The Co-operative Pension Scheme (Pace): Co-op Section

Financial Statements
For Year Ended 5 April 2025

PENSION SCHEME REGISTRY NO. 19023301

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Trustee's Annual Report

We are pleased to present the audited financial statements for The Co-operative Pension Scheme (Pace): Co-op Section ("Co-op Section") for the year ended 5 April 2025. The financial statements (set out on pages 9 to 37 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Further details about the Co-op Section, including the investment report, are set out in the consolidated Pace Scheme report and accounts for the year ended 5 April 2025 and these financial statements should be read in conjunction with them. Definitions for the defined terms used in this document can also be found in the consolidated Pace Scheme report.

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 us and the Co-op and set out in the Statement of Funding Principles, which is available to Co-op Section members on request.

In 2018 the Scheme was sectionalised into two sections: the Co-op Section and the Bank Section. The second full actuarial valuation of the Co-op Section of the Scheme was carried out as at 5 April 2022.

This showed that on that date:

The value of the technical provisions was:	£7,408 million
The value of the assets at that date was:	£8,785 million

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).

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 (pre and post retirement):** The discount rate used is a term structure derived from the yields on UK Government conventional gilt stocks appropriate to the date of each future cashflow (extrapolated for cash flows beyond the longest available yields) plus an additional 0.5% per annum to reflect the allowance we have agreed for additional expected investment returns based on the investment strategy.

- **Future Retail Price inflation (RPI):** The assumption for the rate of increase in the Retail Prices Index (RPI) will be a term structure derived from the difference between the yield on conventional and index-linked UK Government bonds at the date of each future cash flow (extrapolated for cashflows beyond the longest available bonds).

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- **Future Consumer Price inflation (CPI):** Derived from the RPI assumption, with an appropriate adjustment to recognise the best estimate of the difference between expectations of future RPI increases and future CPI increases. The adjustment will be reviewed at each valuation; it has been assumed for the purpose of this valuation that the appropriate adjustment will be 1.0% per annum up to 2030 and 0.0% per annum thereafter.

- **Pension increases:** In line with the provisions in the Scheme's rules, the assumption for the rate of pension increases applying to each benefit tranche is a full curve of annual gilt-implied inflation forward rates, adjusted for the probability that future inflation is above or below any applicable maximum and minimum annual increase entitlements. A stochastic model is used to derive the adjustment at each point on the curve. The model allows for the volatility of inflation to vary with time.

- **Pay increases:** Pace DB was closed to future accrual in October 2015. In some circumstances, members retain a final salary link for benefits accrued before 6 April 2006 in the former Bank, Group and CIS Schemes. An assumption for salary increases in excess of increases in RPI of 0.5% per annum has been determined after consultation with the Co-op. No additional allowance has been made for promotional increases.

- **Mortality:** The mortality assumptions are based on up to date information published by the Continuous Mortality Investigation ("CMI") and National Statistics, making allowance for future improvements in longevity and the experience of the Co-op Section of the Scheme. The mortality tables are the S3PA Year of Birth tables (standard for male and middle for female) with weightings of 106% for male pensioners, 110% for male non-pensioners, 104% for female pensioners and 108% for female non-pensioners. Future improvements are based on the CMI 2021 model with a long term improvement rate of 1.5% p.a., an S-Kappa of 7.5 and no initial adjustment factor.

Further details of the completed actuarial valuation and funding arrangements for the Co-op Section are available in the audited consolidated Pace Scheme accounts. The third full actuarial valuation of the Group Section of the Scheme, effective as at 5 April 2025, is currently ongoing.

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.

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Statement of Trustee's Responsibilities

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 Co-op Section during the Co-op Section 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 Co-op Section 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 Co-op Section will not be wound up.

The Trustee is responsible under the trust deed for the preparation of the non-statutory financial statements in accordance with the requirements of the trust deed, applicable law and United Kingdom Accounting Standards.

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 Co-op Section 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.

