SOMERFIELD PENSION SCHEME

Financial Statements
For Year Ended 31 March 2025

PENSION SCHEME REGISTRY NO. 10000532

Contents

Some Helpful Terms

In this document, when we say:	We mean:
Actuary	An individual who is appointed to advise the Trustee in relation to the funding and financing of the Scheme. The actuary values the Scheme's assets and liabilities. The Scheme's actuary is Paul McGlone, appointed on 28 June 2022.
Articles of Association	This covers the Trustee's formal governing documents, namely its memorandum and articles of association. These documents, together with the Scheme's trust deed and rules, govern the Trustee.
Closure Members	Members who were still building up benefits on the date the Scheme closed to future accrual, 3 November 2012.
Closure Member Nominated Directors (MNDs)	MNDs appointed from the Scheme's Closure Members.
Co-op Appointed Directors	Trustee Directors who are selected by the Co-op.
Co-op	Co-operative Group Limited. The Co-op is the Scheme's principal employer.
CPI	The Consumer Prices Index, the main UK indicator of consumer price inflation.
PLT	The Co-op's People Leadership Team, a group of senior human resources personnel with responsibility for the Co-op's people-related matters.
Deferred Members	Member of the Scheme who are not Closure Members and whose benefits have not yet come into payment.
In-service Deferred MND	An MND who is deferred but still works for the Co-op.
Independent Trustee Director	Independent Trustee Services Limited, part of Independent Governance Group. A professional independent trustee company which is a Director of the Trustee (via its representative, formerly Mark Evans, now Chris Martin), appointed by the Co-op.
MNDs	Member-nominated Directors of the Trustee. These are directors of the Trustee who have been chosen by and from the Scheme's Closure

	Members and Pensioners.
Pensioners	Members of the Scheme whose benefits have come into payment.
Pensioner MNDs	MNDs appointed from the Scheme's Pensioners.
PPF	The Pension Protection Fund, an independent body funded by levies collected from defined benefit pension schemes, provides compensation where such a pension scheme's employer has become insolvent.
RPI	The Retail Prices Index, a measure of inflation used widely by pension schemes and in contracts.
Scheme	Somerfield Pension Scheme.
Secretary	The Secretary is responsible for helping the Trustee with its arrangements and providing support for its meetings. Tom Taylor, of the Co-op's Pensions Department, currently holds this role.
Trustee	TCG Southern Trustees Limited. A company which is appointed as the Trustee of the Scheme and acts via its Directors.

Trustee Directors & Advisers

TCG Southern Trustees Limited is appointed as the Trustee by the Co-op to manage the Scheme.

The Scheme's trust deed and rules give the Co-op the power to appoint or remove the Scheme's Trustee.

Our registered office is 1 Angel Square, Manchester, M60 0AG.

The board of Directors of the Trustee

We are the board of a Trustee company which is governed by its Articles of Association.

We have up to eight Directors:

- Five appointed by the Co-op (including one Independent Trustee Director).
- Three MNDs.

Who are the current Directors of the Trustee?

- Independent Trustee Services Limited, part of Independent Governance Group, represented by Mark Evans up to May 2025 and thereafter represented by Chris Martin (Independent Director) (Chair)
- Graham Jones (In-service Deferred MND)
- James Carter (Co-op Appointed Director)
- Robert Ford (Pensioner MND – term ended 31 July 2025)
- John Hill (Co-op Appointed Director)
- Antony Mylchreest (Co-op Appointed Director)
- Michael Bridgman (Pensioner MND – appointed 1 August 2025)
- Janet Maggs (Pensioner MND – appointed 1 August 2025)

Appointment, resignation and removal of Trustee Directors

Our Articles of Association give the Co-op the power to remove or appoint up to four Trustee Directors plus one independent director.

In addition, legislation requires that at least a third of the Trustee Directors are selected by the Scheme's members. The Articles of Association gives the Scheme's members the power to appoint up to three Trustee Directors who are MNDs.

Each Co-op Appointed Director holds office indefinitely or until they:

- resign as a Trustee Director; or
- are removed by the Co-op; or
- cease to be appointed due to any of the events set out in Article 19 of the Articles of Association (namely: disqualification or certain absences from Trustee meetings).

Each MND holds office for a period of four years or until they:

- resign as a Trustee Director; or
- are removed by the Co-op (with the unanimous consent of all of the other Trustee Directors); or
- cease to be appointed due to any of the events set out in the Article 20 of the Articles of Association (see above).

Chair of the Trustee

We elect the Chair, after considering the Co-op's views on the appointment.

Vacancies

The Co-op has delegated its authority to appoint Co-op Appointed Directors to the PLT. If a Co-op Appointed Director vacancy arises then the PLT will appoint a replacement.

If an MND vacancy arises then it will be filled in accordance with our MND arrangements.

Decision Making

Any decision we make must be:

a) a decision by a majority of Trustee Directors present at and voting at a meeting;
b) where decision-making has been delegated to a committee, a decision taken at a meeting of that committee by a majority of the members of that committee; or
c) for some decisions a unanimous decision of the Trustee Directors.

This will also be subject to the provisions of the Scheme's trust deed and rules.

Committees of the Trustee board

An **Audit and Risk Committee** reviews the Scheme's risk register, internal controls framework and schedule of delegated authorities and also reviews the Scheme's financial statements. This Committee meets quarterly.

A Steering Committee was established on 22 February 2024 to oversee a project to review the Scheme's administration and pensioner payroll services with a view to transferring to an external third-party administrator. This Committee meets on an ad hoc basis as and when required.

We also have an **Investment Committee** which meets on a quarterly basis.

No other committees are currently in place.

Meetings

As the Board of the Trustee, we meet at least four times a year, with special meetings convened as appropriate. During the year, we met four times.

Secretary

The Co-op appoints the Secretary to the Trustee. This authority is delegated to the PLT. Tom Taylor, of the Co-op's Pensions Department, is appointed as the Secretary.

Trustee Director Remuneration

All Trustee Director remuneration paid to Directors is paid for from the Scheme's assets. All figures used below refer to the full amount of remuneration paid to Trustee Directors in relation to the Scheme.

The Trustee Remuneration Policy provides for payment of £2,000 p.a. to Closure MNDs and In-Service Deferred MNDs, and £5,000 p.a. to Pensioner MNDs. MNDs can choose not to receive any remuneration. Additional remuneration of £1,000 p.a. is payable to Closure MNDs who are members of the Investment Committee, Audit & Risk Committee and the Steering Committee.

The Trustee remuneration policy is reviewed by the Trustee annually.

The terms of engagement in place with the Independent Trustee Director provide for the Independent Trustee Director to be paid a fixed fee of £46,200 per year, which covers business as usual trustee actions (e.g. attendance at four trustee meetings a year). In addition, if the Independent Trustee Director is asked to attend additional meetings or carry out any work outside of the fixed fee, these non-core services will be charged on a time cost basis.

The Co-op appointed Directors are not separately remunerated in respect of their roles as Trustee Directors.

The figures above cover the work undertaken for the Scheme.

Enquiries

For enquiries about the Scheme please contact:

Co-operative Group Limited
Pensions Department
Department 10406
1 Angel Square
Manchester
M60 0AG

Email address: somerfieldpensions@coop.co.uk

The Scheme's Professional Advisers are:	
Actuary	Paul McGlone FIA, Aon Solutions UK Limited
Administrator	Co-operative Group Limited, Pensions Department (Dept 10406), 1 Angel Square, Manchester, M60 0AG
Auditor	Deloitte LLP
AVC provider	The Prudential Assurance Company Ltd Aviva
Bankers	Barclays Bank PLC
Buy-in Provider	Pension Insurance Corporation plc ("PIC")
Custodian	Bank of New York Mellon
Employer Covenant Adviser	Interpath Advisory
Investment Consultant	Mercer Limited
Investment Managers	Insight Investment Management (Global) Ltd Intermediate Capital Group plc Legal & General Investment Management Ltd M&G Investments (terminated 22 October 2024) Royal London Asset Management Limited
Legal advisers	Eversheds LLP Linklaters LLP

Our Annual Report

Introduction

We are pleased to present our annual report together with the audited financial statements for the year ended 31 March 2025. The financial statements (set out on pages 32 to 55) have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

The investment report set out on pages 22 to 27 and the report on actuarial liabilities set out on pages 13 to 15 also form part of this annual report.

Constitution of the Scheme

The Scheme was established in 1971 and is currently governed by the Trust Deed and Rules dated 23 June 2008 (as amended). A Deed of Amendment and Substitution, dated 4 October 2012, documents the closure of the Scheme, and change of Principal Employer.

Scheme Structure

The Scheme now consists solely of a defined benefit ("DB") section, details of which are set out below. The Scheme previously had a defined contribution ("DC") section, the winding up of which was completed on 16 October 2014.

On 3 November 2012 the DB section closed to future accrual. On 4 November 2012 all active members of the Scheme (from both the DB and DC sections) started to accrue benefits in Pace, unless they elected not to join Pace.

The accrued benefits of members of the DB section of the Scheme continue to be held in the Scheme.

Sections of the Scheme

The following details in relation to the DB section of the Scheme apply to the Scheme's structure up to the date of closure on 3 November 2012.

The DB section of the Scheme was further divided into three different benefit categories:

- The Defined Benefit Section of the Scheme consists of members who joined the Scheme prior to 2000 on a DB basis. This section was contracted out of the State Second Pension.
- The Kwik Save RBS Section consists of former members of the Kwik Save Retirement Benefit Scheme that was merged into the Scheme in 1999. This section was contracted out of the State Second Pension.
- The Kwik Save Lump Sum Section consists of former members of the Kwik Save Lump Sum Retirement & Death Benefit Scheme that was merged into the Scheme in 2006. This section was not contracted out of the State Second Pension.

The assets relating to the DB sections are in a general fund and do not relate (apart from additional voluntary contributions) to individual members. The DB section of the Scheme was closed to new entrants in 2000.

Tax Status

The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of that Act, the Scheme's income and investment gains are free of taxation.

Membership statistics for the year to 31 March 2025

	31 March 2024	Adjustments*	Additions	Retirements, leavers and pensions ceasing	Deaths	31 March 2025
Closure Members	**100**	(1)	-	(8)	-	**91**
Deferred Members	**3,972**	(19)	3	(406)	(10)	**3,540**
Pensioners	**5,788**	(8)	444	(172)	(231)	**5,821**
Total	**9,860**	**(28)**	**447**	**(586)**	**(241)**	**9,452**

*Prior year adjustments have been made for corrections after the completion of last year's report.

Transfer values

Individual transfer values are calculated in accordance with assumptions set by the Trustee and tables provided by the Actuary. No discretionary increases are included in the calculation of transfer values. No transfers were reduced to less than their cash equivalent value during the year.

Guarantees

The Scheme benefits from four guarantees, which operate broadly as follows:

- The Co-op's main trading and/or asset-holding subsidiaries guarantee the obligations of Co-operative Foodstores to the Scheme. The identity of these guarantors may change from time to time based on the internal financial metrics of the wider Co-op Group: the criteria for this are set based on the Co-op's banking arrangements. The guarantors under this guarantee are also guarantors for the Co-op's banking and bond debt. This guarantee covers the amounts due under the Schedule of Contributions up to the limit of Co-operative Foodstores' employer debt under section 75 of the Pensions Act 1995, and will expire on 31 December 2034.

- Co-operative Group Food Limited separately guarantees the obligations of Co-operative Foodstores to the Scheme, up to the limit of Co-operative Foodstores' employer debt under section 75 of the Pensions Act 1995.

- The Co-op guarantees the obligations of Co-operative Foodstores to the Scheme. This covers the amounts due under the Schedule of Contributions up to the limit of Co-operative Foodstores' employer debt under section 75 of the Pensions Act 1995.

