Tamworth Co-operative Society Limited Employees' Superannuation Fund

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005,the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification Regulations 2018) and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statements of Investment Principles (SIP) dated 14 January 2022 and dated 17 October 2023 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2023 to 31 March 2024.

Investment objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 2 of each SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To target a level of exposure to downside equity-like risk of around 50% of the Scheme's assets (which was subsequently reduced to 30% in the SIP dated 17 October 2023).
- Where future opportunities arise, the Trustees will consider further steps to reduce the volatility of the Scheme's funding position and thereby improve the security of members' benefits.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Review of the SIP

The SIP was last reviewed in October 2023. The Trustees updated the SIP to reflect changes in the Scheme's investment strategy. As set out in the revised SIP, the Scheme's investment strategy involved c.15% allocation to risk-controlled multi-asset funds, c.40% allocation to multi-asset income and c.45% allocation to the self-sufficiency hedging asset solution.

The Trustees have a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

Investment managers and funds in use

At the start of the year, the Trustees' investment strategy was as shown in the table below, which was reflected in the Trustees' SIP dated 14 January 2022.

Asset Class	Fund	Target Asset Allocation
Global equities	LGIM All World Equity Index Fund – GBP Hedged	20%
Risk-controlled multi-asset	LGIM Dynamic Diversified Fund	20% ± 5%
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	40%
Liability Driven Investment (LDI) solution	LGIM Matching Core Funds	20% ± 5%
Total		**100%**

During the year, the Trustees' investment strategy was updated as shown in the table below, which is reflected in the Trustees' SIP dated 17 October 2023.

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	LGIM Dynamic Diversified Fund	15% ± 7.5%
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	40%
Self-sufficiency hedging asset solution	LGIM Matching Core Funds LGIM Self Sufficiency Credit Funds	45% ± 7.5%
Total		**100%**

The investment strategy above is intended to provide target protection of 100% against any changes in the value of the Scheme's liabilities on a self-sufficiency funding basis (up to the value of assets) due to changes in interest rates and inflation expectations (referred to as the Scheme's 'Target Hedging Ratios').

Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP, as the Trustees' primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Trustees note that the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees on 10 December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

Trustees’ policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme’s SIP (both dated 14 January 2022 and 17 October 2023) have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme’s investments. The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.	No deviation from this policy over the year to 31 March 2024.
Balance of Investments	The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees’ view of the Sponsoring Employer’s covenant, the nature of the Scheme’s liabilities or relevant regulations governing pension scheme investment.	No deviation from this policy over the year to 31 March 2024.
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Scheme’s assets to professional investment managers and will not be involved in the buying or selling of investments.	No deviation from this policy over the year to 31 March 2024.
Realising Investments	The Trustees make disinvestments from the Investment Manager with the assistance of Broadstone, the Scheme’s investment advisers, as necessary, to meet the Scheme’s cashflow requirements.	No deviation from this policy over the year to 31 March 2024.
Maintaining the Target Asset Allocation	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the characteristics of the strategy move significantly away from that intended.	The Scheme’s asset allocation and hedging levels were in line with their targets as at 31 March 2024.

Requirement	Policy	Implementation of Policy
Performance Benchmarks and Objectives	The risk-controlled multi-asset fund and multi-asset income fund are actively managed, with objectives to outperform specified market benchmarks. Their objectives are summarised below: • LGIM Dynamic Diversified Fund: Benchmark – Bank of England Base Rate. Performance Objective – To outperform the benchmark by 4.5% p.a. (gross of fees) over rolling three-year periods. • LGIM Retirement Income Multi Asset Fund: Benchmark – Bank of England Base Rate. Performance Objective – To outperform the benchmark by 3.5% p.a. (gross of fees) over rolling three-year periods. The LGIM Matching Core Funds have an objective to provide a prescribed level of hedging against changes in the value of the liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to the Investment Manager, with the expectation that the Investment Manager will choose the most cost-effective method. The LGIM Self Sufficiency Credit Funds are designed to provide diversified exposure to fixed interest and inflation-linked assets that aim to broadly reflect the investments underlying a typical bulk-annuity policy. The practical method of implementing this is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method. The LGIM Self Sufficiency Credit Funds also have an objective to generate quarterly cashflows to pay the benefits of a notional pension scheme with liabilities of similar nature and duration to the Scheme as they fall due.	The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2024.
Investment Management Charges	The investment management charges of the funds used are set out on page 6 of each SIP and are: • LGIM Dynamic Diversified Fund: 0.38% p.a. • LGIM Retirement Income Multi-Asset Fund: 0.35% p.a. • LGIM Matching Core Funds: 0.24% p.a. • LGIM Self Sufficiency Credit Funds: 0.18% p.a. In addition, LGIM charge a flat fee of £1,000 per annum.	No deviation from the management charges over the year to 31 March 2024.
Financially Material Considerations	The Trustees' policy on financially material considerations is set out on page 9 of each SIP and in full below.	No deviation from this policy over the year to 31 March 2024 (see below).

