

In accordance with Section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles: <https://www.midcounties.coop/siteassets/footer/corporate-info/governance/tmc-sip.pdf>

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.

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

Environmental, Social and Governance Considerations (ESG)

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.

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TRUSTEE'S REPORT
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INVESTMENT REPORT (CONTINUED)

Environmental, Social and Governance Considerations (ESG) (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.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

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FOR THE YEAR ENDED 31 DECEMBER 2023

COMPLIANCE

Tax Status

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. This means that the contributions paid by the Scheme qualify for full tax relief and enables income earned from investments by the Trustee to receive preferential treatment.

Contributions

During the year, one out of three quarters of contributions totalling £2,027,440 was paid 4 days later than what is prescribed in the Schedule of Contributions certified by the Scheme Actuary on 29 November 2022. This was due to annual leave within the team at the Principal Employer.

Data Protection

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

Pension Schemes Registry

The Trustee is required to provide certain information about the Scheme to the Pension Schemes Registry. This has been forwarded to:

Pension Schemes Registry
PO Box 1NN
Newcastle upon Tyne
NE99 1NN

The Pensions Regulator

The Pensions Regulator ("TPR") is the UK regulator of work-based pension schemes. The Pensions Act 2004 gives the Pensions Regulator a set of specific objectives:

- To protect the benefits of members of work-based pension schemes;
- To promote good administration of work-based pension schemes; and
- To reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

TPR can be contacted at:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

The Pension Tracing Service

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

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

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

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FOR THE YEAR ENDED 31 DECEMBER 2023

COMPLIANCE (CONTINUED)

Pension Protection Fund

The Pension Protection Fund was introduced to protect members' interest in certain circumstances, i.e., to provide compensation where an employer has become insolvent, or the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Pension Protection Fund is funded by a retrospective levy on all occupational pension schemes.

The Trust Deed and Rules, the Scheme Booklet, and a copy of the Schedule of Contributions and Statement of Investment Principles are available for inspection by contacting the Trustee at the address shown for enquires in this report.

Any information relating to the member's own pension position, including estimates of transfer values, should be requested from the Administrator of the Scheme, Isio Group Ltd, at the address detailed on page 1 of this report.

The Money and Pensions Service

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

The Money and Pensions Service
120 Holborn
London
EC1N 2TD
Telephone: 0115 965 9570
Email: contact@maps.org.uk
Website: www.maps.org.uk

Pensions Ombudsman

Any concerns in respect of the Scheme should be referred to the Administrator, Isio Group Ltd, who will try to resolve the problem as quickly as possible. Members and beneficiaries of pension schemes, who have problems concerning their scheme and are not satisfied by the information or explanation given by the administrators or the trustees, can consult The Pensions Ombudsman. The address is:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU
Telephone: 0800 917 4487
Email: helpline@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

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
Isio Group Ltd
AMP House
Dingwall Road
Croydon
Surrey
CR0 2LX

Email: Midcounties.Co-operativePensionScheme@ISIO.com

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

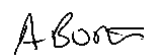
The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system 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

Date: 31/07/24


Trustee Director

Date: 31/07/24

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the financial statements of The Midcounties Co-operative Pension Scheme for the year ended 31 December 2023 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 2023, and of the amount and disposition at that date of the assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the scheme 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 Auditors' 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 statements, we have concluded that the Scheme's trustees' 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 trustees' with respect to going concern are described in the relevant sections of this report.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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 Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the 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 wind up the Scheme, or has 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 MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2023

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
10th Floor
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Date: 31/07/24

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Contributions and benefits			
Employer contributions	5	6,703,154	7,785,895
Other income	6	153,537	23,364
		<u>6,856,691</u>	<u>7,809,259</u>
Benefits			
Benefits paid and payable	7	(7,542,289)	(6,839,537)
Payments to and on account of leavers	8	(122,995)	(1,477,370)
Administrative expenses	9	(729,413)	(1,322,588)
		<u>(8,394,697)</u>	<u>(9,639,495)</u>
Net withdrawals from dealings with members		<u>(1,538,006)</u>	<u>(1,830,236)</u>
Returns on investments			
Investment management expenses	10	(391,083)	(682,063)
Investment income	11	9,617,895	11,483,209
Change in market value of investments	12	(3,178,203)	(123,158,102)
Net returns on investments		<u>6,048,609</u>	<u>(112,356,956)</u>
Net increase/(decrease) in the fund during the year		<u>4,510,603</u>	<u>(114,187,192)</u>
Net assets at 1 January		<u>167,900,685</u>	<u>282,087,877</u>
Net assets at 31 December		<u><u>172,411,288</u></u>	<u><u>167,900,685</u></u>

