1 Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Tamworth Co-operative Society Limited Employees' Superannuation Fund (the Scheme).
Nature of Scheme	The Scheme is an occupational pension scheme set up under trust and registered with HM Revenue and Customs (HMRC).
Compliance with Legislation	The Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification Regulations 2018), and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	A copy of this Statement will be made available to Scheme members on request to the Trustees.
Investment Advice	The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.
Consultation with the Sponsoring Employer	The Trustees have consulted the Sponsoring Employer, the Tamworth Co-operative Society Limited, when setting their investment objectives and strategy, and in the preparation of this Statement. Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.
Investment Powers	The Trustees' investment powers are set out in Rule 31 of the Scheme's Rules dated 22 September 2004. The powers granted to the Trustees under this Rule are wide and this Statement is consistent with those powers.

2 Investment Objectives

Strength of Employer Covenant

The Trustees have considered the Sponsoring Employer’s ability to support the Scheme in determining their investment objectives and strategy, and consider it to be sufficiently strong to take a long-term view.

Key Funding Measure

The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees’ Statement of Funding Principles.

The Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Sponsoring Employer, and members, as it determines the Scheme’s funding requirements.

The Trustees have also agreed that the funding position measured under a self-sufficiency funding basis will be of importance in setting the Scheme’s investment strategy.

Investment Objectives

The Trustees’ investment objectives are as follows:

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

Paying Regard to the Sponsoring Employer’s Views

The Trustees will have regard to the Sponsoring Employer’s views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

3 Principles for Setting the Investment Strategy

Selection of Investments

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Balance of Investments

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Sponsoring Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.

Delegation to Investment Managers

The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.

Realising Investments

The Trustees make disinvestments from the Investment Manager with the assistance of Broadstone, the Scheme's investment advisers, as necessary, to meet the Scheme's cashflow requirements.

4 Setting the Strategy

Target Asset Allocation

The Target Asset Allocation for the Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Risk controlled multi-asset	15% ± 7.5%
Multi-asset income	40%
Self-sufficiency hedging asset solution	45% ± 7.5%
Total	**100%**

The balance between the risk-controlled multi-asset and self-sufficiency hedging asset solution will vary with market conditions and will be maintained to target the agreed hedging levels against changes in the long-term interest rates and inflation expectations.

The ranges provided for the Target Asset Allocation illustrate a reasonable range of allocations between the risk-controlled multi-asset and self-sufficiency hedging asset solution that might be expected in the normal course of events.

Investment Manager

The Trustees entered into a contract with Legal & General Investment Management Limited (LGIM) on 25 August 2004. LGIM undertakes the day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

Strategies Used

The Trustees use the following funds operated by the Investment Manager.

Fund
Risk controlled multi-asset
LGIM Dynamic Diversified Fund
Multi-asset income
LGIM Retirement Income Multi-Asset Fund
Self-sufficiency hedging asset solution
LGIM Matching Core Funds
LGIM Self Sufficiency Credit Funds

Target Asset Allocation (excluding self-sufficiency hedging asset solution)

For the funds which do not form part of the self-sufficiency hedging asset solution the target asset allocation is as follows:

Fund	Target Asset Allocation
Risk controlled multi-asset	
LGIM Dynamic Diversified Fund	27.3%
Multi-asset income	
LGIM Retirement Income Multi Asset Fund	72.7%
Total (excluding self-sufficiency hedging asset solution)	**100.0%**

Target Hedging Ratios

For the funds which form part of the self-sufficiency hedging asset solution, the target hedging ratios, assuming full funding on a self-sufficiency funding basis, are as follows:

Hedging asset funds	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

Maintaining the Target Asset Allocation

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the characteristics of the strategy move significantly away from that intended.

Performance Benchmarks and Objectives

The risk-controlled multi-asset fund and multi-asset income fund are actively managed, with an objective to outperform a specified market benchmark. Their objectives are summarised below:

Fund name	Benchmark	Performance Objective
LGIM Dynamic Diversified Fund	Bank of England Base Rate	To outperform the benchmark by 4.5% p.a. (gross of fees) over rolling three-year periods
LGIM Retirement Income Multi Asset Fund	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. (gross of fees) over rolling three-year periods

The LGIM Matching Core Funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method.