Requirement	Policy	Implementation of Policy
Engagement and Voting Rights	**SIP dated 14 January 2022:** Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly. **SIP dated 17 October 2023:** The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG Topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term, is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager. The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.	No deviation from either policy over the year to 31 March 2024 (see below).
Additional Voluntary Contributions (AVCs)	The Scheme holds AVCs separately from the assets, using a policy provided by the Royal London Mutual Insurance Society Limited.	No deviation from this policy over the year to 31 March 2024.

Financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below.

Asset Class	Trustees' views
Risk-controlled Multi-asset Funds / Multi-asset Income Funds	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Liability Driven Investment Funds	The underlying assets of the LDI funds consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Self Sufficiency Credit Funds	The underlying assets of the Self Sufficiency Credit Funds are government bonds, derivative contracts, and corporate bonds. The Trustees expect the Investment Manager to take financially material ESG factors into account with regards to the underlying corporate bond holdings, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with the investment manager, and they acknowledge that this limits their ability to directly influence the Investment Manager. In particular, all voting activities have been delegated to the Investment Manager, as the Trustees are unable to cast a vote in line with their views on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustees periodically meet with their Investment Manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Manager on these matters where they think this is in the best interests of members.

Out of the funds held by the Trustees over the year, the risk-controlled multi-asset and multi-asset income funds contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to LGIM. LGIM reports quarterly to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by LGIM from 1 April 2023 to 31 March 2024 on behalf of the Trustees for each fund used by the Trustees during the year was requested from LGIM. It was requested that the manager provides voting data broken down into Environmental, Social, and Governance categories. However, LGIM advised that the data is not yet available in this format. The breakdown of this data will continue to be requested in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM	LGIM Dynamic Diversified Fund	98,702	76.7%	23.1%	0.2%
LGIM	LGIM Retirement Income Multi-Asset Fund	102,766	77.4%	22.4%	0.2%

All of the Scheme's assets are invested in pooled funds. Regarding proxy voting, LGIM do not use a proxy voting service to determine their voting policy, which is formed in-house. LGIM do, however, use Institutional Shareholders' Service's *ProxyExchange* voting platform to vote on resolutions electronically.

Significant votes

The Trustees have also requested details of the significant votes made on behalf of the Trustees by LGIM for each fund in which the Scheme invests in and which has voting rights. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Investment Manager	LGIM
Company	Shell PLC
Percentage of portfolio invested in company at date of vote	LGIM Dynamic Diversified Fund: 0.28% LGIM Retirement Income Multi-Asset Fund: 0.16%
Date of vote	23 May 2023
Resolution	Approve the Shell Energy Transition Progress
Why significant	LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C temperature increase scenario. Given the high profile of such votes, LGIM deem such votes to be significant particularly when LGIM votes against the transition plan.
Voting decision	Against
Manager comments	*"We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations."*
Vote outcome	80% Voted For

SIGNIFICANT VOTE 2	
Investment Manager	LGIM
Company	Tencent Holdings Limited
Percentage of portfolio invested in company at date of vote	LGIM Dynamic Diversified Fund: 0.17% LGIM Retirement Income Multi-Asset Fund: 0.15%
Date of vote	17 May 2023
Resolution	Elect Jacobus Petrus Bekker as Director
Why significant	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting companies in climate-critical sectors. LGIM expects the Remuneration Committee to comprise independent directors.
Voting decision	Against
Manager comments	*"A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.* *A vote against has been applied because LGIM expects the Committee to comprise independent directors.* *LGIM will continue to engage with the company and monitor progress."*
Vote outcome	88% Voted For

Engagement activities

The Trustees have also delegated engagement activities to LGIM. LGIM report quarterly to the Trustees on how they have engaged with companies on behalf of the Trustees for the underlying holdings.

A notable engagement activity of the investment manager is provided below:

- **LGIM** met with the management team of Heidelberg Cement, a large international cement producer, during the year to discuss the progress and economic viability of the company's planned carbon capture and storage (CCS) projects. LGIM note that cement production is responsible for around 8% of global carbon emissions each year, and therefore believe the cement industry needs to decarbonise significantly for the world to reach net zero carbon emissions. As a result, the sector is designated as 'climate critical' by LGIM.

  Heidelberg believes it has an industry leading decarbonisation policy as well as the first-mover advantage in CCS. LGIM raised questions regarding the relative costs and economics of CCS, external factors affecting viability of CCS projects (such as possible regulation or government subsidisation), and expectations of demand for 'carbon-free' cement.

  LGIM will continue to engage with Heidelberg Cement as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg Cement, LGIM believe CCS will only become economical when met with either an increase in the price of permits for generating carbon emissions, or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management going forwards.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of investment arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: **Date:**

On behalf of the Trustees of the Tamworth Co-operative Society Limited Employees' Superannuation Fund