Trustee Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

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The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

For and on behalf of PACE Trustees Limited

Chris Martin for
Independent Trustee Services Limited,
Trustee

Thomas Taylor,
Secretary

Date:

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Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): Co-op Section

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of The Co-operative Pension Scheme (Pace) – Co-op Section (the "Section"):

- show a true and fair view of the financial transactions of the Section during the year ended 5 April 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
- has been prepared in accordance with the Trust Deed.

We have audited the non-statutory financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits); and
- the related notes 1 to 21.

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 non-statutory 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.

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Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): Co-op Section (continued)

Conclusions relating to going concern

In auditing the non-statutory 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 non-statutory 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 non-statutory 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 non-statutory 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 non-statutory 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 non-statutory 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 non-statutory 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 non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Trustee is responsible for assessing the Co-op Section'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 Co-op Section or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): Co-op Section (continued)

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the FRC'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 Co-op Section's industry and its control environment, and reviewed the Co-op Section'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 Co-op Section operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. These included the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1966 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and;
- do not have a direct effect on the non-statutory financial statements but compliance with which may be fundamental to the Co-op Section's ability to operate or to avoid a material penalty. These included the Co-op Section's regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists, such as pensions actuarial specialists 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

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Independent Auditor's Report to the Trustee of The Co-operative Pension Scheme (Pace): Co-op Section (continued)

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

relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase 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 non-statutory 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 and Pensions Finance management 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 Co-op Section'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 Fund'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 Fund's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date:

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Fund Account

for the year ended to 5 April 2025

What does this show?	The Fund Account shows all contributions, investment income and asset returns received by the defined benefit section (DBS) and defined contribution section (DCS) of the Co-op Section, minus the benefits and expenses paid out during the year ending 5 April 2025. The result is the Co-op Section's net asset position at the end of the reporting year.

		Year ended 5 April 2025			Year ended 5 April 2024		
		DBS	**DCS**	**Total**	**DBS**	**DCS**	**Total**
Contributions and Benefits	Note	£'000	£'000	£'000	£'000	£'000	£'000
Employer contributions		-	43,116	43,116	-	101,088	101,088
Employee contributions		-	7,246	7,246	-	5,686	5,686
Total contributions	**3**	**-**	**50,362**	**50,362**	**-**	**106,774**	**106,774**
Transfers in	4	-	2,853	2,853	-	2,702	2,702
Other income	5	-	3,449	3,449	-	2,820	2,820
		-	**56,664**	**56,664**	**-**	**112,296**	**112,296**
Benefits paid or payable	6	(243,996)	(17,997)	(261,993)	(228,018)	(14,548)	(242,566)
Payments to and on account of leavers	7	(3,927)	(20,416)	(24,343)	(7,606)	(31,607)	(39,213)
Administrative expenses	8	(6,427)	(3,209)	(9,636)	(10,078)	(2,752)	(12,830)
Other payments	9	(306)	(290)	(596)	(358)	(258)	(616)
		(254,656)	**(41,912)**	**(296,568)**	**(246,060)**	**(49,165)**	**(295,225)**
Net (withdrawals)/additions from dealing with members		**(254,656)**	**14,752**	**(239,904)**	**(246,060)**	**63,131**	**(182,929)**
Returns on investments							
Investment income	10	255,835	-	255,835	369,739	-	369,739
Change in market value of investments	11	(354,712)	15,501	(339,211)	(1,150,746)	71,545	(1,079,201)
Investment management expenses	12	(117)	-	(117)	(3,181)	-	(3,181)
Net returns on investments		**(98,994)**	**15,501**	**(83,493)**	**(784,188)**	**71,545**	**(712,643)**
Net (decrease)/increase in the Co-op Section during the year		(353,650)	30,253	(323,397)	(1,030,248)	134,676	(895,572)
Transfers between sections		(61,974)	61,974	-	(4,209)	4,209	-
Net assets of the Co-op Section:							
As at 6 April		**5,332,759**	**820,716**	**6,153,475**	**6,367,216**	**681,831**	**7,049,047**
As at 5 April		**4,917,135**	**912,943**	**5,830,078**	**5,332,759**	**820,716**	**6,153,475**

The notes on pages 12 to 37 part of these financial statements.