The LGIM Self Sufficiency Credit Funds are designed to provide diversified exposure to fixed interest and inflation-linked assets that aim to broadly reflect the investments underlying a typical bulk annuity policy. The practical method of implementing this is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method.

The LGIM Self Sufficiency Credit Funds also have an objective to generate quarterly cashflows to pay the benefits of a notional pension scheme with liabilities of similar nature and duration to the Scheme as they fall due.

Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management, are given below:

Fund	Annual Management Charge
LGIM Dynamic Diversified Fund	0.38% p.a.*
LGIM Retirement Income Multi Asset Fund	0.35% p.a.
LGIM Matching Core Funds	0.24% p.a.
LGIM Self Sufficiency Credit Funds	0.18% p.a.**

*Discounted from 0.50% p.a. until further notice.

**Discounted from 0.20% p.a. until further notice.

In addition, LGIM charge a flat fee of £1,000 per annum.

Employer-Related Investment

Neither the Trustees nor the Investment Manager directly holds any employer-related investments.

Additional Voluntary Contributions (AVCs)

The Scheme holds AVCs separately from the assets, using a policy provided by the Royal London Mutual Insurance Society Limited.

5 Expected Returns and Risks

Overall Return Target

The Trustees' objective is for the Scheme's assets to produce a return in excess of the growth in the value of its liabilities calculated under the SFO.

The Trustees expect the assets to produce a return in excess of the growth in the value of the liabilities calculated under the SFO of up to 1.1% per annum.

Expected Returns

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected return
Risk controlled multi-asset	Similar to the return on global equities over an economic cycle of five to seven years, but with significantly reduced volatility.
Multi-asset income	In excess of UK price inflation, as measured by the Retail Prices Index, and in excess of the market yield available on longer dated low risk assets, such as gilts, but with significantly lower volatility in returns than equities.
Liability Driven Investment (LDI) funds	In line with the sensitivity of the Scheme's Technical Provisions to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.
Self-sufficiency credit funds	Broadly in line with changes in value of a notional pension scheme with liabilities of similar nature and duration to the Scheme and to generate quarterly cashflows to pay the benefits of that notional portfolio as they fall due. These funds are also expected to generate a return that is in excess of the yield available on a portfolio of fixed interest government bonds to compensate for the additional risk associated with the proportion of underlying assets that are invested in a diversified portfolio of corporate bonds.

Consideration of Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Sponsoring Employer's covenant and the long-term nature of the Scheme.

Risk Relative to the Value of the Scheme's Key Funding Measure

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

Concentration of Risk and Diversification

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes used in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be well diversified.

Manager Controls and Custodianship

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe keeping of the Scheme's assets held with the Investment Manager is performed by the custodians appointed by the Investment Manager.

Manager Security

The Trustees have considered the security of the Scheme's holdings with the Investment Manager, allowing for their status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

Monitoring and Management of Risks

The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

6 Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance Considerations

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

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

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

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

Views of Members and Beneficiaries

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.

Engagement and Voting Rights

The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy, and aiming to improve how companies behave in the medium and long term, is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager.

The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.

Capital Structure of Investee Companies	Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.
Conflicts of Interest	The Trustees maintain a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.
Incentivisation of Investment Manager	The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees do not directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives. Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

7 Review and Monitoring

Frequency of Review	The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.
Monitoring the Investment Strategy and Manager	The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager. The Trustees receive quarterly reports from the Investment Manager and meet with their representatives periodically to review its investment performance and processes. The Trustees and Broadstone will monitor the Investment Manager's performance against its performance objectives. The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.
Portfolio Turnover Costs	The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions. The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds. The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.
Review of Investment Manager and AVC provider	The Trustees will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.
Information from the Investment Manager	The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Signed	**Sheree Peaple**
Date	**17 October 2023**

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