The notes on pages 21 to 31 form part of these financial statements.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Investment assets			
Pooled investment vehicles	12	168,343,850	161,547,809
AVC investments	12	755,964	785,229
Income receivable	12	240,000	220,000
Cash	12	25,279	81,822
Cash in transit	12	-	3,603,936
Total net investments		169,365,093	166,238,796
Current assets	19	3,545,907	2,348,245
Current liabilities	20	(499,712)	(686,356)
Net assets at 31 December		172,411,288	167,900,685

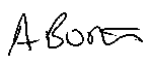
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 7 and 8 and the Actuarial Certificate on page 32 of the annual report, and these financial statements should be read in conjunction with these sections.

The notes on pages 21 to 31 form part of these financial statements.

The financial statements were approved for and on behalf of the Trustee by:


 Trustee Director

Date: 31/07/24


 Trustee Director

Date: 31/07/24

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Midcounties Co-operative Pension Scheme (the "Scheme") is an occupational pension scheme established under a Deed of Trust, ensuring that its assets are completely separate from those of the Principal Employer. The Trustee has control over the Scheme and has a legal duty to the beneficiaries.

The Scheme is a registered defined benefit pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (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 after the date of signing these financial statements. In reaching this conclusion, the Trustee has also considered forecasts prepared by the Employer and the Employer assessment of current and future trading. The Trustee is of the view that the scenarios outlined by the Employer, which are deemed to represent a severe and plausible test on the Employer's ability to continue to adopt the going concern basis, confirm that the Employer has adequate resources and will comply with its covenant requirements, to allow the Employer to continue to meet its required contributions to the Scheme for the foreseeable future.

3. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is registered as a trust under English law. The address for enquiries is shown on page 3 of the Annual Report.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4. ACCOUNTING POLICIES

The principal accounting policies of the Scheme are as follows:

4.1 Contributions

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

4.2 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 in or out are accounted for when paid or received, which is normally when member's liability is accepted/discharged.
- d) Where the Trustee is required to settle tax liabilities on behalf of a member (such as when lifetime or annual allowances are exceeded) with a consequent reduction in that members benefits receivable from the Scheme, this is shown separately within benefits.

4.3 Expenses

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

4.4 Investment and Other 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.
- d) All other income is accounted for on an accruals basis.

4.5 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.

4.6 Valuation of Investments

- a) Investments are included at fair value. The fair value of pooled investment vehicles (PIVs) is based on the bid price or single price operating at the accounting date, as advised by the Investment Manager.
- 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.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. ACCOUNTING POLICIES (continued)

4.6 Valuation of Investments (continued)

- e) 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.

4.7 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.

5. EMPLOYER CONTRIBUTIONS

	2023	2022
	£	£
Deficit funding	5,833,333	7,000,001
Expenses	375,000	450,000
PPF	494,821	335,894
	<u>6,703,154</u>	<u>7,785,895</u>

In accordance with the new Recovery Plan and Schedule of Contributions certified by the Scheme Actuary on 29 November 2022, the Employer will continue to pay deficit funding contributions for November and December 2022. The employer has also agreed to recommence the £7m per annum contributions from May 2023 to January 2027 inclusive, payable quarterly plus a one-off payment of £2,333,333 falling due on 30 April 2023, which was paid on 19 May 2023.

6. OTHER INCOME

	2023	2022
	£	£
Interest on cash held by the Scheme Administrator	153,537	22,944
Transfer calculation fees	-	420
	<u>153,537</u>	<u>23,364</u>

7. BENEFITS PAID AND PAYABLE

	2023	2022
	£	£
Pensions	5,657,989	5,293,691
Commutations of pensions and lump sum retirement benefits	1,869,892	1,539,807
Lump sum death benefits	14,408	6,039
	<u>7,542,289</u>	<u>6,839,537</u>

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023	2022
	£	£
Individual transfers to other schemes	122,995	1,477,370

9. ADMINISTRATIVE EXPENSES

	2023	2022
	£	£
PPF and TPR Levies	168,476	796,324
Actuarial & consultancy	253,071	299,055
Administration	247,392	155,828
Audit	39,766	31,787
Covenant review	5,000	34,120
Legal	14,241	4,018
Bank charges	1,467	1,456
	729,413	1,322,588

Administrative expenses are borne by the Scheme, with the Employer remitting additional contributions to cover part of the cost of these expenses.

