

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?

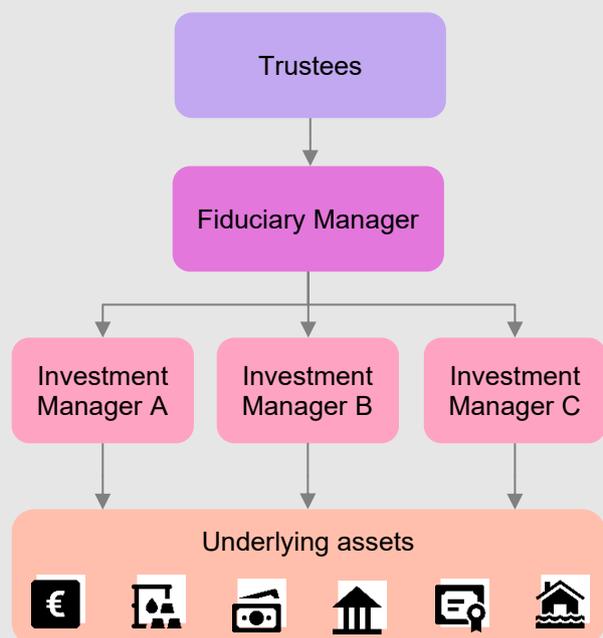
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe how the voting rights attached the Scheme's assets have been exercised over the year.

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.