

# Tamworth Co-operative Society Limited Employees' Superannuation Fund

## Statement of Investment Principles – Implementation Statement

---

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 17 October 2023 have been implemented.

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

This Statement covers the period 1 April 2024 to 31 March 2025.

### Investment objectives of the Fund

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

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

- To ensure that the assets are of a nature to enable the Trustees to meet the Fund's benefits as they fall due.
- To invest the Fund's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Fund'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 Fund's assets.
- Where future opportunities arise, the Trustees will consider further steps to reduce the volatility of the Fund's funding position and thereby improve the security of members' benefits.

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

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

### Review of the SIP

The SIP was last reviewed in October 2023. The Trustees updated the SIP to reflect changes in the Fund's investment strategy that were made over the prior Fund year.

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

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated over the year.

## Investment managers and funds in use

The Trustees' investment strategy during the year was as shown in the below table, which is reflected in the Trustees' SIP:

Asset Class	Fund	Target Asset Allocation
Risk controlled multi-asset	L&G Dynamic Diversified Fund	15% ± 7.5%
Multi-asset income	L&G Retirement Income Multi-Asset Fund	40%
Self-sufficiency hedging asset solution	L&G Matching Core Funds	45% ± 7.5%
	L&G Self Sufficiency Credit Funds	
Total		100.0%

There have been no changes to either the Investment Managers used or the Target Asset Allocation for the Fund's invested assets over the year. However, the SIP does refer to Legal & General Investment Management (LGIM), which is now known as Legal & General – Asset Management (L&G). The Target Hedging Levels were not updated over the year.

## Investment governance

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

The Trustees do not actively obtain views of the membership of the Fund to help form their policies set out in the SIP as the Fund is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

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

## Monitoring of investment arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with the Investment Manager (as detailed below), the Trustees receive performance reports on a quarterly basis from L&G, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in its SIP is being met.

## Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Fund's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Selection of Investments</b>	<p>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.</p> <p>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.</p> <p>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 Fund's investments.</p> <p>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Fund, matching part or all of the future liabilities due from it.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Fund.</p>	No deviation from this policy over the year to 31 March 2025.
<b>Balance of Investments</b>	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>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 Fund's liabilities or relevant regulations governing pension scheme investment.</p>	<p>No deviation from this policy over the year to 31 March 2025.</p> <p>The Trustees' target investment strategy allocations as at the year-end are reflected in the SIP.</p>
<b>Delegation to Investment Managers</b>	The Trustees will delegate the day-to-day management of the Fund's assets to professional investment managers and will not be involved in the buying or selling of investments.	No deviation from this policy over the year to 31 March 2025.
<b>Maintaining the Target Asset Allocation</b>	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.	<p>No deviation from this policy over the year to 31 March 2025.</p> <p>The asset allocation and level of hedging exposure provided by the assets at the year-end were broadly in line with their targets and are reflected in the SIP.</p>
<b>Realising Investments</b>	The Trustees make disinvestments from the Investment Manager with the assistance of Broadstone, the Fund's investment advisers, as necessary, to meet the Fund's cashflow requirements.	No deviation from this policy over the year to 31 March 2025.

Requirement	Policy	Implementation of Policy										
<b>Performance Benchmarks and Objectives</b>	<p>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:</p> <table><thead><tr><th>Fund name</th><th>Benchmark</th><th>Performance Objective</th></tr></thead><tbody><tr><td>L&amp;G Dynamic Diversified Fund</td><td>Bank of England Base Rate</td><td>To outperform the benchmark by 4.5% p.a. (gross of fees) over rolling three-year periods</td></tr><tr><td>L&amp;G Retirement Income Multi Asset Fund</td><td>Bank of England Base Rate</td><td>To outperform the benchmark by 3.5% p.a. (gross of fees) over rolling three-year periods</td></tr></tbody></table> <p>The L&amp;G 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 L&amp;G, with the expectation that L&amp;G will choose the most cost-effective method.</p> <p>The L&amp;G 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 L&amp;G, with the expectation that L&amp;G will choose the most cost-effective method.</p> <p>The L&amp;G 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 Fund as they fall due.</p>	Fund name	Benchmark	Performance Objective	L&G 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	L&G 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	<p>The funds’ performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2025.</p> <p>There were no changes to the funds’ performance benchmarks and objectives over the year.</p>	
Fund name	Benchmark	Performance Objective										
L&G 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										
L&G 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										
<b>Investment Management Charges</b>	<p>The annual management charges for each of the funds used, based on the assets under management, are given below:</p> <table><thead><tr><th>Fund</th><th>Annual Management Charge</th></tr></thead><tbody><tr><td>L&amp;G Dynamic Diversified Fund</td><td>0.38% p.a.*</td></tr><tr><td>L&amp;G Retirement Income Multi Asset Fund</td><td>0.35% p.a.</td></tr><tr><td>L&amp;G Matching Core Funds</td><td>0.24% p.a.</td></tr><tr><td>L&amp;G Self Sufficiency Credit Funds</td><td>0.18% p.a.**</td></tr></tbody></table> <p>*Discounted from 0.50% p.a. until further notice. **Discounted from 0.20% p.a. until further notice.</p> <p>In addition, L&amp;G charge a flat fee of £1,000 per annum.</p>	Fund	Annual Management Charge	L&G Dynamic Diversified Fund	0.38% p.a.*	L&G Retirement Income Multi Asset Fund	0.35% p.a.	L&G Matching Core Funds	0.24% p.a.	L&G Self Sufficiency Credit Funds	0.18% p.a.**	<p>There were no changes to the funds’ investment management charges over the year to 31 March 2025.</p>
Fund	Annual Management Charge											
L&G Dynamic Diversified Fund	0.38% p.a.*											
L&G Retirement Income Multi Asset Fund	0.35% p.a.											
L&G Matching Core Funds	0.24% p.a.											
L&G Self Sufficiency Credit Funds	0.18% p.a.**											
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustees’ policy on financially and non-financially material considerations is set out on page 9 of the SIP and in full below.</p>	<p>No deviation from this policy over the year to 31 March 2025 (see below).</p>										