- The Co-op also guarantees the obligations of Co-operative Foodstores to the Scheme in a separate guarantee based on the Pension Protection Fund's standard format. This covers all of Co-operative Foodstores' liabilities to the Scheme, and is capped at the amount required to take the Scheme's Pension Protection Fund level of funding to 105%.

Pension increases

There were no discretionary increases awarded during the year.

Pensions in payment

Pensions in payment are increased annually on 1 February. The increase which applies to a pension in payment will depend on the Scheme rules applicable to the section of the Scheme under which the pension was accrued, and the relevant category of pension. The increase may be at a fixed rate, or in line with the annual increase in the Retail Prices Index ("RPI") to the preceding November from the 2021 increase onwards.

Prior to this date, certain increases were based on the increase in RPI in the year to December. Following a resolution on 15 December 2020 to amend the Scheme Rules, increases in RPI linked pensions in payment were linked to the increase in the RPI over the year to the preceding 30 November rather than the year to the preceding 31 December. The increase may also be subject to a minimum or maximum percentage increase. A pro rata increase is made for pensions in payment for less than a year.

When a member, who has a Guaranteed Minimum Pension ("GMP"), as a result of contracting out of the State Second Pension (or its predecessor, the State Earnings Related Pension Scheme), reaches State Pension Age, a different rate of increase usually applies to that element of the total pension. The table below sets out the increase rates applied by the Scheme on 1 February 2024 and 1 February 2025.

DB Section			
Section / Pension Element	***Increase Calculated as:***	***Increase Rate 1 February 2025***	***Increase Rate 1 February 2024***
GMP in respect of service to 5 April 1988.	This GMP is not increased but if the rise in the Consumer Prices Index for the year to the previous September is less than 3%, the difference is applied to this GMP and forms an additional increase to the member's pre 5 April 1997 pension. This increase was 1.3% for 2025, based on the increase in the Consumer Prices Index being 1.7% in the year to September 2024.	1.3%	0%
GMP in respect of service after 5 April 1988.	A fixed increase of 3% is applied. This is calculated on a notional figure as the full 3% increase required under the Scheme rules is more than the statutory requirement.	3.0%	3.0%

Non-GMP pension for members who retired or reached normal retirement date before 6 April 1990 (or spouses thereof).	The rise in the RPI to November, with a minimum of 3%, capped at a maximum 5%, plus the increase in relation to the GMP in respect of service to 5 April 1988 described above.	3.6%	5.0%
Non-GMP pension for members who retired or reached normal retirement date on or after 6 April 1990 (or spouses thereof) in relation to service up to 5 April 1997.	A fixed increase of 3%, plus the increase in relation to the GMP in respect of service to 5 April 1988 described above.	3.0%	3.0%
Pension relating to service from 6 April 1997 to 31 January 2000.	The rise in the RPI to November, with a minimum of 3%, capped at a maximum 5%.	3.6%	5.0%
Pension relating to service from 1 February 2000 to 5 April 2006.	The rise in the RPI to November, capped at a maximum 5%.	3.6%	5.0%
Pension relating to service after 5 April 2006.	The rise in the RPI to November, capped at a maximum 2.5%.	2.5%	2.5%
Kwik Save RBS Section			
Section / Pension Element	***Increase Calculated as:***	***Increase Rate 1 February 2025***	***Increase Rate 1 February 2024***
GMP in respect of service to 5 April 1988.	Nil	Nil	Nil
GMP in respect of service after 5 April 1988.	The rise in the Consumer Prices Index for the year to the previous September capped at 3%.	1.7%	3.0%
Non-GMP pension in relation to service up to 5 April 1997.	The rise in the RPI to November, capped at a maximum 5%.	3.6%	5.0%
Pension relating to service from 6 April 1997 to 5 April 2006.	The rise in the RPI to November, capped at a maximum 5%.	3.6%	5.0%
Pension relating to service after 5 April 2006.	The rise in the RPI to November, capped at a maximum 2.5%.	2.5%	2.5%

Kwik Save Lump Sum Section			
Section / Pension Element	***Increase Calculated as:***	***Increase Rate 1 February 2025***	***Increase Rate 1 February 2024***
Pension for members who left after 5 April 2006	Nil.	Nil	Nil
Former Members of the Aberness Pension Scheme			
Section / Pension Element	***Increase Calculated as:***	***Increase Rate 1 February 2025***	***Increase Rate 1 February 2024***
Pension relating to service to 5 April 1997, including GMP.	A fixed increase of 3%.	3.0%	3.0%
Pension relating to service after 5 April 1997.	The rise in the RPI to November, with a minimum of 3%, capped at a maximum 5%.	3.6%	5.0%

Pensions Paid by the Scheme for former DC Section Members now transferred to DB Section and those arising in respect of Additional Voluntary Contributions		
Increase Calculated as:	***Increase Rate 1 February 2025***	***Increase Rate 1 February 2024***
The rate of increase (if any) will be as requested by the member at retirement. The rates shown only apply if the member has chosen a pension linked to inflation.	3.6%	5.0%

The increase shown for former DC Section Members and Additional Voluntary Contributions is based on the increase in RPI at the previous November up to a maximum of 5%. Members may also choose a non-increasing pension at retirement in relation to DC or AVC pension. AVC pensions may also increase by a fixed 3% increase or RPI at the previous November with a minimum 3% increase and up to a maximum of 5%.

Pension in deferment

Pensions in deferment, in excess of the GMP, will increase between the date the member left and the date the member retired, as required by statute up to a maximum of 5% per annum. Benefits in excess of GMP accrued after 5 April 2009 are increased as required by statute, subject to a maximum of 2.5% per annum for the period of deferment. Closure members' benefits receive increases based on the Retail Prices Index, subject to a maximum of 5%, until they leave employment.

For members of the DB Section, the Kwik Save RBS Section[1] and the Aberness Section, pensions in deferment, in excess of the GMP, increase between the date the member left and the date the member retired as required by statute. The revaluation rate is subject to a maximum

[1] A small group of Kwik Save RBS members have fixed 5% revaluation

of 5% per annum for benefits accrued prior to 6 April 2009, and a maximum of 2.5% per annum for benefits accrued after 5 April 2009 (with DB Section member having an underpin of 3% p.a. for pre-2000 benefits). The increase refers to the statutory revaluation orders published annually by the Government, and is based on the Retail Prices Index up to 2011, and the Consumer Prices Index from 2011. Deferred benefits for Aberness Section members are also subject to an underpin based on the value of their Personal Pension Account.

For Kwik Save Lump Sum members who left after 31 December 1990, benefits in deferment revalue by 5% per annum.

GMPs are increased in deferment in accordance with legislative requirements.

Contributions

Contributions to fund expenses

The Scheme's Schedule of Contributions in force at the start of the year, dated 22 June 2023, which became effective following completion of the valuation as at 31 March 2022, provides that Scheme expenses, including any levies due to the Pension Protection Fund (PPF), will be met from the Scheme.

Deficit Funding Contributions

Under the Schedule of Contributions, signed on 22 June 2023, no deficit reduction contributions need to be paid to the Scheme in the near-term. This will be reviewed no later than the next actuarial valuation, due as at 31 March 2025.

Additional Voluntary Contributions (AVCs)

At the closure of the Scheme to future accrual on 3 November 2012, Prudential was the sole AVC provider for members wishing to commence AVC payments. A small number of members also continue to have legacy AVC policies held with Aviva.

The AVC funds of active members of the Scheme who transferred to Pace on 4 November 2012 became 'closed' in the Scheme at this date.

Actuarial Valuation

The Actuary completed an actuarial valuation of the Scheme as at 31 March 2022, in accordance with the scheme specific funding requirements of the Pensions Act 2004. The results of the valuation showed that at 31 March 2022, the Scheme had a surplus of £59m relative to its technical provisions, which equates to a funding level of 106%.

We discussed the results of the valuation with the Co-op. In light of the technical provisions funding level of 106% at the valuation date, we agreed with the Co-op that no regular employer contributions need to be paid to the Scheme in the near-term.

The next actuarial valuation of the Scheme will be as at 31 March 2025, and should be completed by 30 June 2026.

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, based on pensionable service to the valuation date. 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.

The most recent full actuarial valuation of the Scheme was carried out as at 31 March 2022. An approximate update of the funding position was carried out and presented in the Annual Actuarial Reports as at 31 March 2023 and 31 March 2024. The results of the valuation and these updates are described below:

This showed that on that date:

	31 March 2022	31 March 2023	31 March 2024
The value of the Technical Provisions was:	£1,003 million	£719 million	£668 million
The value of the assets was:	£1,062 million	£738 million	£696 million

Both the technical provisions and asset values at 31 March 2022 include £369 million in respect of the value of the insurance policies held by the Trustee.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated 22 June 2023):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

- Discount interest rate: fixed-interest gilt yield curve at the valuation date, plus a fixed addition of 0.5% per annum at all terms. The same discount rate is used for both pre-retirement and post-retirement liabilities.
- Future Retail Price inflation: the assumption is derived from market implied break-even inflation curve at the valuation date.
- Future Consumer Price inflation: The assumption is set based on the Scheme Actuary's views of long-term structural differences between the calculation of RPI and CPI inflation. The CPI assumption is set based on the RPI assumption with a deduction.

  At 31 March 2022 the deduction was 1.0% per annum for terms up to 2030 and 0.2% per annum for terms from 2030 onwards.

  At 31 March 2023 this deduction was 1.0% per annum for terms up to 2030 and 0.1% per annum for terms from 2030 onwards.

  At 31 March 2024 and 31 March 2025 this deduction was 0.9% per annum for terms up to 2030 and 0.1% per annum for terms from 2030 onwards.
- Pension increases: inflation linked pension increase assumptions are derived from the RPI and CPI inflation assumptions as appropriate, allowing for the maximum and minimum annual increase, and for inflation to vary from year to year in line with best estimate volatility.

- Mortality: The mortality assumptions are as follows:

  Post-retirement mortality

  Males: Standard Self Administered Pension Scheme ("SAPS") S3 *All* year of birth tables scaled as follows:
    - Non-pensioners: 115%
    - Pensioners: 109%

  Females: SAPS S3 *Middle* year of birth tables scaled as follows:
    - Non-pensioners: 117%
    - Pensioners: 110%

  The scaling factors described above include a 1.5% increase to the best estimate factors to reflect the endemic nature of COVID-19. For the purpose of the funding valuation at 31 March 2022 and the associated annual updates prior to the 31 March 2025 valuation, this allowance will be maintained, unless otherwise agreed.

  Allowance for long-term improvements in mortality in line with the most recent CMI mortality projection model.

  For the purpose of the funding valuation at 31 March 2022 and the associated annual updates prior to the 31 March 2025 valuation, allowance will be made for the CMI 2021(Sk = 7.0, A = 0.5%) mortality projection model (core parameters), unless otherwise agreed.

  Allowance for an assumed long term rate of improvement of 1.5% per annum.

  Pre-retirement mortality
  Standard table S3PMA for men and S3PFA_M for women scaled consistently with post-retirement mortality.

  Base mortality prudence loading
  2% loading to technical provisions liabilities.

Scheme Changes during the Year

There have been no changes to the Rules of the Scheme during the year to 31 March 2025. The Scheme does not meet the criteria for TCFD reporting.

GMP Equalisation

In October 2018 and late 2020 the High Court gave its judgments regarding the equalisation of pensions for men and women, the 2020 judgement specifically dealing with historic transfers. The judgments affect Guaranteed Minimum Pension ('GMP') built up in any UK pension scheme which was contracted out of the State Second Pension between 17 May 1990 and 5 April 1997. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee has considered the next steps in relation to equalising for the effect of GMPs and has taken advice. The Scheme now provides equalised transfer values and trivial commutation payments. Consideration of equalising for the effect of GMPs for retired scheme members, as well as future retirees, is still underway, as is the consideration of historic transfer outs from the Scheme. Under the ruling schemes are required to backdate benefit adjustments in relation to equalising for the effect of unequal GMPs 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.

