



THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2024

SCHEME REGISTRATION NUMBER: 10005498

isio.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

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THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2024

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 Limited
AMP House
Dingwall Road
Croydon
CR0 2LX

Auditor

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2024

Fiduciary Manager

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

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

PricewaterhouseCoopers LLP (appointed 10 January 2025)
Central Square
29 Wellington Street
Leeds
LS1 4DL

RSM Restructuring Advisory LLP (resigned 9 January 2025)
25 Farringdon Street
London
EC4A 4AB

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME
TRUSTEE AND ITS ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2024

Enquiries

The Midcounties Co-operative Pension Scheme

Isio Group Limited

PO Box 163

Blyth

NE24 9GS

Email: Midcounties.Co-operativePensionScheme@ISIO.com

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024. 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.

Single Code of Practice

The Pensions Regulator ("TPR") released a new single code of practice, called the General Code, which came into effect on 28 March 2024. The General Code consolidates 10 of the 15 existing Codes of Practice, along with various pieces of existing guidance and new material required by the 2018 Occupational Pension Schemes (Governance) regulations.

The Trustee has reviewed the General Code and is currently updating their governance practices to meet TPR's new expectations.

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 a quarterly 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. TPR has published the General Code to assist the Trustee on this matter. The Trustee has agreed a training plan to enable it to meet these requirements.

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 28 February 2025, 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.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
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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 2024	<i>Total 2023</i>
PENSIONERS		
Pensioners at the start of the year	1,285	1,211
Adjustments	16	29
New pensioners	80	68
Deaths	(51)	(28)
Trivial commutations	(1)	(4)
Spouses and dependants	15	9
Pensioners at the end of the year	1,344	<i>1,285</i>
MEMBERS WITH DEFERRED BENEFITS		
Members with deferred benefits at the start of the year	2,017	2,137
Adjustments	(12)	(34)
Retirements	(80)	(68)
Transfers out	(6)	(3)
Trivial commutations	(15)	(14)
Deaths	(3)	(1)
Members with deferred benefits at the end of the year	1,901	<i>2,017</i>
TOTAL MEMBERSHIP AT THE END OF THE YEAR	3,245	<i>3,302</i>

Deferred members at the year-end included employed members totalling 128 (2023: 196) and non-employed deferred members totalling 1,773 (2023: 1,821). 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 45 pensioners (2023: 46) 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 decreased from £172,411,288 at 31 December 2023 to £161,022,841 at 31 December 2024.

Changes to the Scheme

Following a request from the Society, the Trustee agreed to a phasing of contributions over the 2025/26 Society year. Therefore, a revised Schedule of Contributions dated 28 February 2025 was put in place.

There have been no changes to the Scheme's benefit structure during the year.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

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 triennial 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
TRUSTEE'S REPORT
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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 – Base Table	S3PMA for males and S3PFA_middle for females (Year of Birth) tables with age weighting of 104% (male) and 105% (female) for non-pensioners and 100% for pensioners (to reflect the membership profile of the Scheme)

Recovery Plan

As a result of the latest completed triennial actuarial 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 Employer and Trustee have put in place a new Schedule of Contributions on 28 February 2025 and have agreed to a phasing of contributions over the 2025/26 year. The £7m per annum contributions from 28 February 2025 will be payable quarterly, falling due on the last day of each quarter (30 April, 31 July, 31 October and 31 January), 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 and is currently underway.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

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 page 2. 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 a Fiduciary Manager, Towers Watson Limited ("WTW") to manage the Scheme's assets on a discretionary basis and to provide investment advisory services to the Trustee.

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 investment objective of the Trustee is for the Scheme is to be 100% funded on the Technical Provisions Basis which is expected to be achieved by targeting a net expected return on the portfolio of Gilts + 2% p.a.

Investment Strategy

The investment strategy makes use of three types of investments:

- A range of investments that provide a broad match to changes in liability values.
- A portfolio of secured income assets; and
- 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 (the "FMA") 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, 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 reviewed the investment strategy and return target over 2024 as part of broader changes to the portfolio, consolidating much of the return-seeking assets into a single diversified growth fund (to provide exposure to a range of asset classes) and increasing the Scheme's liability hedge ratio. Following these changes, the return target for the investment portfolio was reduced modestly to Gilts+1.85% p.a. (from Gilts+2.0% p.a.).