10. INVESTMENT MANAGEMENT EXPENSES

	2023	2022
	£	£
Fiduciary investment management	334,845	444,763
Other administration, management and custody	56,238	237,300
	391,083	682,063

11. INVESTMENT INCOME

	2023	2022
	£	£
Income from pooled investment vehicles	9,573,626	11,427,939
Income from insurance policies	44,269	55,270
	9,617,895	11,483,209

Income from pooled investment vehicles includes £7.4m (2022: £9.2m) distributed from the Insight LDI portfolio in response to falling bond yields.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. INVESTMENT RECONCILIATION

	Value at 1 January 2023 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	Value at 31 December 2023 £
Pooled investment vehicles	161,547,809	263,585,571	(253,577,403)	(3,212,127)	168,343,850
AVC investments	785,229	-	(63,189)	33,924	755,964
	<u>162,333,038</u>	<u>263,585,571</u>	<u>(253,640,592)</u>	<u>(3,178,203)</u>	<u>169,099,814</u>
Income receivable	220,000				240,000
Cash deposits	81,822				25,279
Cash in transit	3,603,936				-
	<u>166,238,796</u>				<u>169,365,093</u>

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.

There were £66,865,498 policy switches included within the purchases and sales of pooled investment vehicles during the year.

13. TRANSACTION COSTS

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.

14. POOLED INVESTMENT VEHICLES

The holdings of the Scheme's invested assets by asset class are analysed below:

	2023 £	2022 £
Liability driven investments (LDI) *	72,694,752	66,860,326
Diversifying strategies **	58,641,160	27,418,568
Property	20,028,599	22,422,588
Liquidity	15,460,948	13,216,460
Private equity ***	1,518,391	2,007,248
Bonds	-	14,860,244
Equities	-	9,982,798
Infrastructure	-	2,545,531
Downside risk hedge	-	2,234,046
	<u>168,343,850</u>	<u>161,547,809</u>

* 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 was invested in the Towers Watson Diversifying Strategies Fund, which held 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.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. AVC INVESTMENTS

Members are not required to contribute to the Scheme but were able to pay Additional Voluntary Contributions (AVCs) if they wished until the Scheme closed to future accrual. Any such AVCs are separately invested for the benefit of individual members. These members receive details of their investments directly from the AVC providers concerned. The AVC values at the year end are as follows:

	2023 £	2022 £
Royal London	<u>755,964</u>	<u>785,229</u>

16. INVESTMENT FAIR VALUE HIERARCHY

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

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

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

	31 DECEMBER 2023			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	166,825,459	1,518,391	168,343,850
AVC investments	-	-	755,964	755,964
Income receivable	240,000	-	-	240,000
Cash	25,279	-	-	25,279
	<u>265,279</u>	<u>166,825,459</u>	<u>2,274,355</u>	<u>169,365,093</u>

	31 DECEMBER 2022			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	159,540,561	2,007,248	161,547,809
AVC investments	-	-	785,229	785,229
Income receivable	220,000	-	-	220,000
Cash	81,822	-	-	81,822
Cash in transit	3,603,936	-	-	3,603,936
	<u>3,905,758</u>	<u>159,540,561</u>	<u>2,792,477</u>	<u>166,238,796</u>

17. INVESTMENT RISKS

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

Credit risk 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 comprises currency risk, interest rate risk and other price risk, defined as follows:

- **Currency risk** 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** 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** 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 (real estate, infrastructure, 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 the Fiduciary Manager, Willis Towers Watson Limited.

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

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT RISKS (CONTINUED)

Credit Risk

The Scheme is subject to direct credit risk as all its investments are through pooled investment vehicles. The Scheme also has indirect exposure to credit risks arising on the financial instruments held by some of the pooled investment vehicles.

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.

A summary of the legal structure of the pooled investment vehicles held by the Scheme is shown below:

Legal nature of the pooled arrangements	2023	2022
	£m	£m
Unit linked insurance contracts	-	21.18
Irish Collective Asset-management Vehicle	89.73	69.09
Open ended investment companies	10.17	23.45
Limited liability partnerships	1.52	2.02
Qualifying Investor Alternative Investment Fund	51.46	27.95
UCITs	15.46	13.13
SICAV	-	4.73
	168.34	161.55

Note: rows/columns may not sum due to rounding

The Scheme's Fiduciary Manager (Willis Towers Watson Limited) carries out operational and due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled managers.