Virgin Media v NTL Pension Trustees II Limited

In 16 June 2023, the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited. Based on our current understanding, the decision reached was based on specific circumstances and related to an amendment which was worsening benefits and so it is unclear as to its wider application in many instances for the Fund. There was a Court of Appeal hearing that took place in the Summer of 2024 and the appeal was overturned. Further legal cases are to be heard in 2025 and the government has announced legislation to address potential issues arising from the ruling, including the potential for retrospective actuarial confirmation.

With support from our respective legal advisers, the Co-op and Trustee have carried out a high-level desktop review of relevant governing documents for the Fund, to consider potential exposure from the Virgin Media case. Our legal advisers have identified two deeds where a change was made where they expect actuarial confirmation (or similar assurance) would have been required but was not appended to the deed or immediately obvious from the content of the deed that it had been obtained. However, given there was no single prescribed format, appropriate assurance may well have been obtained. This could give rise to some further analysis but, given the ongoing uncertainty regarding the application of the Virgin Media case and the forthcoming legislation, no further work has been undertaken at this time. The Trustee continues to monitor any developments.

Co-op Cyber Incident

The Co-op reported a cyber incident in May 2025. Ultimately, there has been no evidence that any pension scheme data was compromised but in accordance with good governance practice we reported the incident to the Pensions Regulator and members were informed through the member website.

As part of preventative measures to combat the cyber-attack, a number of Co-op IT systems were withdrawn, resulting in disruption to some internal systems. This was quickly resolved, and all regular pension payroll payments continued to be paid as expected.

The Trustee continues to review and strengthen its data protection and cyber security policies to ensure they remain effective and aligned with evolving regulatory expectations and industry best practice.

Financial Development of the Scheme

During the year ended 31 March 2025, the net assets of the Scheme decreased from £699m to £631m.

Investments

The investment reports are set out on pages 22 to 27.

Statement of Trustee's Responsibilities for the Financial Statements

The financial statements, which are prepared in accordance with United Kingdom 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 that 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 the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making 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 judgments on a prudent and reasonable basis, and for the preparing 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 them 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 for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of TCG Southern Trustees Limited:

Independent Trustee Services Limited,
represented by Chris Martin
Chair

Tom Taylor
Secretary

Date:

More Helpful Terms

In this document, when we say:	We mean:
Additional Voluntary Contribution (“AVC”)	Contributions over and above a member's normal contributions which the member chose to pay to the Scheme in order to secure additional benefits.
Asset Backed Securities	An Asset Backed security is the term given to a bond, whose value is derived from a pool of underlying assets which together generate income and collateralise the specific pool. Examples include a pool of mortgages or credit card debt.
Benchmark	A “yardstick” against which the investment performance of a fund manager can be compared.
Bond	An investment in the form of a loan to a company or government which pays a specified rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also known as “fixed interest” investments.
Buy and maintain credit	An investment in corporate bonds where the manager aims to select bonds with low default risk that can be held to maturity, and aims to have very low turnover in holdings.
Buy-in and Buy-out	A pension **buy-in** is the process by which trustees of a pension scheme buy an insurance policy to cover any current pensioners already in payment. The trustees hold the policy as an asset and remain responsible for paying the pensions. A pension **buy-out** enables the sponsor of a pension scheme to completely wind up its pension scheme and transfer both its assets and its liabilities to an insurance company which becomes responsible for honouring pension promises as scheme members retire.
Corporate Bond	A bond issued by a company.
Custodian	A custodian provides safe-keeping of a pension scheme’s assets by holding and recording the investments, and processing tax reclaims etc.
Default	When talking about bonds or investments, a “default” is a failure on the part of the borrower to pay interest on a loan, or to be able to repay a loan at full value.
Derivatives	Financial instruments whose price is dependent on one or more underlying assets or market indicators

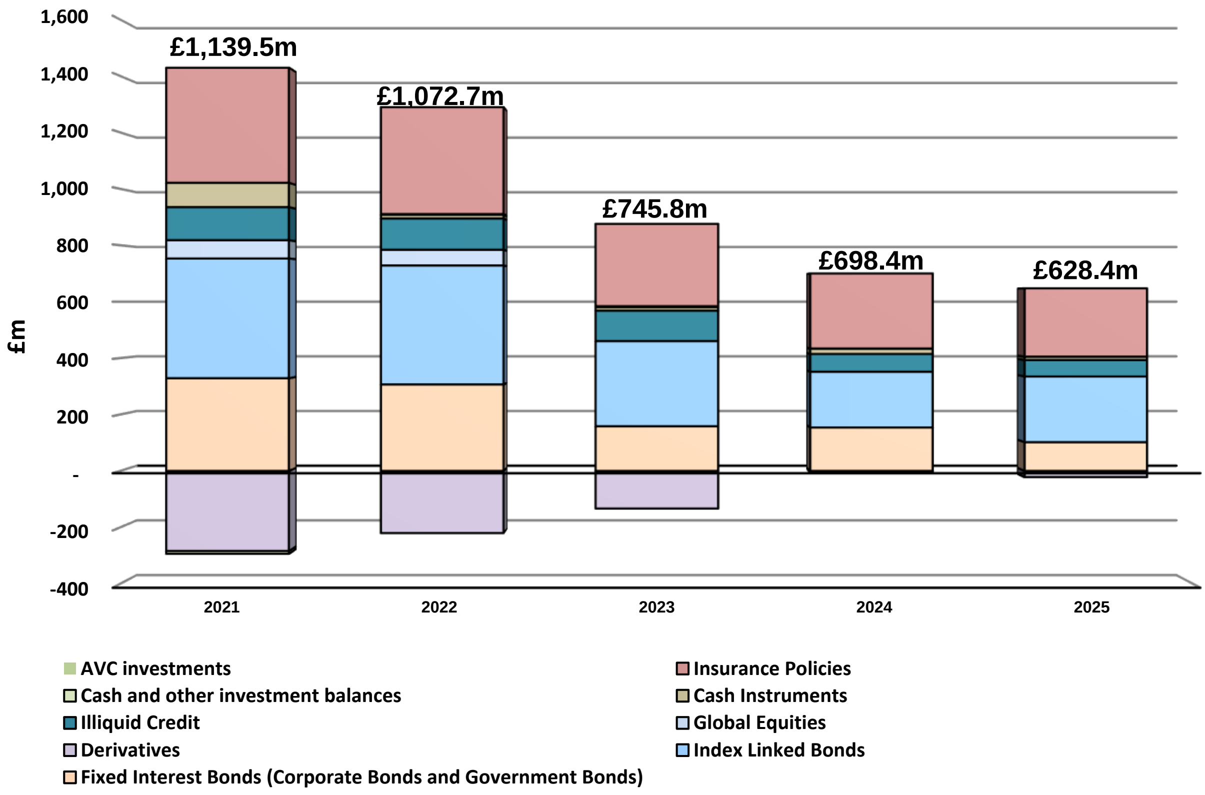
	(e.g. interest rates or inflation). Derivatives can be used to gain exposure to, or to help protect against, changes in the value of the underlying investments.
Equity	An investment in the form of shares in companies (also known as stocks). Owning shares makes shareholders part owners of the company in question and usually entitles them to a share of the profits (if any), which are paid as dividends. An investor does not have the ownership rights if investing in equities via a pooled fund. See “pooled fund”.
ESG (Environmental, Social and Corporate Governance)	Factors considered in investment analysis and portfolio construction. ESG is used to evaluate corporate behaviour and the sustainability of business’ operations.
Fixed Interest	See “bond”.
Gilt	A bond issued by the UK Government.
Gilt repurchase agreement (“gilt repo”)	A transaction used to finance ownership of a bond. In a ‘repo’ agreement, a government bond is sold with a combined agreement for it to be repurchased in the future at an agreed price. This process is used to raise ready money and is backed by the sold asset. This allows a pension scheme to access bond investments in an efficient way, allowing it to increase interest rate and inflation protection through leverage in an LDI portfolio.
Global Trade Finance	Trade Finance is a short-dated, high quality, income generative asset with low correlation to traditional credit assets.
Illiquid Credit	Illiquid Credit investments take the principles of bond investing, lending of money in return for regular interest payments, into less standardised areas which are not actively traded. This results in favourable terms for investors and greater potential gain, which pension schemes are able to access as long-term investors.
Index-linked Gilt	A bond issued by the UK Government which increases each year in line with inflation, which has the effect of increasing the amount of the interest paid (or decreasing it if inflation is negative – “deflation”). Also known as inflation-linked gilts.
Inflation Swap	A derivative allowing the exchange of two cash flows, one based on an agreed inflation rate for a period and the other based on the actual inflation

	rate for that period. Typically, the inflation basis will be RPI in the UK. Used by pension schemes to hedge inflation risk as part of an LDI strategy.
Interest Rate Swap	A derivative allowing the exchange of two sets of cash flows, usually one based on a fixed interest rate and the other on a floating interest rate. Used by pension schemes to hedge interest rate risk as part of an LDI strategy.
Investment Grade	A category of ratings provided by a ratings agency based on its assessment of the credit worthiness of that company or asset. The assessments within investment grade range from 'extremely strong capacity to meet financial commitments' (defined as AAA or Aaa) to 'adequate capacity to meet financial commitments but more subject to adverse economic conditions' (BBB or Baa).
Investment Manager	A company to whom the Trustee delegates the day-to-day management of part of the Fund's assets. Also known as an "asset manager" or "fund manager".
Leverage	Use of borrowed money to over-invest a portfolio which magnifies both gains and losses. This may be achieved by using derivatives such as swaps or gilt repos. Allows a pension fund to efficiently hedge interest rate and inflation risk where it does not have sufficient assets to invest entirely in bonds (or where suitable bonds are not available).
Liability Driven Investment ("LDI")	An investment approach which focuses on matching the sensitivities of a pension scheme's assets to those of its underlying liabilities in response to changes in certain factors, normally interest rates and inflation expectations.
Market Value	The price at which an investment can be bought or sold on a given date.
Passive Management	A style of managing a portfolio by linking the investments to a particular index, such as the FTSE All Share Index, so that the portfolio value moves in line with that index.
Pooled Investment Vehicle / Pooled Fund	An investment fund in which a number of different investors hold "units", and where the underlying assets are not directly held by each investor but as part of a "pool". The investors have the right to the cash value of these units rather than to the underlying assets of the investment fund.

Segregated	Where assets are legally owned by a pension scheme rather than a pooled fund, are managed independently of those of other funds under the investment manager's control.
Statement of Investment Principles (SIP)	A written statement of the principles governing decisions about investment for an occupational pension scheme, which trustees are required to prepare and maintain. Trustees must have regard to advice from a suitably qualified person and consult with the employer.
Sterling Overnight Index Average ("SONIA")	SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in the British sterling market. It is used for overnight funding for trades that occur in off-hours. SONIA is used as an alternative to LIBOR as a benchmark interest rate for financial transactions.
Strategic Asset Allocation	The target split of the Scheme's assets between different types of investments (e.g. Bonds and Equities).
Swap	Derivatives designed to permit investors to exchange payment streams for their mutual benefit. Payments can be based on interest rates, inflation indices, currencies or equity returns.
Yield	A measure of the annual income earned on an investment. Normally expressed as a percentage of its market price.

Our Investment Report

The chart below provides a snapshot of the different types of investment categories held by the Scheme at each year end for the DB section.