Over the course of 2025 the Trustee will undertake a full triennial valuation. As part of this, it will determine, in consultation with the Sponsor, the Scheme's long-term funding objective in light of the recently published Funding Code.

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.

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
TRUSTEE'S REPORT
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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:

	2024 £	2023 £
Liability Driven Investments (LDI)	64,747,512	72,694,752
Diversified Growth Strategy	54,658,233	58,641,160
Property	27,965,841	20,028,599
Equities	8,506,362	-
Liquidity	2,457,188	15,460,948
Private Equity	524,764	1,518,391
	158,859,900	168,343,850

Investment Performance

The performance of the Scheme's investments to 31 December 2024, is shown below:

	1 Year %	3 Years % p.a.	5 Years % p.a.
Scheme	-7.0	-16.8	-7.5
<i>Benchmark</i>	-7.3	-15.1	-7.1

Market Commentary

The Bank of England (BoE) implemented two base rate adjustments over the 12 months to December 2024. In August 2024, the BoE cut its base rate by 0.25% reducing it from a 16-year high of 5.25% to 5.00%. A further decrease of 0.25% in November brought the base rate down to 4.75%, which was maintained until the end of the fourth quarter.

The UK inflation rate, as measured by the CPI, rose by 2.5% in the 12 months to December 2024. US inflation rose to 2.9%, while in the eurozone, inflation rose to 2.4% in the 12 months to December 2024.

Over the fourth quarter of 2024, the Federal Reserve (Fed) cut its federal fund rates by 25 bps following the November meeting and carried out a further cut in December to bring the target range to 4.25 - 4.50%. Federal Reserve Chair Jerome Powell indicated that the Fed may cut interest rates at a slower pace than previously anticipated due to persistent inflation concerns, largely due to Trump's anticipated trade and taxation policies. Over the 12 months to 31 December 2024, sterling has depreciated against the US dollar by 1.8%. The currency appreciated against the euro and yen by 4.8% and 9.5%, respectively.

Equity markets

Over the 12 months to 31 December 2024, equity markets returned positive performance across all regions other than Developed Asia Pacific (ex-Japan) which performed negatively. The FTSE All World Index returned 19.8% whilst the FTSE Emerging Index returned 14.8% (both in sterling terms). FTSE All-Share Index returned 9.5% whilst North America was the best performing region with 26.9% (both in sterling terms).

Bond markets

UK government bond yields (which move inversely to bond price) increased over 12 months to 31 December 2024. Long maturity UK gilts have returned -10.6% over the period (as measured by FTSE-A Gilts Over 15 Years Index) and UK gilts all stocks returned -3.3%.

Similarly, inflation-linked gilt yields increased over the 12-month period. Long maturity UK index-linked gilts returned -15.4% (as measured by FTSE-A Index-Linked Gilts Over 15 Years Index) and UK index-linked gilts all stocks returned -8.3%.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

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Market Commentary (continued)

The Scheme outperformed its liability benchmark by 0.3% over 2024. This was primarily due to strong returns from the Scheme's equity assets as markets performed strongly driven by the improved global growth outlook. The Scheme's UK Government bond holdings (LDI) detracted from returns, though these falls were offset by falls in the value placed on the Scheme's liabilities.

Statement of Investment Principles

An updated Statement of Investment Principles ("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 SIP. A copy of the SIP is available on request and published on the website address:

<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 SIP have been adhered to during the year.

Custodial Arrangements

The Fiduciary Manager, Willis Towers Watson Limited, 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.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

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 MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

COMPLIANCE

Pension Increases

Pensions in payment were increased on 1 April 2024 as follows:

- Guaranteed Minimum Pension post 6 April 1988: 3.0% (2023: 3.0%)
- Pension accrued before 1 July 2006: 5.0% (2023: 5.0%)
- Pension accrued on or after 1 July 2006: 2.5% (2023: 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.

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 four quarters of contributions totalling £1,862,500 was paid 1 day later than what is prescribed in the Schedule of Contributions certified by the Scheme Actuary on 29 November 2022.

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.

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 Limited (Scheme Administrator) is registered as a Data Processor under GDPR guidelines (formerly under the Act).

Further Information

It is hoped that all members feel sufficiently well informed, and that specific requests are dealt with fully. Any concerns or requests for information relating to the member's own pension position, should be addressed in the first instance to the Scheme Administrator by post to Isio Group Limited, PO Box 163, Blyth, NE24 9GS or by email to Midcounties.Co-operativePensionScheme@isio.com.