A summary of the investments subject to direct credit risk as at 31 December 2023 is shown in the table below:

	Investment grade	Unrated	Total
	£m	£m	£m
Managed Funds and Pooled investments	-	166.82	166.82
Private Equity	-	1.52	1.52
Cash Deposits and Other Investment Assets	-	-	-
	-	168.34	168.34

Note: rows/columns may not sum due to rounding

Cash is held within financial institutions which are at rated as at least investment grade. The cash account for the Scheme is held at State Street, also the custodian for the Scheme.

A summary of the investments subject to indirect credit risk as at 31 December 2023 is shown in the table below:

Plan investments subject to indirect credit risk	£m
Pooled investment vehicles	134.71

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. INVESTMENT RISKS (CONTINUED)

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	
	2023	2022
GBP	88.2	90.4
EM	2.3	3.6
USD	7.3	5.0
CNY	1.5	0.7
EUR	-0.1	-0.5
JPY	0.1	-
Others	0.7	0.8

The investment manager will consider the risk and reward when determining which investments to hold.

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, interest rate swaps and cash through pooled investment vehicles.

Willis Towers Watson Limited manages these assets in line with the ranges set out in the FMA. A Liability Driven Investment (LDI) portfolio is used to hedge the interest rate exposure under the fiduciary managers discretion. Under this approach, 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 2023 constituted 34% of the Scheme's assets.

Other Price Risk

Other price risk arises in relation to the Scheme's return seeking portfolio which includes equities held in pooled investment vehicles, property and private equity funds. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The Plan also holds exposure to developed market currencies as part of its extreme risk hedge.

18. CONCENTRATION OF INVESTMENTS

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

	2023		2022	
	£	%	£	%
WTW Diversified Fund	43,738,760	25.5	-	-
Insight Leveraged Short Real Fund (LDI)	22,176,040	12.9	11,377,954	7.0
Prudential M&G Secured Property Income Fund	20,028,599	11.7	18,859,046	11.0
Insight Liquidity Fund (Non LDI)	15,435,861	9.0	13,133,301	8.0
WTW Fiduciary Leveraged Long Real FX Hedging Fund	14,740,560	8.6	18,684,672	11.0
WTW Leveraged Long Fixed Fund (LDI)	14,107,615	8.2	-	-
Insight Liquidity Holding Fund (LDI)	10,169,378	5.9	15,793,747	9.0
WTW Diversifying Strategies Fund (USD Unhedged)	-	-	19,308,223	11.0
WTW Fiduciary Leveraged Long Fixed Fund	-	-	15,823,758	9.0
WTW Secure Income Bond Fund	-	-	8,110,344	5.0

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. CURRENT ASSETS

	2023	2022
	£	£
Cash held with the Scheme Administrator	3,507,237	1,709,042
Employer contributions due	-	598,915
Other amounts due from Employer	24,026	24,026
Income due from insurance policies	14,644	16,262
	<u>3,545,907</u>	<u>2,348,245</u>

Employer contributions due were received after the year end, in accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 29 November 2022.

20. CURRENT LIABILITIES

	2023	2022
	£	£
Administrative expenses due	145,338	152,542
Benefits due	133,417	183,171
Taxation	91,795	73,925
Investment management expenses due	74,182	276,718
Prepaid contributions	54,980	-
	<u>499,712</u>	<u>686,356</u>

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 £1,500 each per year, which increased to £1,560 in June 2023 – dependent on them completing the Pension Regulator's Trustee Toolkit. The only exception to this is the Trustee Chair who receives an amount of £2,100 per year, which increased to £2,184 in June 2023. Fees for the services of the independent Trustee, Zedra, totalled £30,924 (2022: £36,014). 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 2023 was £202,221 (2022: £255,278).

22. EMPLOYER-RELATED INVESTMENTS

There were no Employer-Related investments during the year.

23. 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 tax and capital gains tax.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

24. CONTINGENT ASSET

In accordance with the latest Schedule of Contributions certified by the Scheme Actuary on 29 November 2022, 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.

25. 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 (2022: \$800,000) which had a Sterling equivalent of £628,320 (2022: £661,102).

26. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

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 Fund 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 considering all its options and a GMP Reconciliation and Equalisation Project is currently underway.

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. The Trustee will investigate the possible implications with its advisers but, it is not possible at present to estimate the potential impact, if any, on the Scheme. The Trustee will review the implications with our legal advisers and actuary.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

ACTUARIAL CERTIFICATE

Certificate of Schedule of Contributions

Adequacy of Rates of Contributions

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 October 2022 to be met by the end of the period specified in the Recovery Plan dated 29 November 2022.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 29 November 2022.