	2021		2022		2023		2024		2025	
	£000	%	£000	%	£000	%	£000	%	£000	%
Fixed Interest Bonds (Corporate Bonds and Government Bonds)	*328,439*	*28.8*	*306,356*	*28.6*	*158,163*	*21.2*	*153,713*	*22.0*	*101,766*	*16.2*
Index Linked Bonds	*424,693*	*37.3*	*421,950*	*39.3*	*302,045*	*40.5*	*197,745*	*28.3*	*233,012*	*37.0*
*Derivatives**	*(283,204)*	*(24.9)*	*(219,856)*	*(20.5)*	*(132,817)*	*(17.8)*	*(4,344)*	*(0.6)*	*(21,309)*	*(3.4)*
Global Equities	*64,662*	*5.7*	*55,532*	*5.2*	-	-	-	-	-	-
Illiquid Credit	*117,315*	*10.3*	*110,810*	*10.3*	*107,790*	*14.5*	*63,178*	*9.0*	*58,233*	*9.3*
Cash Instruments	*86,138*	*7.6*	*12,934*	*1.2*	*12,228*	*1.6*	*18,344*	*2.6*	*11,295*	*1.8*
Cash and other investment balances	*(10,011)*	*(0.9)*	*2,876*	*0.3*	*3,598*	*0.5*	*1,085*	*0.2*	*970*	*0.2*
Insurance Policy (buy-in)	*408,000*	*35.8*	*379,000*	*35.3*	*292,000*	*39.2*	*266,000*	*38.1*	*242,000*	*38.5*
AVC investments	*3,501*	*0.3*	*3,146*	*0.3*	*2,837*	*0.4*	*2,674*	*0.4*	*2,444*	*0.4*
TOTAL	***1,139,533***	***100***	***1,072,748***	***100***	***745,844***	***100***	***698,395***	***100***	***628,411***	***100***

*Repurchase agreements included within derivatives.

The Scheme's investment policy

The investment objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework we have agreed a number of objectives to help guide us in the strategic management of the assets and control of the various risks to which the Scheme is exposed. Our primary objectives are as follows :

- To target an expected return on the Scheme's portfolio of assets which exceeds the return required to improve the funding level of the Scheme on both a technical provisions basis and a gilt-based least risk basis. For the technical provisions basis, the Scheme's Actuary used a discount rate assumption of gilts plus 0.5% at the most recent actuarial valuation. The Scheme's current strategy, which was adopted in December 2023, is expected to achieve a return of between c0.7% p.a. above gilts (when excluding the buy-in policy).

- To ensure that the interest rate and inflation sensitivity of the assets is very similar to that of the liabilities.

The Scheme's Statement of Investment Principles

We have produced a Statement of Investment Principles ('SIP') in accordance with Section 35 of the Pensions Act 1995. A copy of the statement is available on request to the Secretary to the Trustee at the address shown on page 6 or via https://www.somerfieldpensionscheme.co.uk We have appointed Mercer Limited as the Scheme's investment consultant.

Management of assets

We have delegated management of investments to professional investment managers which are listed on page 7. These managers manage the investments within the restrictions set out in investment management agreements and policy documents which are designed to ensure that the objectives and policies set out in the Statement of Investment Principles are met.

As stated in the Scheme's SIP, the Trustee acknowledges that the asset allocation may deviate from the strategic benchmark allocation over time (particularly during periods of market volatility as outlined below) and is monitored by the Trustee on a quarterly basis. Rebalancing of the Scheme's assets is considered by the Trustee in conjunction with their investment advisor and is dependent on factors including the liquidity of asset classes and the suitability of market conditions.

What is the Scheme's investment strategy?

The asset allocation as at the year-end is shown below. We consider alternative investment opportunities on a regular basis within overall investment policy requirements.

We believe that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Following a review of the Scheme's LDI mandate in 2024, as per advice received from the Trustee's investment consultant, the Trustee agreed to switch from an active to a passive LDI mandate, managed by Insight.

As outlined in the 2022 report, the Trustee agreed to expedite the sale of the M&G and ICG illiquid credit portfolios which had previously been placed into run-off. In October 2024, M&G returned the final investment from the ICOF III portfolio and subsequently closed the fund.

The Trustee initiated a review of investment strategy during the first quarter of 2025, supported by advice from the Trustee's investment Consultant; further details are set out in note 16. While the changes to effect the new investment strategy will mostly be implemented after the scheme's year-end, in March 2025 it was agreed to instruct RLAM to sell their corporate bonds and replace with fixed-interest gilts (in order to provide equivalent interest rate exposure) ahead of the RLAM mandate being terminated and their assets transitioned to the Scheme's LDI manager during April 2025.

As at 31 March 2025 the buy-in annuity policy was valued at approximately £242m by the Scheme Actuary. The annuity policy remains an asset of the Scheme and is therefore included as part of the Scheme's assets in this report although is not considered as part of the performance analysis. The assets excluding the buy-in policy are set out as the "Main Portfolio", details of which are shown below.

Asset allocation – Main Portfolio as at 31 March 2025

Corporate Bonds	Fixed Interest Gilts	Illiquid Credit	Liability Driven Investment (LDI)
LGIM 20.7%	RLAM 21.5%	Insight 14.3%	Insight 42.6%
		ICG 0.9%	-
20.7%	**21.5%**	**15.2%**	**42.6%**

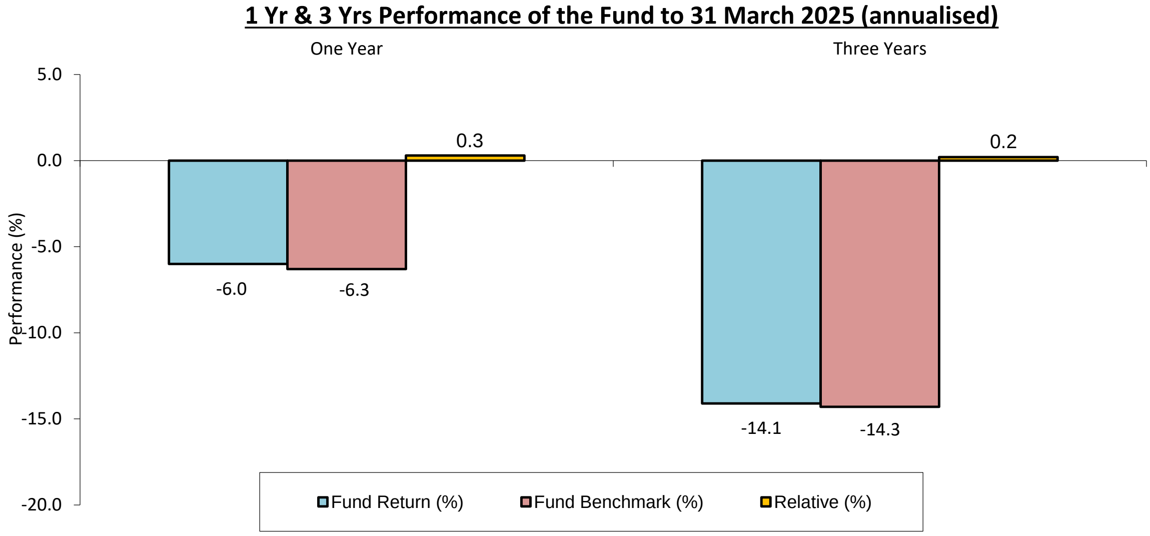
Percentages are of total Scheme assets as at 31 March 2025, excludes AVCs and the buy-in policy.

Investment performance

Investment performance is measured on a quarterly basis; all performance data is shown to 31 March 2025.

On an absolute basis, the value of the Scheme's assets decreased from £699m on 31 March 2024 to £631m on 31 March 2025 (including an estimate of the value of the buy-in policy). The performance of the Scheme's invested assets in the main portfolio (excluding the buy-in and AVC's) for the year to 31 March 2025 was -6.0% compared with the overall total fund benchmark of -6.3%.

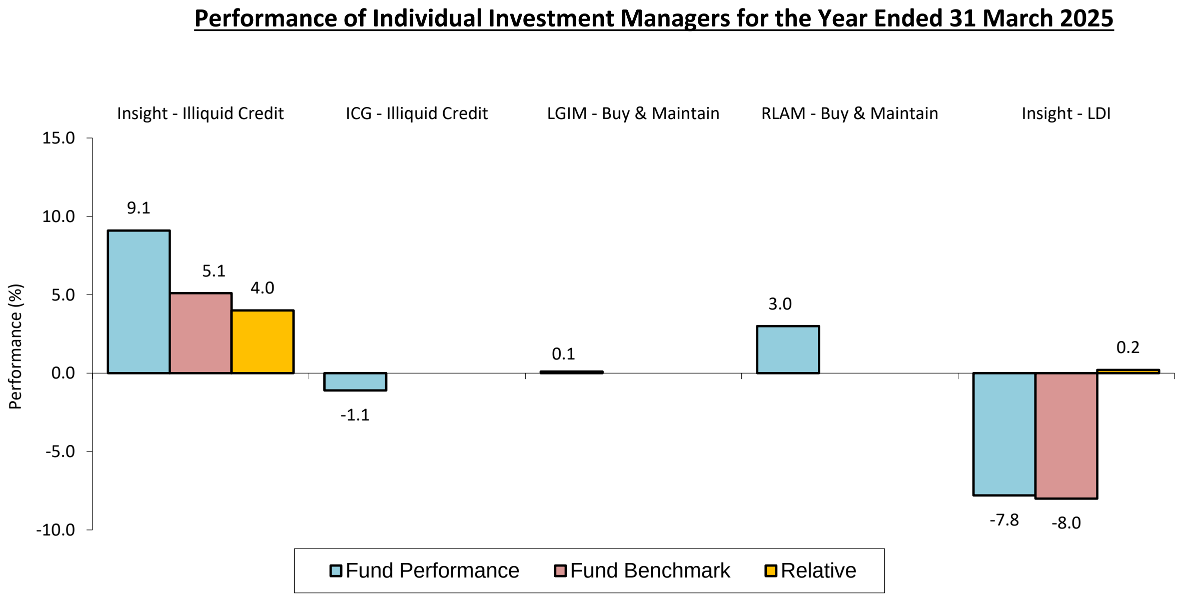
The overall gross of fees performance of Scheme assets, over one and three years to 31 March 2025, is shown below:



Source: Estimated by Co-op Pensions Department using data sourced from investment managers and Mercer.

The Scheme's assets are invested so as to reduce the risk of major underperformance relative to UK gilts (including inflation-linked gilts). In previous years, as investors have sought more secure investments, these gilts, and the Scheme, have performed relatively strongly. However, as interest rates have risen sharply since the end of 2022, this strong performance in absolute terms has been reversed. The key for Scheme members (and for the Co-op Group which financially supports the Scheme) is that the performance should stay close to, or exceed, the performance of its benchmark as it performs in line with the Scheme's liabilities. This provides the guide to whether the value of the Scheme's investments are keeping up with changes in the value of the pensions it has to pay over the years ahead.

The chart below shows the performance of each of the Scheme's investments over the past year.



Source: Estimated by Co-op Pensions Department using data sourced from investment managers and Mercer.
Please note that the Buy and Maintain Credit funds with LGIM and RLAM do not have formal performance benchmarks. The ICG mandate is not monitored against a benchmark as it is in run-off.

Custodial arrangements

Segregated Assets

Bank of New York acts as independent custodian for the Scheme's segregated assets; this includes the Scheme's bond portfolios managed by RLAM, and the LDI assets managed by Insight. The services provided during the year included custody of assets and investment accounting.

Pooled Assets

The Scheme's investments in pooled vehicles give the Trustee the right to the cash value of units rather than to the underlying assets of the funds. The respective managers of the pooled arrangements are responsible for appointing and monitoring custodians for the underlying assets.