Members who are dissatisfied or concerned about any matter relating to the Scheme may contact the Trustee to resolve the matter and may also seek advice or help from a number of outside bodies:

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 MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

COMPLIANCE (CONTINUED)

The Pensions Regulator

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

Telephone: 0345 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pension Tracing Service

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

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

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

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.

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 Limited, at the address detailed on page 1 of this report.

MoneyHelper

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:

Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AB

Telephone: 0115 965 9570
Email: contact@maps.org.uk
Website: www.maps.org.uk

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TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

COMPLIANCE (CONTINUED)

Pensions Ombudsman

Any concerns in respect of the Scheme should be referred to the Scheme Administrator 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. Contact with the Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) happened or, within three years of when the event(s) was first known about (or ought to have been known about). There is discretion for those time limits to be extended. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Complaints can also be submitted online. Further information on how to complain about an occupational pension can be seen on this page: www.pensions-ombudsman.org.uk/submit-complaint

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 Limited
PO Box 163
Blyth
NE24 9GS

Email: Midcounties.Co-operativePensionScheme@ISIO.com

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

TRUSTEE'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

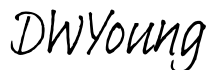
The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary, revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and 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: 18/07/25



Trustee Director

Date: 25/07/25

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME FOR THE YEAR ENDED 31 DECEMBER 2024

Opinion

We have audited the financial statements of The Midcounties Co-operative Pension Scheme for the year ended 31 December 2024 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 2024, 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to Going Concern

In auditing the financial statements, we have concluded that the Scheme Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE MIDCOUNTIES CO-OPERATIVE PENSION SCHEME FOR THE YEAR ENDED 31 DECEMBER 2024

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 OF THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME FOR THE YEAR ENDED 31 DECEMBER 2024

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
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Date: **26/07/25**

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
FUND ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £	2023 £
Contributions			
Employer contributions	5	7,614,940	6,703,154
Other income	6	111,890	153,537
		<u>7,726,830</u>	<u>6,856,691</u>
Benefits			
Benefits paid and payable	7	(7,704,943)	(7,542,289)
Payments to and on account of leavers	8	(158,800)	(122,995)
Administrative expenses	9	(597,278)	(729,413)
		<u>(8,461,021)</u>	<u>(8,394,697)</u>
Net withdrawals from dealings with members		<u>(734,191)</u>	<u>(1,538,006)</u>
Returns on investments			
Investment management expenses	10	(492,883)	(391,083)
Investment income	11	2,780,358	9,617,895
Change in market value of investments	12	(12,941,731)	(3,178,203)
Net returns on investments		<u>(10,654,256)</u>	<u>6,048,609</u>
Net (decrease)/increase in the fund during the year		<u>(11,388,447)</u>	<u>4,510,603</u>
Net assets at 1 January		<u>172,411,288</u>	<u>167,900,685</u>
Net assets at 31 December		<u>161,022,841</u>	<u>172,411,288</u>

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

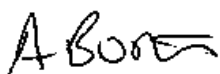
THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
AS AT 31 DECEMBER 2024

	Note	2024 £	2023 £
Investment assets			
Pooled investment vehicles	12-18	158,859,900	168,343,850
AVC investments	12-18	795,505	755,964
Income receivable	12-18	266,000	240,000
Cash	12-18	93,988	25,279
Total net investments		160,015,393	169,365,093
Current assets	19	1,561,404	3,545,907
Current liabilities	20	(553,956)	(499,712)
Net assets at 31 December		<u>161,022,841</u>	<u>172,411,288</u>

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 6 and 7 and the Actuarial Certificate on page 32 of the Annual Report, and these financial statements should be read in conjunction with these sections.

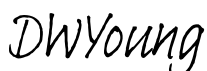
The notes on pages 21 to 31 form part of these financial statements.

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



Trustee Director

Date: 18/07/25



Trustee Director

Date: 25/07/25

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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

	2024	2023
	£	£
Deficit funding	7,000,000	5,833,333
Expenses	450,000	375,000
PPF	164,940	494,821
	<u>7,614,940</u>	<u>6,703,154</u>

In accordance with the Recovery Plan and Schedule of Contributions certified by the Scheme Actuary on 29 November 2022, the Employer has agreed to contribute £7m per annum from May 2023 to January 2027 inclusive, payable quarterly plus a one-off payment of £2,333,333 falling due on 30 April 2023.