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Statement of Net Assets

(available for benefits) as at 5 April 2025

What does this show?	The Statement of Net Assets below provides a snapshot of the financial position of the Co-op Section as at 5 April 2025. It sums up the Co-op Section'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 Co-op Section year; this is dealt with in the Report on Actuarial Liabilities.

		5 April 2025			5 April 2024		
	Note	DBS £'000	DCS £'000	Total £'000	DBS £'000	DCS £'000	Total £'000
Investment assets	11-15						
Pooled investment vehicles		229,786	917,383	1,147,169	280,757	814,788	1,095,545
AVC investments		30,291	-	30,291	30,220	-	30,220
Cash deposits		4	-	4	4	-	4
Sales awaiting settlement		103	-	103	2	-	2
Accrued income		1,195	-	1,195	2,337	-	2,337
Insurance polices		4,635,056	-	4,635,056	4,999,056	-	4,999,056
Investment liabilities							
Purchases awaiting settlement		(273)	(8,696)	(8,969)	-	-	-
Total net investments		4,896,162	908,687	5,804,849	5,312,376	814,788	6,127,164
Current assets	16	25,806	5,446	31,252	26,583	7,546	34,129
Current liabilities	17	(4,833)	(1,190)	(6,023)	(6,200)	(1,618)	(7,818)
Net assets of the Co-op Section		**4,917,135**	**912,943**	**5,830,078**	**5,332,759**	**820,716**	**6,153,475**

The notes on pages 12 to 37 form part of these financial statements.

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The financial statements summarise the transactions of the Co-op Section and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Co-op Section year. The Actuary deals with the actuarial position of the Scheme, which does take account of such obligations, in the Report on Actuarial Liabilities in the annual report in the Pace Scheme consolidated report and accounts as at 5 April 2025 and these financial statements should be read in conjunction with them.

The Trustee approved these financial statements on _____.

Signed for and on behalf of the Trustee:

Chris Martin for
Independent Trustee Services Limited,
Trustee

Thomas Taylor,
Secretary

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Notes to the Financial Statements

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

1.1 Basis of preparation

The financial statements have been 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 in accordance with the Trust Deed.

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.

These non-statutory accounts have been prepared for the purpose of the scheme funding valuation for the Co-op Section. Separate audited statements have been prepared for the Pace Scheme in accordance with Audit Accounts Regulations. Full SORP disclosures can be found in the Pace Scheme financial statements.

1.2 Identification of the financial statements

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

2 Accounting policies

The principal accounting policies of the Co-op Section are as follows:

Contributions and benefits

Employee normal and additional contributions are accounted for when deducted from pay and in the period to which the corresponding pay relates. Employer normal contributions are accounted for on the same basis as employee contributions. Employer expense allowance contributions are accounted for in the period they are due.

Benefits are accounted for in the period in which the member notifies us 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 in or out represent the capital sums either received in respect of members from other pension schemes or paid to other pension schemes for members who have left the Co-op Section. Transfer values are accounted for when the liability is accepted, or discharged.

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Expenses

Expenses are accounted for on an accruals basis.

Investment income

Dividends from quoted securities are accounted for when due, with the addition of dividends outstanding as at 5 April 2025 on listed stocks which were then ex-dividend. Interest on deposits is accounted for on an accruals basis and accrued daily. Rents are earned in accordance with the terms of the lease and are accounted for on an accruals basis.

Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

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'.

Income arising from annuity policies held in our name as Trustee for the Co-op Section is accounted for as investment income on an accruals basis.