Responsible Investment and Corporate Governance

The Trustee has a Responsible Investment Policy which is reviewed annually. The Responsible Investment Policy and Practice Statement can be found at www.somerfieldpensionscheme.co.uk. The document details the policy for considering Environmental, Social and Governance ("ESG") factors, including climate change, in the strategic investment process and investment decision-making process, assessing the Scheme's investment managers' performance on ESG issues, engagement with investee companies, consideration of and participation in third party ESG initiatives and public disclosure of the Scheme's ESG policy in practice.

In accordance with its fiduciary responsibilities, the Trustee takes account of financially material factors when making investment decisions, i.e. those factors which are expected to have an impact on investment returns and risk (including the long-term sustainability of investee companies' performance – in particular the impact of climate change).

The Trustee also recognises that it may take non-financial factors into consideration (i.e. those motivated by other concerns, such as social impact) where the Trustee has good reason to expect that Scheme members would share these concerns, and where the decision is not expected to have material financial detriment.

The Trustee will apply these considerations in setting the RI Policy, with the Trustee assessing members' likely concerns (as far as this is practically possible) through engagement with members and through engagement with the Co-op when developing the Policy.

At the time of writing, the RI Policy reflects three broad Responsible Investment issues which the Trustee believes represent particular risk to the Scheme and which the Trustee believes can be addressed. As the RI Policy is kept under regular review, (at least annually) the issues identified may change over time. These issues are:

- Climate change, and protection of the environment.
- Labour conditions and equal pay.
- Corporate Governance.

The Trustee seeks to address these issues in a number of ways. For example, the holding in LGIM's Future World Net Zero Buy and Maintain credit pooled fund is aligned with the Trustee's 2050 Net Zero target and also integrates LGIM's long term thematic views by incorporating ESG factors into the investment management process.

The Trustee gives its investment managers full discretion to evaluate ESG factors and engage with companies. The Trustee also encourages its investment managers to adopt best practices in these areas and to act in the best interests of Scheme members. The Trustee recognises that where investments are held in pooled funds, it may not be possible to instruct the manager to follow a separate voting policy or to exercise votes. The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.

Investment managers are asked to report to the Investment Committee on the issue of Responsible Investment. In addition, the Investment Committee monitors how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.

As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's Responsible Investment policy. This includes the investment managers' policy on voting and engagement. While the Trustee or Investment Committee will meet with certain managers from time to time (including the LDI manager which the Scheme's Investment Committee aims to meet at least annually), the MMIC is typically responsible for meeting with the Scheme's investment managers. At any manager presentation, the MMIC on behalf of the Trustee will ask the investment managers to provide further detail about ESG considerations such as voting history, engagement activity and AAF reports.

In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.

Independent Auditor's Report to the Trustee of the Somerfield Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Somerfield Pension Scheme (the “Scheme”):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; 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.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits); and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council’s (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.

Independent Auditor's Report to the Trustee of the Somerfield Pension Scheme (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 Trustee with respect to going concern are described in the relevant sections of this report.

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 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 the Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the 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 liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Trustee of the Somerfield Pension Scheme (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Scheme’s industry and its control environment, and reviewed the Scheme’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee about their own identification and assessment of the risks of irregularities, including those that are specific to the Scheme’s business sector.

We obtained an understanding of the legal and regulatory framework that the Scheme operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme’s ability to operate or to avoid a material penalty. These included the Scheme’s regulatory requirements.

We discussed among the audit engagement team and specialist teams, including actuarial, financial instruments and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchases reports and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee and subcommittee meetings, and reviewing correspondence with the Pensions Regulator.

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 (Requirement 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's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Belfast
United Kingdom

Date:

Fund Account

for the year ended 31 March 2025

What does this show?

Our Fund Account shows all contributions, investment income and asset return received by the Scheme, minus the benefits and expenses paid out during the year. The result is the Scheme's net asset position at the end of the reporting period.

		2025	2024
Benefits	Note	£'000	£'000
Benefits paid or payable	2	(34,981)	(32,889)
Payments to and on account of leavers	3	(666)	(1,300)
Administrative expenses	4	(1,442)	(1,298)
Pension levies	5	(56)	(63)
		(37,145)	**(35,550)**
Net withdrawals from dealing with members		**(37,145)**	**(35,550)**
Returns on investments			
Investment income	6	28,800	35,496
Change in market value of investments	8	(58,060)	(48,197)
Investment management expenses	7	(1,056)	(1,076)
Net returns on investments		**(30,316)**	**(13,777)**
Net decrease in the Scheme during the year		(67,461)	(49,327)
Net assets of the Scheme at 1 April		698,520	747,847
Net assets of the Scheme as at 31 March		**631,059**	**698,520**

The notes on pages 35 to 55 form part of these financial statements.

Statement of Net Assets

(available for benefits) as at 31 March 2025

What does this show?	The Statement of Net Assets below provides a snapshot of the financial position of the Scheme as at 31 March. It sums up the Scheme's assets and liabilities at this date. It does not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year; this is dealt with in the Report on Actuarial Liabilities.

	Note	**2025** £'000	**2024** £'000
Investment assets			
Bonds	8	472,826	432,494
Pooled investment vehicles	8.1	144,634	160,236
Derivatives	8.2	86,639	263,869
AVC investments	8.3	2,444	2,674
Insurance policy	8.4	242,000	266,000
Other investment balances	8.5	4,451	882
Accrued income	8	970	1,324
Amounts receivable under reverse repurchase agreements	8	240,286	193,506
Investment liabilities			
Bonds	8	(217,604)	(160,525)
Derivatives	8.2	(108,523)	(279,063)
Other investment balances	8.5	-	(746)
Amounts due under repurchase agreements	8	(239,712)	(182,656)
Total net investments		628,411	697,995
Current assets	12	3,585	1,604
Current liabilities	13	(937)	(1,079)
Total net assets of the Scheme at 31 March		**631,059**	**698,520**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposition of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Actuarial certificate on page 58 and Report on Actuarial Liabilities included on pages 13 to 15 of this annual report, and these financial statements should be read in conjunction with them.

The Trustee approved these financial statements on ____________________.

Signed for and on behalf of TCG Southern Trustees Limited:

Independent Trustee Services Limited, represented by Chris Martin Chair	Tom Taylor Secretary

Notes to the Financial Statements

What does this show?	This section outlines the general accounting policies of the Scheme that relate to the financial statements as a whole.

1.1 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 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the fund has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least twelve months from the date of approval of these financial statements.

1.2 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is Co-operative Group Limited, Pensions Department, Department 10406, 1 Angel Square, Manchester, M60 0AG.

1.3 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year, are as follows.

Benefits paid or payable

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. Pensions in payment are accounted for in the period to which they relate.

Transfers

Individual transfers out represent the capital sums paid to other pension funds for members who have left the Scheme. Transfer values are accounted for when the liability is discharged, which is normally when the transfer amount is paid.

Expenses

Administration expenses are paid by the Co-op and then reimbursed by the Scheme and are accounted for on an accruals basis.

Investment management fees are accounted for on an accruals basis.

Investment income

Interest on deposits is accounted for on an accruals basis and accrued daily.

Income from bonds is accounted for on an accruals basis and includes interest brought and sold on investment purchases and sales.

With the exception of the illiquid credit fund managers, investment income arising from the underlying assets within pooled investment vehicles is reinvested in those vehicles and is reflected in the unit price. This income is reported within ‘change in market value’.

For investment income distributed by the illiquid credit fund managers; income/expense received or paid on derivatives and repurchases agreements, this income is reported within ‘investment income.’

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Foreign currencies

Translation of foreign income into pounds is at the exchange rate on the date of receipt. For the investments held in foreign currency, the translation into pounds is at the exchange rate as at year-end.

Where forward sales of foreign currency have been made as a hedge against exposure on foreign currency investments, any unrealised profit or loss at the year-end, measured by the difference between the spot and the contract rate, is included in the change in market value of investments, together with realised gains and losses on forward contracts maturing during the year.

Valuation of investments

Investments are included in the statement of net assets at their market values. Listed securities are valued at the bid market value or latest traded price at the year-end. Pooled investment vehicles are stated at the bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager at the year-end.

Bonds are stated at their clean (excluding accrued income) prices. Accrued income is accounted for within investment income.

Derivatives are stated at market value.

Swaps are valued at fair value, using a pricing model which calculates the current value of future expected net cash flows arising from the swap, for which the time value of money is taken into account. Interest is accrued monthly under the terms relating to individual contracts.

Net receipts or payments on swap contracts are reported either within investment income where the economic purpose of the swap is income related, or within change in market value where the economic purpose of the swap is related to the assets and liabilities of the Scheme. Realised gains and losses on closed contracts and unrealised gains or losses on open contracts are included within change in market value.

Open futures contracts are recognised in the statement of net assets at their fair value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract, as determined by the closing exchange price as at the year-end. Amounts included in the change in market value represent realised gains or losses on closed futures contracts and the unrealised gains or losses on open futures contracts.

Realised and unrealised gains and losses arising on derivative contracts are disclosed within change in market value and are taken directly to the fund account.

Repurchase agreements are valued on an amortised cost basis and are accounted for as follows:

- Repurchase agreements – the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as payable amount.

- Reverse repurchase agreements – the Scheme does not recognise the securities received as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

The fair value of annuities (excluding the buy-in) purchased by the Trustee, which fully provide the benefits for certain members, are estimated to be immaterial by the Trustee. The asset has therefore been excluded from these financial statements. The cost of purchasing these annuities is reported within the Fund Account under 'Benefits paid or payable'.

The buy-in annuity policy is valued by the Actuary based on market conditions at 31 March 2025 and using the Scheme's technical provision assumptions as set out in the Statement of Funding Principles dated 22 June 2023. The Actuary has rolled forward the data to 31 March 2025 from the latest actuarial valuation, allowing for members ageing and dying, benefits that have been paid in the intervening period and pension increases over the period.

Currency

The Scheme's functional and presentational currency is pounds sterling (GBP). Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the Scheme's year end. Foreign currency transactions are translated into sterling at the spot rate at the date of the transaction.

2 Benefits paid or payable

What does this show?	This note shows what benefits have been paid out to members of the Scheme during the year.

	2025 £000	**2024** £000
Pensions	27,106	25,898
Commutation and lump sum retirement benefits	7,759	6,674
Lump sum death benefits	109	317
Annuities purchased	7	-
	34,981	32,889

3 Payment to and on accounts of leavers

What does this show?	This note shows how much has been paid out to other pension schemes for members who have left the Scheme during the year.

	2025 £000	**2024** £000
Individual transfers to other schemes	666	1,300

4 Administrative expenses

What does this show?	This note shows what expenses the Scheme has incurred during the year. It splits expenses into key categories, such as actuarial and administration fees.

	2025 £000	**2024** £000
Administration	870	887
Actuarial	282	239
Audit	57	57
Legal and other	233	115
	1,442	1,298

5 Pension Levies

What does this show?	This note shows the total amount of levies paid to the Pensions Regulator and Pension Protection Fund during the year.

	2025 £000	**2024** £000
Pension Levies	56	63

The Pensions Act 2004 introduced the Pension Protection Fund levy and the Scheme, in common with other pension schemes, is required to contribute. The levy was paid by the Scheme during the year.

6 Investment income

What does this show?	The Scheme receives income and pays interest from its assets; this note shows the different types of income received and interest paid during the year.