To cover administrative and other ongoing expenses (excluding investment fees and the PPF levy), the Employer shall pay additional contributions to the Scheme of £450,000 per annum. The Employer will also meet the cost of the PPF levy. The Trustee will estimate the PPF levy payable in the following calendar year. The Society will then pay an amount to the Scheme equal to the estimate for that calendar year. Any difference between the estimate and the actual PPF levy payable will be added or subtracted to the estimate for the following year.

The Employer and Trustee have put in place a new Schedule of Contributions on 28 February 2025 and have agreed to a phasing of contributions over the 2025/26 year. The £7m per annum contributions from 28 February 2025 will be payable quarterly, falling due on the last day of each quarter (30 April, 31 July, 31 October and 31 January), and is payable by the 19th day of the following month.

6. OTHER INCOME

	2024	2023
	£	£
Interest on cash deposits held by Scheme Administrator	111,890	153,537

7. BENEFITS PAID AND PAYABLE

	2024	2023
	£	£
Pensions	6,012,120	5,657,989
Commutations of pensions and lump sum retirement benefits	1,692,111	1,869,892
Lump sum death benefits	712	14,408
	<u>7,704,943</u>	<u>7,542,289</u>

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024	2023
	£	£
Individual transfers to other schemes	158,800	122,995

9. ADMINISTRATIVE EXPENSES

	2024	2023
	£	£
Administration	278,070	247,392
Actuarial & consultancy	241,035	253,071
Audit	30,400	39,766
PPF and TPR Levies	25,023	168,476
Covenant review	15,000	5,000
Legal	6,182	14,241
Bank charges	1,568	1,467
	597,278	729,413

Administrative expenses are borne by the Scheme, with the Employer remitting expense contributions to cover part of the cost of these expenses. Please refer to Note 5.

10. INVESTMENT MANAGEMENT EXPENSES

	2024	2023
	£	£
Fiduciary investment management	374,336	334,845
Other administration, management and custody	118,547	56,238
	492,883	391,083

11. INVESTMENT INCOME

	2024	2023
	£	£
Income from pooled investment vehicles	2,729,861	9,573,626
Income from insurance policies	50,497	44,269
	2,780,358	9,617,895

Income from pooled investment vehicles includes £0.7m (2023: £7.4m) 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 2024

12. INVESTMENT RECONCILIATION

	Value at 1 January 2024 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	Value at 31 December 2024 £
Pooled investment vehicles	168,343,850	53,810,742	(50,291,137)	(13,003,555)	158,859,900
AVC investments	755,964	-	(22,283)	61,824	795,505
	<u>169,099,814</u>	<u>53,810,742</u>	<u>(50,313,420)</u>	<u>(12,941,731)</u>	<u>159,655,405</u>
Income receivable	240,000				266,000
Cash deposits	25,279				93,988
	<u>169,365,093</u>				<u>160,015,393</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.

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:

	2024 £	2023 £
Liability driven investments (LDI) *	64,747,512	72,694,752
Diversifying strategies **	54,658,233	58,641,160
Property	27,965,841	20,028,599
Equities	8,506,362	-
Liquidity	2,457,188	15,460,948
Private equity ***	524,764	1,518,391
	<u>158,859,900</u>	<u>168,343,850</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 2024

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:

	2024 £	2023 £
Royal London	<u>795,505</u>	<u>755,964</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 2024			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	158,335,136	524,764	158,859,900
AVC investments	-	-	795,505	795,505
Income receivable	266,000	-	-	266,000
Cash	93,988	-	-	93,988
	<u>359,988</u>	<u>158,335,136</u>	<u>1,320,269</u>	<u>160,015,393</u>

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

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 or annuity policies, 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 2024

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	2024 £m	2023 £m
Irish Collective Asset-management Vehicle	86.74	89.73
Open ended investment companies	14.48	10.17
Limited liability partnerships	0.52	1.52
Qualifying Investor Alternative Investment Fund	54.66	51.46
UCITs	2.46	15.46
	158.86	168.34

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 2024 is shown in the table below:

	Investment grade £m	Unrated £m	Total £m
Managed Funds and Pooled investments	-	158.34	158.34
Private Equity	-	0.52	0.52
Cash Deposits and Other Investment Assets	-	-	-
	-	158.86	158.86

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 2024 is shown in the table below:

Scheme investments subject to indirect credit risk	£m
Pooled investment vehicles	132.89