Requirement	Policy	Implementation of Policy
<b>Engagement and Voting Rights</b>	<p>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.</p> <p>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.</p>	No deviation from this policy over the year to 31 March 2025 (see below).
<b>Additional Voluntary Contributions ('AVCs')</b>	The Fund holds AVCs separately from the assets, using a policy provided by the Royal London Mutual Insurance Society Limited.	No deviation from this policy over the year to 31 March 2025.

## Financially and non-financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Fund 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 Fund's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

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

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

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

With regard to the specific risk to the performance of the Fund'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 Fund'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 Fund's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

## Voting rights

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

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

Out of the funds held by the Trustees over the year, the L&G Dynamic Diversified Fund and L&G Retirement Income Multi-Asset Fund contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to the Manager, where the Manager sets its own voting policy.

A summary of the votes made by the managers from 1 April 2024 to 31 March 2025 on behalf of the Trustees for each fund used by the Fund during the year that includes voting rights was requested from the manager. It was requested that L&G provide voting data broken down into Environmental, Social, and Governance categories. However, L&G have advised that the data is not yet available in this format. The breakdown of this data will continue to be requested in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
L&G	L&G Dynamic Diversified Fund	101,822	77%	22%	1%
L&G	L&G Retirement Income Multi-Asset Fund	105,952	77%	22%	1%

At the year end, all of the Fund's assets were invested in pooled funds. Information regarding proxy voting, for each manager the Fund invested with during the year in a fund that has voting rights, is shown below:

- L&G do not use a proxy voting service to determine their voting policy, which is formed in-house. L&G do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.

## Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by each manager of a fund the Fund invested in that has voting rights. In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

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

The Trustees believe the following is one of the most significant votes undertaken on its behalf over the Fund year:

SIGNIFICANT VOTE	
Investment Manager	L&G
Company	Microsoft Corporation
Date of vote	10 December 2024
Percentage of portfolio invested in Company at date of vote	L&G Dynamic Diversified Fund: 0.3% L&G Retirement Income Multi-Asset Fund: 0.5%
Resolution	Report on AI Data Sourcing Accountability
Why significant	L&G considered this shareholder resolution to be significant due to the relatively high level of support received.
Voting decision	Voted For
Manager comments	<i>A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models</i>  <i>L&amp;G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</i>
Vote outcome	Resolution Failed



## Engagement activities

The Trustees have also delegated engagement activities to the Investment Manager. A notable engagement activity of the Investment Manager during the year is provided below:

- **L&G** engaged with Colgate-Palmolive, an American multinational consumer products company, focusing on the company's deforestation approach as well as challenges and opportunities in meeting their deforestation management commitments. L&G met with the company's Chief Sustainability Officer, and explored how the company is ensuring supplier compliance and increased traceability across commodities in their supply chain, as well as the suitability of the company's escalation procedures for non-compliance.

L&G also sought to encourage increased oversight from the Board of Directors, and prioritisation of the issue of deforestation within the company's risk management agenda. L&G noted that the company have demonstrated progress in appreciating responsible sourcing as a critical issue, whilst building relationships and furthering engagement with their suppliers and ending relationships with those found to be non-compliant. L&G note that, overall, the company meets their minimum expectations on deforestation management.

L&G note that Colgate-Palmolive have introduced satellite imaging for monitoring purposes, and are undertaking the complex process of mapping palm oil derivatives. L&G also note that the frequency of Board-level updates on deforestation has increased.

L&G will further engage with the company in 2025, with a focus on traceability progress across key commodities, along with collaborative efforts with their peers to eliminate net deforestation. L&G will also look to further discuss the company's work on mapping and addressing deforestation risks in their supply chain.

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

**Signed:**

**Date:**

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