	2025 £000	2024 £000
Income from bonds	11,484	18,045
Income from pooled investment vehicles	615	1,895
Cash payments from swaps	(3,090)	(2,961)
Interest received/(paid) on repurchase agreements	56	(2,005)
Interest received on swaps collateral	9	9
Interest received on cash deposit & cash instruments	182	465
(Loss)/gain on foreign exchange	(1)	271
Annuity income*	19,540	19,745
Other	5	32
	28,800	35,496

*In January 2019 the Trustee entered into a buy-in annuity policy with Pension Insurance Corporation plc (PIC). Under this agreement the Trustee purchased an insurance policy in relation to the majority of the Scheme's pensioner liabilities. During the year, £20m (2024: £20m) was received from PIC to cover the pension paid to this population.

7 Investment management expenses

What does this show?	This note shows the investment management expenses incurred by the Scheme during the year.

	2025 £000	2024 £000
Investment management fees	627	775
Custody fees	58	64
Advisory fees	359	221
Other investment expenses	12	16
	1,056	1,076

8 Reconciliation of investments

What does this show?	This note provides a reconciliation of the sales, purchases and change in market value during the year between the opening and closing value of investments and analysed by asset class as disclosed on the face of the Statement of Net Assets.

	Note	1 April 2024	Purchases at cost and derivative payments	Sales Proceeds and derivative receipts	Change in market value	31 March 2025
		£000	£000	£000	£000	£000
Assets/(Liabilities) not allocated to members						
Bonds*		271,969	384,376	(361,182)	(39,941)	255,222
Pooled investment vehicles	8.1	160,236	84,113	(106,294)	6,579	144,634
Net Derivative contracts	8.2					
- Swaps		(15,194)	125,085	(130,585)	(1,190)	(21,884)
- Futures		-	251	(583)	332	-
Repurchase agreements**		10,850	1,323,140	(1,333,416)	-	574
		427,861	**1,916,965**	**(1,932,060)**	**(34,220)**	**378,546**
Assets/(Liabilities) allocated to members						
AVC investments	8.3	2,674	-	(390)	160	2,444
Insurance Policy	8.4	266,000	-	-	(24,000)	242,000
		268,674		**(390)**	**(23,840)**	**244,444**
Total Fund						
Not allocated to members		427,861	1,916,965	(1,932,060)	(34,220)	378,546
Allocated to members		268,674		(390)	(23,840)	244,444
		696,535	1,916,965	(1,932,450)	(58,060)	622,990
Other investment balances	8.5	136				4,451
Accrued income		1,324				970
		697,995			**(58,060)**	**628,411**

* Bonds above represents the net value which comprises of positive bonds (assets) of £472.8m and negative bonds (liabilities) of -£217.6m, the latter of which reflects the mark to market amounts payable under reverse repurchase agreements entered into by the Scheme (and which are shown as the amounts receivable under reverse repurchase agreements in the Statement of Net Assets on page 33).

** Repurchase agreements above represents the net value which comprises of amounts payable under repurchase agreements of £239.7m and amounts receivable under reverse repurchase agreements of £240.3m. At year end, the Scheme held no UK Gilts as collateral and paid out -£7.4m in UK Gilts as collateral (2024: held £1.0m in UK Gilts, paid out -£23.3m of UK Gilts).

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.

Transaction costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees £	Commission £	2025 Total £	2024 Total £
Derivatives	-	525	525	807
Cash instruments	-	8	8	474
2025 Total		**533**	**533**	**-**
2024 Total	8	1,273	-	1,281

8.1 Pooled investment vehicles

	2025 £000	2024 £000
Bonds	79,556	79,488
Illiquid credit	58,234	63,178
Cash	6,844	17,570
	144,634	160,236

Concentration of investments

The following investments (other than UK Government and UK corporate securities) at the year-end which are more than 5% of the total value of the net assets of the Scheme comprise:

		2025 Market value £000	2025 Net assets %	2024 Market value £000	2024 Net assets %
PIC	Buy-in annuity policy	242,000	38.4	266,000	38.0
LGIM	Buy and Maintain Bond Fund	79,556	12.6	79,488	11.4
Insight	Illiquid Credit Fund	54,660	8.7	50,022	7.1

8.2 Derivatives

Assets	Note	2025 £000	2024 £000
Interest rate swaps (OTC)	(i)	54,215	201,421
Inflation swaps (OTC)	(i)	30,026	50,087
Asset swaps (OTC)	(i)	2,398	12,361
		86,639	263,869

Liabilities	Note	2025 £000	2024 £000
Interest rate swaps (OTC)	(i)	(75,190)	(208,449)
Inflation swaps (OTC)	(i)	(19,451)	(40,840)
Asset swaps (OTC)	(i)	(13,882)	(29,774)
		(108,523)	(279,063)

Derivative contracts - Objectives and policies

We have authorised the use of derivatives by investment managers as part of the investment strategy for the Scheme. The main objectives for the use of derivatives and the policies followed during the year are summarised as follows:

Swaps – Our aim is to match a substantial majority of the assets of the Scheme to the Scheme's long-term liabilities, in particular in relation to their sensitivities to interest rate and inflation movements. We have, therefore, entered into interest rate and inflation linked swap contracts that extend the duration of the liability matching portfolio to better match the long-term liabilities of the Scheme.

(i) Swaps contracts

The Scheme held the following Swaps contracts at the year-end as follows:

Nature Duration	Notional Principal £000	Asset value at year-end £000	Liability value at year-end £000
Inflation rate (OTC)			
2025-2030	280,139	9,420	(5,861)
2031-2040	261,495	8,678	(4,684)
2041-2050	250,938	3,671	(4,090)
2051-2060	130,486	7,168	(3,728)
2061-2070	22,587	1,089	(1,088)
		30,026	(19,451)
Interest rate (OTC)			
2025-2030	411,983	9,959	(9,120)
2031-2040	371,861	17,604	(20,722)
2041-2050	519,652	11,333	(21,814)
2051-2060	276,093	10,857	(12,933)
2061-2070	106,232	4,462	(10,451)
2071-2080	5,900	-	(150)
		54,215	(75,190)
Asset swap (OTC)			
to 22 Nov 2042	18,259	-	(12,697)
to 07 Dec 2049	29,766	2,398	(1,185)
		2,398	(13,882)
Total 2025		**86,639**	**(108,523)**
Total 2024		263,869	(279,063)

At the end of the year the Scheme received and paid collateral as set out in the below table in respect of OTC swaps (this is not recorded in the statement of net assets).

	2025 £000 Received	**2025** £000 Paid
Cash	8,419	-
UK Gilts	2,719	(4,013)
UK IL Gilts	13,100	(35,763)
Total 2025	**24,238**	**(39,776)**
Total 2024	26,460	(47,260)

8.3 AVC investments

	2025 £000	2024 £000
Prudential	2,241	2,490
Aviva	203	184
	2,444	2,674

We hold assets invested separately from the main fund in the form of insurance policies securing additional benefits on a defined contribution basis for those members electing to pay additional voluntary contributions (AVC). Those participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

8.4 Insurance Policy

	2025 £000	2024 £000
Buy-in annuity policy	242,000	266,000

The buy-in annuity policy is held with Pension Insurance Corporation PLC in relation to the majority of the Scheme's pensioner liabilities. Assumptions used by the Actuary to determine the year end valuation of the buy-in annuity policy is set out on page 37.

8.5 Other investments balances

	2025 £000	2024 £000
Cash deposits	4,451	775
Sales awaiting settlement	-	107
Purchases awaiting settlement	-	(746)
	4,451	136

9 Tax Status

The Scheme is a registered pension scheme under the provisions of Schedule 36 of the Finance Act 2004. Accordingly, under the provisions of sections 186 and 187 of that Act, the Scheme's income and investment gains are free of taxation.

10 Fair value determination

What does this show?	This note categorises the investment assets and liabilities held by the Scheme into specific levels which correspond to how its market value has been determined. Market values can be determined from a number of sources including taking pricing information from market data i.e. a stock exchange, or using a valuation model not widely available.

The fair value of financial instruments has been estimated 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). Investments reported under Level 3 are included at fair value based on values estimated by the underlying fund managers or the custodians (and their pricing vendors) using accepted valuation methodologies and use of market information in the absence of observable market data.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 March 2025

	Held at amortised cost not fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds*	-	-	255,222	-	255,222
Pooled investment vehicles	-	-	86,401	58,233	144,634
Swaps	-	-	(21,884)	-	(21,884)
Repurchase agreements	574	-	-	-	574
AVC investments	-	-	1,541	903	2,444
Cash deposits	-	4,451	-	-	4,451
Insurance Policy	-	-	-	242,000	242,000
Accrued income	-	970	-	-	970
TOTAL	574	5,421	321,280	301,136	628,411

* Bonds above represents the net value which comprises of positive bonds (assets) of £472.8m and negative bonds (liabilities) of -£217.6m, the latter of which reflects the mark to market amounts payable under reverse repurchase agreements entered into by the Scheme (and which are shown as the amounts receivable under reverse repurchase agreements in the Statement of Net Assets on page 33).

At 31 March 2024

	Held at amortised cost not fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Bonds*	-	-	268,470	3,499	271,969
Pooled investment vehicles	-	-	99,257	60,979	160,236
Swaps	-	-	(15,194)	-	(15,194)
Repurchase agreements	10,850	-	-	-	10,850
AVC investments	-	-	1,781	893	2,674
Cash deposits	-	775	-	-	775
Insurance Policy	-	-	-	266,000	266,000
Accrued income	-	1,324	-	-	1,324
Purchases awaiting settlement	-	(746)	-	-	(746)
Sales awaiting settlement	-	107	-	-	107
TOTAL	10,850	1,460	354,314	331,371	697,995

* Bonds above represents the net value which comprises of positive bonds (assets) of £432.5m and negative bonds (liabilities) of -£160.5m, the latter of which reflects the mark to market amounts payable under reverse repurchase agreements entered into by the Scheme (and which are shown as the amounts receivable under reverse repurchase agreements in the Statement of Net Assets on page 33).

11 Investment risk disclosures

What does this note show?	This note provides additional information to enable readers to evaluate the nature and extent of credit, market and other risks arising from certain investment assets which the Scheme is exposed to. Information about how the Scheme manages these risks is also provided.

FRS 102 requires that we, the Trustee, provide information in relation to certain investment risks. The risks are set out by FRS 102 are:

Credit Risk: this 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, e.g. the risk that a borrower may not repay a loan or a debt to the Scheme.

Market Risk: this includes "currency risk", "interest rate risk", "inflation risk" and "other price risk".

- **Currency risk:** this is the risk that the value of an investment changes because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the value of an investment decreases or increases because of changes in interest rates.

- **Inflation risk**: this is the risk that the value of an investment increases or decreases because of changes in inflation expectations.

- **Other price risk:** this is the risk that the value of an investment decreases or increases because of changes in market prices (apart from changes in value as a result of movements in interest rates or currencies).

Other Risks:

Apart from the risks listed above, we make sure the following investment related risks are managed:

- **"Solvency risk and mismatching risk"**: The risk that the Scheme does not generate strong enough investment returns, and cannot meet benefits.

- "**Manager risk**": The risk that individual investment managers underperform their objectives.

- "**Liquidity risk**": The risk that the Scheme does not hold enough cash to meet short-term requirements to pay benefits.

- **"Counterparty risk":** The risk that where the Scheme enters into swap transactions via pooled funds, the selected counterparty cannot fulfil its obligations.

- "**Custody risk":** The risk that the Scheme's assets are not held safely.

- "**Corporate governance risk**": The risk that the Scheme invests in poorly managed companies, and that the value of those investments falls as a result.

- "**Sponsor risk**": The risk that the Scheme's sponsor cannot afford to pay money into the Scheme if needed.

- "**Leverage risk**": The risk that the Scheme's liability matching investments fall in value, and additional cash is required.

- "**Inappropriate investments**": The risk that the Scheme invests in inappropriate investments (e.g. investments that are too risky).