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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	
	2024	2023
GBP	89.2	88.2
EM	1.9	2.3
USD	6.5	7.3
CNY	1.4	1.5
EUR	0.1	-0.1
JPY	0.2	0.1
Others	0.7	0.7
Total	100.0	100.0

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 2024 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 Scheme 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:

	2024		2023	
	£	%	£	%
WTW Diversified Fund	49,853,584	31.0	43,738,760	25.5
Prudential M&G Secured Property Income Fund	20,996,811	13.0	20,028,599	11.7
Insight Leveraged Short Real Fund (LDI)	19,174,175	11.9	22,176,040	12.9
Insight Liquidity Holding Fund (LDI)	14,483,618	9.0	10,169,378	5.9
WTW Fiduciary Leveraged Long Real FX Hedging Fund	13,451,349	8.4	14,740,560	8.6
WTW Leveraged Long Fixed Fund (LDI)	11,603,418	7.2	14,107,615	8.2
WTW Global Equity Focus Fund	8,506,362	5.3	-	-
Insight Liquidity Fund (Non LDI)	-	-	15,435,861	9.0

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

19. CURRENT ASSETS

	2024	2023
	£	£
Cash held with the Scheme Administrator	1,522,841	3,507,237
Other amounts due from Employer	24,026	24,026
Income due from insurance policies	14,537	14,644
	<u>1,561,404</u>	<u>3,545,907</u>

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

After the year end, the Employer and Trustee put in place a new Schedule of Contributions dated 28 February 2025.

20. CURRENT LIABILITIES

	2024	2023
	£	£
Administrative expenses due	180,030	145,338
Investment management expenses due	146,005	74,182
PAYE due	107,278	91,795
Benefits due	65,663	133,417
Prepaid contributions	54,980	54,980
	<u>553,956</u>	<u>499,712</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 £35,249 (2023: £30,924). 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 2024 was £305,735 (2023: £202,221).

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.

24. 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 (2023: \$800,000) which had a Sterling equivalent of £636,756 (2023: £628,320).

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

25. CONTINGENT ASSETS

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. During the year, 6 properties were sold and replaced with 4 properties of the same or higher value.

26. CONTINGENT LIABILITIES

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment 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.

Virgin Media

On 16 June 2023 the High Court handed down its decision in *The Virgin Media Ltd v NTL Pension Trustees II* which concerned the implications of section 37 of the Pension Schemes Act 1993. Subsequently Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024 it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that the requirement to obtain section 37 confirmation on rule alterations applies to both past and future service rights. The Trustees and its advisers, are investigating the possible implications for the Scheme. As it is not possible at present to estimate the potential impact, if any, on the Scheme, no provision has been made in the financial statements.

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

28 February 2025

Address

Mercer Limited
Belvedere
12 Booth Street
Manchester
M2 4AW

Qualification

Fellow of the Institute and Faculty of Actuaries

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS
FOR THE YEAR ENDED 31 DECEMBER 2024

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 the 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 2024. In our opinion, the contributions for the Scheme year ended 31 December 2024 as reported in the Summary of Contributions on 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 Scheme Actuary on 29 November 2022.

Scope of work on the 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 the 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
Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
West Midlands
B3 3AG

Date: **26/07/25**

THE MIDCOUNTRIES CO-OPERATIVE PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAYABLE FOR THE YEAR ENDED 31 DECEMBER 2024

Statement of Trustee's Responsibilities in respect of Contributions for the year ended 31 December 2024

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 2024

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 Scheme Actuary on 29 November 2022 in respect of the Scheme year ended 31 December 2024. 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

	2024
	£
Deficit funding	7,000,000
Expenses	450,000
PPF	164,940
	<hr/>
Contributions payable under the Schedule (as reported on by the Scheme Auditor and reported in the Financial Statements in note 5)	7,614,940
	<hr/>

During the year, the contributions due to the Scheme by the Principal Employer under the Schedule of Contributions is detailed above. One out of four quarters of contributions totalling £1,862,500 was paid 1 day later than what is prescribed in the Schedule of Contributions certified by the Scheme Actuary on 29 November 2022.

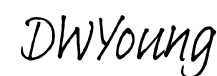
The Schedule of Contributions notes that where properties are held under the guarantee and sold the proceeds should be paid over to the Scheme within 5 business days, or alternatively an exchange of properties under the charge can be made where this is of equivalent value. There were no property sales in the year.