Valuation of investments

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

The fair value of annuities (excluding the buy-ins) 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 valuation of the buy-in annuity policies has been performed by the Actuary using an approximate roll forward of the results of the 5 April 2022 actuarial valuation (but updated for market conditions as at 5 April 2025 and allowing for known cashflows to 5 April 2025).

In future years, the Actuary will roll forward the data, in a similar manner to the above, from the latest actuarial valuation.

The buy-in annuity policies described above is recognised within the Net Asset Statement under 'Insurance Policies'.

AVC investments are included at market value, as provided by the AVC provider.

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3 Contributions

What does this show?	This note shows what contributions have been received by the Co-op Section from the Co-op and participating employers during the year.

	DBS year ended 5 Apr 25 £000	DCS year ended 5 Apr 25 £000	Total year ended 5 Apr 25 £000
Employer			
normal	-	43,116	43,116
expense allowance	-	-	-
	-	**43,116**	**43,116**
Employee			
normal	-	4,844	4,844
additional voluntary contributions	-	2,402	2,402
	-	**7,246**	**7,246**
	-	**50,362**	**50,362**

	DBS year ended 5 Apr 24 £000	DCS year ended 5 Apr 24 £000	Total year ended 5 Apr 24 £000
Employer			
normal	-	97,318	97,318
expense allowance	-	3,770	3,770
	-	**101,088**	**101,088**
Employee			
normal	-	4,209	4,209
additional voluntary contributions	-	1,477	1,477
	-	**5,686**	**5,686**
	-	**106,774**	**106,774**

In accordance with the Schedule of Contributions dated 25 March 2024, from 24 March 2024 to 24 March 2027, the Trustee will credit an amount to Members' Retirement Accounts (subject to a maximum of £60m per annum) from the Co-op DB Section assets in line with the employer contributions corresponding to each member's chosen member contribution rate.

In addition, the employer expense allowance contribution ceased in March 2024 with the Trustee meeting DC administration expenses from the Co-op DB Section assets until further notice.

Further details on the Schedule of Contributions agreed for the year can be found on pages 16 to 18 of the consolidated Pace Scheme accounts.

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4 Transfers in

What does this show?	This note shows the value of transfers in which have been transferred into the Co-op Section during the year.

	DBS year ended 5 Apr 25 £000	DCS year ended 5 Apr 25 £000	Total year ended 5 Apr 25 £000
Individual transfers in	-	2,853	2,853
	-	2,853	2,853

	DBS year ended 5 Apr 24 £000	DCS year end 5 Apr 24 £000	Total year ended 5 Apr 24 £000
Individual transfers in	-	2,702	2,702
	-	2,702	2,702

5 Other income

What does this show?	This note shows income received from the life insurance providers for the Scheme during the year.

	DBS year ended 5 Apr 25 £000	DCS year ended 5 Apr 25 £000	Total year ended 5 Apr 25 £000
Life assurance claims	-	3,449	3,449

	DBS year ended 5 Apr 24 £000	DCS year ended 5 Apr 24 £000	Total year ended 5 Apr 24 £000
Life assurance claims	-	2,820	2,820

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6 Benefits paid or payable

What does this show?	This note shows the types and values of benefits been paid out to members of the Co-op Section during the year.

	DBS year ended 5 Apr 25 £000	DCS year ended 5 Apr 25 £000	Total year ended 5 Apr 25 £000
Pensions	205,423	-	205,423
Commutations and lump sum retirement benefits	37,447	13,050	50,497
Lump sum death benefits	1,125	4,236	5,361
Purchase of annuities	1	711	712
	243,996	**17,997**	**261,993**

	DBS year ended 5 Apr 24 £000	DCS year ended 5 Apr 24 £000	Total year ended 5 Apr 24 £000
Pensions	194,676	-	194,676
Commutations and lump sum retirement benefits	32,675	10,289	42,964
Lump sum death benefits	667	3,759	4,426
Purchase of annuities	-	500	500
	228,018	**14,548**	**242,566**