- "**Environmental, Social and Governance ("ESG") risk (including climate risk)**": the risk that the Scheme's investment returns and/or reputation are damaged due to the failure to implement and adhere to its responsible investment policy.

11.1 Investment Strategy

We make investment decisions after taking advice from a professional investment adviser. The Scheme is subject to the risks above because of the investments it makes to implement its strategy, as described on page 23 and 24 of this report. We manage investment risks, including credit risk and market risk, within agreed limits which are set taking into account the Scheme's investment objectives. These investment objectives and risk limits are applied through the legal agreements the Scheme has with its investment managers, and we regularly monitor that the managers are complying with these agreements.

A more detailed description of our approach to risk management and the Scheme's exposures to credit and market risks is set out below. This does not include AVC investments, because these are relatively small compared to the overall investments of the Scheme. Where the term 'invested assets' is used below, it includes the value of the annuity policy purchased.

(i) Credit risk

The Scheme is subject to credit risk because:

- it invests in bonds issued by UK and overseas governments and companies (which could default on their debt to the Scheme);
- It holds a 'buy-in' annuity policy with Pension Insurance Corporation ("PIC");
- it enters into repurchase agreements and invests in derivatives; and
- it holds cash in bank accounts and with investment managers.

The Scheme also invests in pooled investment vehicles, such as open ended investment companies and unit linked insurance contracts, and is therefore directly exposed to credit risk in relation to these pooled investment vehicles. The Scheme is also indirectly exposed to credit risks arising on some of the financial instruments held by these pooled investment vehicles.

Credit risk – Insurance policies:

The Scheme is subject to credit risk arising from its investment in a buy-in policy with PIC, which was purchased in January 2019. This risk is, however, mitigated by the fact that PIC is regulated by the Financial Conduct Authority and in the event of insurer default, the benefits secured by the buy-in will be protected 100% by the Financial Services Compensation Scheme ("FSCS"). As at 31 March 2025, the value attributed to the buy-in policy was approximately £242m (2024: £266m)

Credit risk – UK government and investment grade bonds:

We look to limit the credit risk the Scheme is exposed to through its bond holdings by ensuring that the majority of the bonds held in segregated accounts by Insight and RLAM are either government bonds (where the risk of default is minimal), or corporate bonds which are rated at least investment grade (i.e. where they are higher quality). The risk is also reduced by requiring the appointed investment managers to invest in a range of bonds issued by different entities, which reduces the impact on the total portfolio if a bond issuer is unable to meet the payments due (see note 8 on page 40).

The Scheme's investment managers are also allowed to invest in corporate bonds and similar investments which are not rated as investment grade. These investments are held at the investment managers' discretion and are subject to limits. RLAM are allowed to invest in corporate bonds which are not rated as investment grade, at RLAM's discretion and subject to limits; if a bond is downgraded RLAM can continue to hold it, but at most 20% of the Scheme's investment with RLAM can be sub-investment grade.

At the period end a total of less than 0.1% of the Scheme's invested assets were sub-investment grade corporate bonds (2024: 0.4%).

Credit risk – derivatives:

Credit risk arising on derivative contracts, which are not guaranteed by any regulated exchange, and which are therefore subject to risk of failure of the counterparty. The level of credit risk for derivative contracts is reduced by using collateral arrangements (see note 8.2). Credit risk can also arise on forward foreign currency contracts; there are no collateral arrangements for these contracts but, when used, all counterparties are required to be at least investment grade.

The less liquid credit holdings with ICG and Insight are exposed to credit risk on the currency hedging derivatives held by the managers. These risks are mitigated by the managers using a range of counterparties, undertaking on-going monitoring of counterparty creditworthiness and requiring all counterparties to maintain minimum credit ratings.

Credit risk – cash:

Cash is held within financial institutions which are at least investment grade credit rated. At year end, the total cash held is 0.6% of the Scheme's total net assets (2024: 0.2%).

Credit risk – repurchase agreements:

Credit risk on repurchase agreements is mitigated through collateral arrangements. At year end, the Scheme held -£7.4 million in collateral (2024: -£22.3 million).

Credit risk – pooled investments:

The Scheme also invests in pooled investment vehicles ('PIVs'), pooled funds which invest in underlying assets like shares and bonds on behalf of a number of investors and is therefore directly exposed to credit risk for these investments (as the PIVs could default on their obligations to the Scheme). A summary of pooled investment vehicles by type of arrangement can be found in note 8.1.

The Scheme's investments in PIVs and bonds are either rated investment grade or unrated. Direct credit risk arising from bonds and PIVs are reduced because:

- the underlying investments held by the pooled funds are legally ring-fenced from the investment manager(s);
- the investment managers that operate the PIVs need to meet the requirements of various financial regulations; and,
- we invest in a number of different PIVs, spreading risk

	2025 £ '000	**2024 £ '000**
Open Ended Investment Company		
- Insight Liquidity fund	6,844	17,570
Qualifying Investor Alternative Investment Funds		
- M&G illiquid credit fund	-	2,199
- Insight illiquid credit fund	54,660	50,022
- LGIM FW Net Zero B&M credit fund	79,556	79,488
Luxembourg Securitisation Undertaking ("organisme de titrisation")		
- ICG illiquid credit fund	3,574	10,957
TOTAL	**144,634**	**160,236**

A summary of pooled investment vehicles by type of arrangement can be found in note 8.1. At year end, 23.0% of invested assets were held in pooled investment vehicles (2024: 22.9%).

Credit risk – custody:

We have appointed a global custodian for the safekeeping of assets. The risk that the custody of the Scheme's assets is not secure is addressed by monitoring the custodian's activities and creditworthiness. In addition, cash balances held by the custodian are transferred to a ring-fenced fund each night to reduce the risk of losses occurring should the custodian become un-creditworthy overnight.

In addition, the investment managers for the PIVs appoint their own custodians to ensure the safe-keeping of the assets within their mandates.

Indirect credit risk:

Indirect credit risk arises in relation to underlying investments held in the pooled illiquid credit investment vehicles that the Scheme invests in (totalling 9.3% of invested assets at year end, including the buy-in – 2024: 9.0%). For example, if the Scheme invested in an pooled illiquid credit fund which itself invests in bonds issued by a company, there is a risk that that company does not repay the bond to the pooled fund. We manage this risk by making sure that our investment managers diversify their investments over a number of companies and investments, to minimise the impact of a default on any individual investment.

(ii) Currency risk

The Scheme is subject to currency risk because the Scheme invests in overseas investments either as segregated investments or through pooled funds.

To reduce the risk that the value of these overseas investments fall in sterling terms, we operate a policy of hedging a portion of non-sterling currency exposure as appropriate where we judge the risk to be material. The management of currency risk is delegated to the appointed managers and is managed within each manager's overall risk framework.

The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	2025 £'000	**2024 £'000**
Currency		
US Dollar	485	572
Euro	175	88
Japanese Yen	-	-
Other	-	-
Total overseas exposure	**660**	**660**

(iii) Interest rate risk

The Scheme is subject to interest rate and inflation risk on its investments in bonds and financial derivatives, and also through its liabilities. The liability driven investments it makes are intended to protect the Scheme against the impact of changes in interest rates and inflation on the Scheme's liabilities.

The Scheme currently manages these risks through investments in a segregated LDI mandate managed by Insight and Buy and Maintain Credit mandates managed by RLAM (segregated) and LGIM (pooled). The LDI portfolio holds gilts, corporate bonds, derivatives and cash collateral. We monitor the level of cash held within the LDI mandate and operate a framework to ensure that if gilt yields rise then additional cash can be provided in a timely manner, should it be required.

The bulk annuity policy purchased in January 2019 also provides interest rate and inflation hedging in relation to the liabilities it matches.

We have set a target investment in LDI and bonds of 90% of the total investment portfolio (excluding the buy-in policy). Under this strategy, if interest rates fall, the value of LDI and bond investments will rise to help match the increase in actuarial liabilities arising from a fall in discount rate. Similarly, if interest rates rise, the LDI and bonds investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. These assets would be expected to change in value by £0.5 million for a change in interest rates of 0.01% (2024: £0.6 million). The Scheme's liabilities would change by approximately £0.5 million for a change in interest rates of 0.01% (2024: £0.7 million).

(iv) Inflation risk

The LDI portfolio is also exposed to inflation risk. If inflation expectations increase, the value of these assets will rise to help match the increase in actuarial liabilities arising from the rise. Similarly, if inflation expectations fall, the LDI portfolio will fall in value, as will the actuarial liabilities. These assets would be expected to change in value by £0.2 million for a change in expected inflation of 0.01% (2024: £0.3 million). The Scheme's liabilities would change by approximately £0.2 million for a change in expected inflation of 0.01% (2024: £0.3 million).

At the year end the LDI portfolio and bonds represented 51.7% of total assets including the buy-in (2024: 52.2%).

(v) Other price risk

The Scheme is also exposed to "other price risk", largely because of its investments in return seeking assets, and holdings invested in Illiquid Credit which covers less standard and liquid areas of the credit market. To spread this risk, the Scheme invests across multiple illiquid credit managers, each of which have diversified holdings by issuer and asset class.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets and by regularly reviewing the actual allocation to illiquid credit versus the agreed target (which is currently 6.1%, or 10% if the insurance policy is excluded).

At the year end, the Scheme's exposures to investments subject to other price risk was 9.3% of total assets for the Illiquid Credit funds (15.1% if total investment excludes the buy-in portfolio) (2024: 14.6%)

(vi) Other risks

Other investment risks are managed as outlined below:

- **Solvency risk and mismatching risk** – this is managed by us setting appropriate investment objectives as part of our actuarial valuation every three years. Mismatching risk is also partly addressed through investing in liability matching assets.

- **Manager risk –** this is managed by spreading the Scheme's assets a range of managers, and we regularly monitor the managers.

- **Liquidity risk** - the Co-op Pensions Department estimates the cash needed each month to meet benefit payments, and ensures that sufficient cash is available, seeking advice where necessary.

- **Custody risk –** this is managed by the safe custody of the assets is delegated to professional custodians either directly or via the use of pooled funds, with each manager appointing a custodian and being responsible for monitoring the custodian's activities.

- **Corporate governance risk** - this is managed through setting controls to limit concentration of investments in individual companies, and through regular discussions with and reporting on investment managers' approach to sustainability risks.

- **Sponsor risk** – this is managed by regular assessments of the ability of the Co-op to support the Scheme.

- **Leverage risk –** this is managed by regular reviews of the amount and nature of any leveraged investments made by the Scheme's investment managers.

- **Inappropriate investments** – this is managed by our policies in relation to the range of assets held and the pooled funds invested in.

- **Environmental, social and governance ("ESG") risk (including climate change)** – the Scheme considers its Responsible Investment Policy when implementing its investment strategy. It also reviews the policy each year to make sure it remains appropriate. We also engage with investment managers, and where appropriate and viable, exclude specific investments from the Scheme's portfolios to comply with the policy.

12 Current assets

What does this show?	This note shows the value of non-investment assets held by the Scheme at the year end.

	2025 £000	2024 £000
Cash balance	3,583	1,599
Pension returns and other	2	5
	3,585	1,604

13 Current liabilities

What does this show?	This note shows the value of non-investment liabilities owed by the Scheme at the year end.

	2025 £000	2024 £000
Unpaid benefits	(212)	(339)
Other creditors	(725)	(740)
	(937)	(1,079)

14 Related party transactions

What does this show?	Related parties include people (such as directors and key personnel) as well as entities. This note outlines the nature of the relationship of any related parties.