Signed on behalf of the Trustee by:



Trustee Director

Date: 18/07/25



Trustee Director

Date: 25/07/25

Appendix Divider
referenced in contents

Midcounties Co-operative Pension Scheme Implementation Statement – 31 December 2024

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 the mitigated responses.

The Trustees last reviewed the SIP 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?

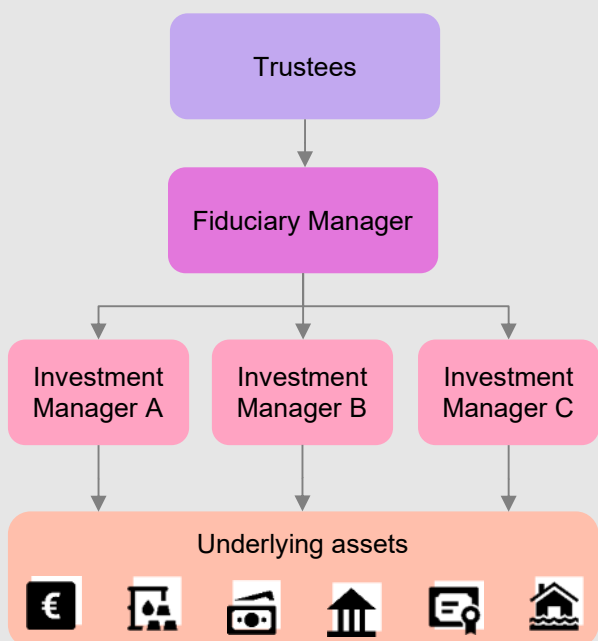
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe how the voting rights attached the Scheme's assets have been exercised over the year.

What changes have we made to the SIP?

The Trustees adopted a revised SIP in January 2024 that incorporated the following changes:

- Updated the long-term investment objective
- Amended the wording around how the Trustee manages ESG risks
- Introduced a derivatives risk summary

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 delegates 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 Trustees' investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. 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 e.g. 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 considers and integrates 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 its overall assessment of the Fiduciary Manager's performance.

What are the Trustees' voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting,

the Trustees expect investment managers to address broad ESG considerations but have identified climate change as key areas of focus for the Trustees.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. 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 receive training on a regular basis, most recently on the practices employed within the Scheme's active equity manager.

What are the Fiduciary Manager's policies?

Climate change and net zero goal

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

The Fiduciary Manager has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

Public policy and corporate engagement

The Fiduciary Manager partners with an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2024 include:

- Engagements with 994 companies on a total of 4,267 issues and objectives
- Voting recommendations on 143,075 resolutions, with 25,070 against management
- Active participation in a range of public consultations and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key parties to contribute to the development of policy and best practice

Industry initiatives

As at end December 2024, the Fiduciary Manager was a member of the following initiatives:

- Signatory of the UK Stewardship Code
- Net Zero Investment Consultants Initiative and
- Signatory of the Principles for Responsible Investment (PRI)
- ESG Data Convergence Initiative
- Member of the Institutional Investors Group on Climate Change (IIGCC)
- Asian Investors Group on Climate Change (AIGCC)
- Australasian Investors Group on Climate Change (IGCC)
- Investment Consultants Sustainability Working Group
- The Diversity Project
- The Thinking Ahead Institute
- Supporter of the Transition Pathway Initiative

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2024 the Fiduciary Manager collected data from around 1,200 products, conducted engagements with over 70 managers across various asset classes and engaged on over 100 products on sustainability and stewardship.

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. However, no investment managers were terminated on these grounds during the year.

Example of engagements carried out by the Fiduciary Manager (FM) over the year

Equity manager General ESG issue

Issue: Based on the manager's 2023 Task Force on Climate-Related Financial Disclosures (TCFD) Report, the FM noted that there were companies in its portfolio that do not have commitment to Science Based Targets Initiative (SBTI) Targets (11 out of 25 companies) and have no verified SBTI Targets (8 out of 25 companies). In engaging with the manager, the FM touched on the net zero approach and how the manager engages with companies. The manager has highlighted that they encourage companies to sign up for SBTI targets, and they have highlighted a case study demonstrating that they are willing to vote against the management if they are not willing to address this issue.

Outcome: The FM did not have material concerns after the discussion about the topic, given the manager's willingness to act. The FM will continue to have engagements with the manager and to go thorough specific case studies in the portfolio. For the future discussions, the goal is to discuss the companies that are not aligned or on track with their targets, and where the manager hasn't made any engagement efforts.