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

29 November 2022

Address

Mercer Limited
12 Booth Street
Manchester
M2 4AW

Qualification

Fellow of the Institute and Faculty of Actuaries

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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 34, in respect of the Scheme year ended 31 December 2023. In our opinion, the contributions for the Scheme year ended 31 December 2023 as reported in the Summary of Contributions page 34 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 29 November 2022.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 34 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 15 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
10th Floor
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Date: 31/07/24

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of Trustee's Responsibilities in respect of Contributions for the year ended 31 December 2023

The Scheme Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme Trustee is also responsible for keeping records of contributions received in respect of any member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions Payable under the Schedule in respect of the Scheme year ended 31 December 2023

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the Employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 29 November 2022 in respect of the Scheme year ended 31 December 2023. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Employer contributions payable under the Schedule in respect of the Scheme year

	2023
	£
Deficit funding	5,833,333
Expenses	375,000
PPF	494,821
Contributions payable under the Schedule (as reported on by the Scheme Auditor and reported in the Financial Statements in note 5)	6,703,154

During the year, the contributions due to the Scheme by the Principal Employer under the Schedule of Contributions is detailed above. One out of three quarters of contributions totalling £2,027,440 was paid 4 days later than what is prescribed in the Schedule of Contributions certified by the Scheme Actuary on 29 November 2022.

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. Under the new Schedule of Contributions, contributions or substitution of the property is allowed. There were no property sales in the year.

Signed on behalf of the Trustee by:



Trustee Director

Date: 31/07/24



Trustee Director

Date: 31/07/24

Appendix Divider referenced in contents

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 at:

<https://www.midcounties.coop/siteassets/footer/corporate-info/governance/tmc-sip.pdf>

What is the purpose of this Statement?

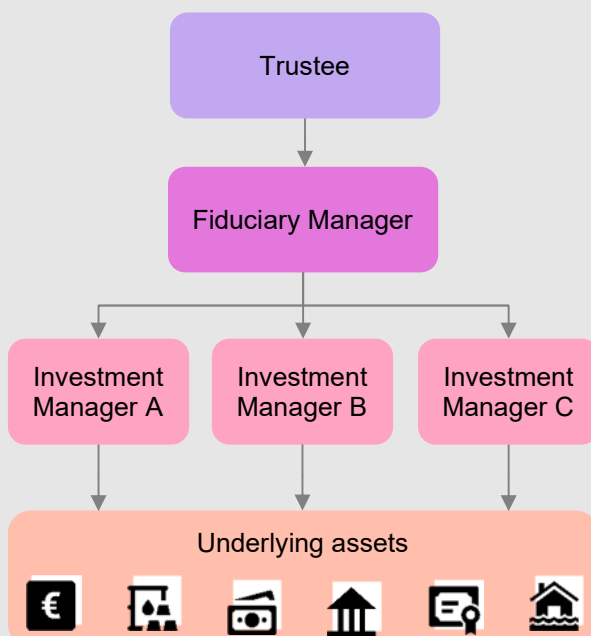
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe how the voting rights attached to the Scheme's assets have been exercised over the year.

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.	

Disclaimer

"WTW has prepared this material for the Trustees of the Midcounties Co-operative Pension Scheme ("you") to assist you with any decisions you may take regarding your investment arrangements. It is provided subject to the terms of our agreement with you.

Any assessments of the investment managers and/or products contained in this material are derived from our research process. They are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance by WTW of the future performance of those investment managers or products.

Our research does not cover specific legal, regulatory, administrative, taxation or accounting aspects and procedures, and we may only undertake limited or no operational due diligence on any particular investment manager, product or vehicle. Accordingly we accept no responsibility for any consequences arising as a result of these areas not being considered in our assessments.

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We incorporate sustainable investment considerations, including sustainability risks, into our investment research, due diligence and manager assessments. We believe that sustainability risks and wider sustainability considerations can influence investment outcomes from a risk and return perspective. Where sustainability risks and other sustainability considerations are most likely to influence investment risk and return, we encourage and expect fund managers to have a demonstrable process in place that identifies and assesses material sustainability risks and the impact on their investment strategy and end portfolio. In partnership with you we endeavour to ensure that the investment managers and products included in your portfolio are consistent with any sustainability preferences set out in your formal investment policy documents.

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