Apart from the payment of contributions to the Scheme by the Co-op, other related party transactions are:

- At the Scheme's year-end two directors hold deferred benefits in the Scheme and during the year one director was receiving a pension from the Scheme.
- Expenses incurred by Trustee Directors, including training, travel and overnight accommodation, where appropriate, may be charged to the Scheme.
- The Co-op's Pensions Department performs Scheme administration.
- Pensioner Member-Nominated Trustee Directors receive pensions from the Scheme under normal terms and conditions and are paid £5,000 per annum.
- Member Nominated Trustee Directors who still work for the Co-op are paid £2,000 per annum in respect of attendance at the quarterly Trustee meetings. Attendance at additional sub-committee meetings is remunerated based on the workload of each committee. MNDs may opt out of receiving this remuneration.
- Independent Trustee Directors receive remuneration from the Scheme based on rates negotiated with the Co-op, as the principal employer of the Scheme.

- The total of all Trustee Director remuneration paid from the Scheme during the year was £98,676 (2024: £58,545).

15 Employer related investments

What does this show?	Employer related investments include securities issued by the employer, loans to the employer and any investment property occupied by the employer. They also include investments made indirectly through pooled investment vehicles.

During the year, there were no direct or indirect employer related investments.

16 Subsequent event

What does this show?	This note shows those events, favourable and unfavourable, that occur between the end of the reporting year and the date the financial statements are authorised for issue.

Changes to the Scheme's investment strategy

During the first quarter of 2025, the Trustee received advice from the Scheme's investment consultant on how it could improve the efficiency of the Scheme's investment strategy, particularly the diversification within its credit-based assets. Following this review the Trustee agreed to amend the strategic asset allocation by reducing the allocation to Buy and Maintain credit (to 20% of total Scheme assets) and introducing 10% allocations to Asset Backed Securities ("ABS") and Global Trade Finance.

Implementation of the new strategy was completed after the Scheme year-end, during the second quarter of 2025. The following actions were carried out to implement the new strategy:

- The RLAM Buy and Maintain Credit mandate was terminated (c20% of total Scheme assets); in March 2025 the credit assets were sold and held temporarily as fixed interest gilts, in order to maintain equivalent interest rate liability hedging exposure ahead of the transfer out of the mandate. In April 2025, the assets were transferred (as cash) from RLAM to Insight, the Scheme's LDI manager.
- The Trustee appointed Insight to manage a pooled ABS mandate (totalling 10% of total Scheme assets). The assets were invested in the ABS mandate in April 2025, following receipt of the cash from the RLAM mandate.
- Allianz were appointed to manage a pooled Global Trade Finance mandate (totalling 10% of total Scheme assets). The mandate was funded at the end of May 2025 from the assets held in the Insight LDI mandate previously transferred from RLAM.

17 Virgin Media case

What does this show?	This note shows possible but uncertain obligation or a present obligation that is not probable and/or cannot be reliably determined in relation to the Virgin Media case.

In 16 June 2023, the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited. Based on our current understanding, the decision reached was based on specific circumstances and related to an amendment which was worsening benefits and so it is unclear as to its wider application in many instances for the Fund. There was a Court of Appeal

hearing that took place in the Summer of 2024 and the appeal was overturned. Further legal cases are to be heard in 2025 and the government has announced legislation to address potential issues arising from the ruling, including the potential for retrospective actuarial confirmation.

With support from our respective legal advisers, the Co-op and Trustee have carried out a high-level desktop review of relevant governing documents for the Fund, to consider potential exposure from the Virgin Media case. Our legal advisers have identified two deeds where a change was made where they expect actuarial confirmation (or similar assurance) would have been required but was not appended to the deed or immediately obvious from the content of the deed that it had been obtained. However, given there was no single prescribed format, appropriate assurance may well have been obtained. This could give rise to some further analysis but, given the ongoing uncertainty regarding the application of the Virgin Media case and the forthcoming legislation, no further work has been undertaken at this time. The Trustee continues to monitor any developments.

18 GMP Equalisation

What does this show?	This note shows possible but uncertain obligation or a present obligation that is not probable and/or cannot be reliably determined in relation to GMP equalisation.

In October 2018 and late 2020 the High Court gave its judgments regarding the equalisation of pensions for men and women, the 2020 judgement specifically dealing with historic transfers. The judgments affect Guaranteed Minimum Pension ('GMP') built up in any UK pension scheme which was contracted out of the State Second Pension between 17 May 1990 and 5 April 1997. The issues determined by the judgements arise in relation to many other defined benefit pension schemes. The Trustee has considered the next steps in relation to equalising for the effect of GMPs and has taken advice. The Scheme now provides equalised transfer values and trivial commutation payments. Consideration of equalising for the effect of GMPs for retired scheme members, as well as future retirees, is still underway, as is the consideration of historic transfer outs from the Scheme. Under the ruling schemes are required to backdate benefit adjustments in relation to equalising for the effect of unequal GMPs 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.

Independent Auditor's Statement about Contributions to the Trustee of the Somerfield Pension Scheme

We have examined the summary of contributions to the Somerfield Pension Scheme for the year ended 31 March 2025 to which this statement is attached.

In our opinion contributions for the Scheme for the year ended 31 March 2025 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid for the period 1 April 2024 to 31 March 2025 at least in accordance with the Schedule of Contributions certified by the actuary 22 June 2023.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions 22 June 2023. 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 dated 22 June 2023.

Respective Responsibilities of Trustee and the Auditor

As explained in the Statement of Trustee's responsibilities in respect of Contributions on page 57, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP
Statutory Auditor
Belfast
United Kingdom

Date:

Statement of Trustee’s Responsibilities in respect of Contributions

The Trustee is responsible under pension 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 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 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.

Trustee’s Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2025 in the Statement of Trustee’s Responsibilities in respect of Contributions

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 22 June 2023 in respect of the Scheme year ended 31 March 2025. The Auditor reports on these contributions payable in the Auditor’s Statement about Contributions.

Contributions payable under the Schedule of Contributions in respect of the Scheme year	
	£’000
Employer:	
Contributions towards the elimination of funding deficit	-
Contributions payable under the Schedule of Contributions and reported in the financial statements (as reported on by the scheme auditor)	**-**

For and on behalf of TCG Southern Trustees Limited:

Independent Trustee Services Limited,
represented by Chris Martin
Chair

Tom Taylor
Secretary

Date:

Actuary's Certification of Schedule of Contributions

Certification of Schedule of Contributions

Somerfield Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 22 June 2023.

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:		Date:	22 June 2023
Name:	Paul McGlone	Qualification:	Fellow of the Institute and Faculty of Actuaries
Address:	Aon Solutions UK Limited St. Albans - Verulam Point Station Way Hatfield Road	Name of employer:	Aon Solutions UK Limited

Appendix 1 – Somerfield Pension Scheme Engagement Policy Implementation Statement

3 June 2025

Background

In 2019, the government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 which requires the Trustee to a statement setting out (among other things) how the Trustee has followed its policies on the exercise of voting rights attaching to their investments and engagement activities. This document is intended to meet those requirements (and those in the DWP's statutory guidance on Reporting on Stewardship and Other Topics, dated June 2022) and will be included in the Scheme's Report and Accounts and published on the Scheme's website.
This is the Somerfield Pension Scheme's sixth published Implementation Statement and covers the Scheme year from 1 April 2024 to 31 March 2025.

The Trustee's review of the SIP over the year

The Trustee maintains a Statement of Investment Principles (or "SIP") for the Scheme, and it is reviewed annually or following any significant changes in investment policy.
The Trustee reviewed and updated the SIP in September 2024 to reflect some minor updates as part of the annual review of the SIP. The SIP is available on the Scheme's website, www.somerfieldpensionscheme.co.uk.
In preparing the SIP, the Trustee consults with the sponsoring employer. The employer is consulted regarding any proposed changes to the Statement and investment strategy, however, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

The Trustee's policies on the exercise of voting rights and undertaking engagement activities (Section 12 of the SIP)

The Trustee's policies on engagement (as applicable during the year) are set out in the SIP, and are summarised below, together with the Trustee's assessment of how and the extent to which these policies have been implemented:

Policy (September 2024 SIP)	**Assessment**
The Trustee seeks to address [the broad Responsible Investment issues set out in its Responsible Investment Policy] … in a number of ways. For example, one of the Scheme's Buy and Maintain credit mandates is the LGIM Future World Net Zero Fund which seeks to reflect the Investment Manager's long-term thematic views including those related to climate change, by integrating ESG factors as part of the Investment Manager's selection process, and has a Net Zero target…. The Trustee also applies a specific exclusion list of stocks for the segregated investment grade credit mandate to restrict investment	The Trustee considers the most effective way to align the Scheme's investment with its values is to appoint fund managers that take a responsible and sustainable approach to investment, as well as to engage with asset managers in relation to the three broad issues that the Trustee identifies as priorities in the Scheme's responsible investment policy, namely: • **Climate change and the protection of the environment**; • **Labour conditions and equal pay**; and

in companies identified as conflicting with the Trustee's aims under these issues. *The Trustee gives its investment managers full discretion to evaluate ESG factors and engage with companies. The Trustee also encourages its investment managers to adopt best practices in these areas and to act in the best interests of Scheme members. The Trustee recognises that where investments are held in pooled funds, it may not be possible to instruct the manager to follow a separate voting policy or to exercise votes.*	• **Corporate governance**. Where assets are held directly by the Scheme (specifically the segregated corporate bond assets with Royal London Asset Management, "RLAM"), the Trustee applies explicit exclusion lists to prevent investment in companies that manufacture or distribute controversial weapons, or those in the oil, gas or mining industries that have poor environmental records, or in government bonds from countries with poor human rights records. This has been applied throughout the year with updated exclusions lists provided to the managers quarterly based on ESG data licensed from MSCI. Please note that, following the Scheme's year end, in April 2025, the corporate bond assets held via RLAM's segregated mandate were fully disinvested. Elsewhere, the Scheme invests entirely in pooled investment funds alongside other investors (excluding the segregated LDI mandate) and does not directly invest in underlying companies or have the ability to engage directly with these companies. In particular, since June 2023 the corporate bond assets invested with LGIM are invested via the LGIM Future World Net Zero pooled fund which seeks to reflect the Investment Manager's long-term thematic views, including those related to climate change, by integrating ESG factors as part of the Investment Manager's selection process. Following an investment strategy review in 2022, the Scheme no longer holds investments in equity (directly or indirectly).
The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.	No specific issues were escalated to investment managers during the year.
Investment Managers are asked to report to the Investment Committee on the issue of responsible investment.	The Trustee has, directly or through the Co-op's Manager Monitoring and Implementation Committee, met with all three* of the Scheme's managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies are discussed at each meeting to understand the managers'

	approaches to incorporating ESG considerations in the initial selection of investments, and areas of engagement as well as developments over the year. *Please note that we have excluded ICG from the list of managers given the Fund only has a nominal holding in ICG's illiquid credit fund which was previously placed into run-off.
In addition, the Investment Committee monitors how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.	As well as receiving reporting at meetings on ESG considerations when making investment decisions or disinvesting, the Investment Committee receives reporting from its investment consultants integrated into the Scheme's quarterly performance monitoring on its researchers' assessment of the integration of ESG considerations into each manager's investment processes and their stewardship practices.
As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's Responsible Investment policy. This includes the investment managers' policy on voting and engagement.	After the 31 March 2025 year end, the Trustee appointed Insight to manage a pooled ABS mandate and Allianz to manage a pooled Global Trade Finance mandate; in selecting the specific pooled funds, the Trustee considered the ESG approach and Net Zero alignment of available options, and the alignment with the Trustee's wider ESG priorities.
In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.	As noted above, the Co-op's Manager Monitoring committee met with all three of the Scheme's managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies were discussed at each meeting.

In each of these areas, the Trustee is comfortable that it has implemented the policies it intended to over the year.