Infrastructure manager Environment – Climate issue

Issue: The FM discussed with the manager its current Situational Analysis, Forecasting, and Engagement (SAFE) Transition Methodology given some questions on alignment of certain stocks.

Outcome: This manager has produced an emissions abatement analysis to determine the baseline emissions of companies and understand their progress in meeting their net zero targets. Positively, the majority of the 20 high-emitting companies have made strong progress on their targets. Whilst one company reported higher emissions than the baseline due to higher utilization rates, it has implemented initiatives to reduce emissions overall.

The manager is continuously monitoring its constituents through the emissions abatement analysis and its "SAFE" transition methodology framework to ensure companies are making progress on their targets.

The FM has asked the manager to include changes in company ratings from the SAFE framework in annual reporting. The FM continuously monitors the evolution of the SAFE framework.

Reinsurance manager Environment – Climate issue

Issue: The FM engaged with the manager on ESG issues, specifically climate change research, and discussed potential solutions to protect the portfolio from evolving climate dynamics.

Outcome: The FM has engaged with the Chief Investment Officer (CIO) and Investment team for the fund both in person and via Teams. While the fund was set up as a long-only fund, this engagement resulted in a hedge being put on in the portfolio to protect against the forecast highly active hurricane season. The FM is pleased that the manager listened and acted on the mentioned concerns and will continue to monitor the success of the hedge and wider portfolio in light of the changing climate.

What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes which 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 managers.

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

- Trustees' stewardship priorities (climate change)
- Financial outcome for members, including size of holding
- High profile vote, including votes not supporting company management

The Scheme is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees have decided not to publicly disclose active investment manager names as the Trustees believe this could impact the investment manager's ability to generate the best investment outcome.

In conclusion...

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

Global Equity Focus Fund

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 3,184
Percentage of eligible to cast: 99.3%



■ For: (88%) ■ Against: (11.7%) ■ Abstain: (0.3%)

Significant vote

Company: Alphabet

% Fund: 5.5%

Vote topic: Adopt targets evaluating YouTube child safety policies

Issue: The manager faces scrutiny over harmful content on YouTube, with legislation impacting content monitoring, and the request for annual information on child safety management is seen as beneficial and not overly burdensome for shareholders.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: Yes

Outcome: Failed the resolution

Why a significant vote? It is a vote against the management, and it has a large holdings in the portfolio.

Next steps: The Manager was disappointed with the outcome of the vote. However, the manager anticipates similar proposals in the future, which they intend to support.

Significant vote

Company: Eli Lilly and Company

% Fund: 1.4%

Vote topic: Report on effectiveness of diversity, equity, and inclusion efforts

Issue: Shareholder proposal promotes better management of social, environmental and ethical opportunities and risks.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: N/A

Outcome: Failed the resolution

Why a significant vote? Diversity, equity and inclusion are stewardship priorities

Next steps: The manager will continue to consider proposals on effectiveness towards diversity, equity and inclusion efforts.

Voting policy: As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Fund's underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.

Core Diversified Fund

Voting activity over the year

Voting activity over the year

Number of votes eligible to cast: 38,815
Percentage of eligible to cast: 98.6%



■ For: (86%) ■ Against: (14%)

Significant vote

Company: Amazon.com, Inc.

% Fund: 0.8%

Vote topic: Disclose all material scope 3 greenhouse gas emissions

Issue: The shareholder proposal promotes better management of Social, Environmental and Ethical opportunities and risks

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

Why a significant vote? Climate change is one of the stewardship priorities and it has a large holding in the portfolio

Next steps: None to report

Significant vote

Company: Berkshire Hathaway Inc.

% Fund: 0.3%

Vote topic: Report on efforts to measure, disclose and reduce greenhouse gas emissions associated with underwriting, insuring, and investing

Issue: The manager supported climate risk disclosure, voting against management but in line with ISS recommendations, believing leadership on the issue outweighed the minor costs and inconvenience of compliance.

Voting instruction: For shareholder proposal, against management

Prior communication of against vote: No

Outcome: Failed the resolution

Why a significant vote? Climate change is one of the stewardship priorities

Next steps: The manager wrote to the CEO to express the importance of climate risk transparency and encouraged the company to lead on this issue rather than wait for policy guidance

Voting policy: As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Fund's underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.