7 Payments to and on account of leavers

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

	DBS year ended 5 April 25 £000	DCS year ended 5 April 25 £000	Total year ended 5 April 25 £000
Individual transfers to other schemes	3,924	16,917	20,841
Surrendered in/after service	-	3,499	3,499
Refunds to members leaving service	3	-	3
	3,927	**20,416**	**24,343**

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7 Payments to and on account of leavers (continued)

	DBS year ended 5 Apr 24 £000	DCS year ended 5 Apr 24 £000	Total year ended 5 Apr 24 £000
Individual transfers to other schemes	7,606	31,388	38,994
Surrendered in/after service	-	219	219
	7,606	**31,607**	**39,213**

8 Administrative expenses

What does this show?	This note shows the different types of expenses the Co-op Section has incurred during the year. It splits expenses into key categories, such as actuarial and administration fees.

	DBS year ended 5 April 25 £000	DCS year ended 5 April 25 £000	Total year ended 5 April 25 £000
Administration	4,979	121	5,100
Actuarial	505	-	505
Audit	44	-	44
Legal and other	899	143	1,042
Life assurance premiums	-	2,945	2,945
	6,427	**3,209**	**9,636**

	DBS year ended 5 April 24 £000	DCS year ended 5 April 24 £000	Total year ended 5 April 24 £000
Administration	4,663	150	4,813
Actuarial	636	-	636
Audit	74	-	74
Legal and other	4,705	130	4,835
Life assurance premiums	-	2,472	2,472
	10,078	**2,752**	**12,830**

In the prior year, project costs in relation to the additional bulk annuity policy with Rothesay were incurred.

BUSINESS USE

9 Other payments

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

	DBS year ended 5 April 25	DCS year ended 5 April 25	Total year ended 5 April 25
	£000	£000	£000
Pension levies	306	290	596

	DBS year ended 5 Apr 24	DCS year ended 5 Apr 24	Total year ended 5 Apr 24
	£000	£000	£000
Pension Levies	358	258	616

The Pensions Act 2004 introduced the Pension Protection Fund levy and the Co-op Section, in common with other pension schemes, is required to contribute.

BUSINESS USE

10 Investment Income

What does this show?	The Co-op Section receives income and interest from its assets; this note shows the different types of income and interest received during the year.

DBS	Total year ended 5 April 25 £000	Total year ended 5 April 24 £000
Income from bonds	-	148,239
Income from pooled investment vehicles	-	39,004
Rents from properties**	-	7,233
Interest on cash deposits	12,617	18,654
Foreign exchange gain/(loss)	80	(1,701)
Income from collateral	-	65
Annuity income*	242,525	158,182
Other	613	63
	255,835	**369,739**

Investment income shown above reflects income earned by investments within the DB Section. All income earned on pooled investment units held by the DC Section is accounted for within the value of those funds.

*In the prior year, the Trustee entered into an additional bulk annuity policy with Rothesay in respect of the remainder of the Defined Benefit Section's pensioner and deferred liabilities. During the year, £138m (2024: £55m) was received from Rothesay, £43m (2024: £42m) from PIC and £59m (2024: £59m) from Aviva to cover pensions and benefits paid to members.

**Property income is net of expenses.

BUSINESS USE

11 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.

DB Assets	Note	5 April 2024 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	5 April 2025 £000
Pooled investment vehicles	11.1	280,757	290,205	(341,201)	25	229,786
AVC investments	11.2	30,220	2,537	(4,128)	1,662	30,291
Insurance policies	11.3	4,999,056	-	(7,601)	(356,399)	4,635,056
		5,310,033	**292,742**	**(352,930)**	**(354,712)**	**4,895,133**
Cash deposits		4				4
Accrued income		2,337				1,195
Sales awaiting settlement		2				103
Purchases awaiting settlement		-				(273)
TOTAL DB ASSETS		**5,312,376**			**(354,712)**	**4,896,162**
DC Assets		£000	£000	£000	£000	£000
Pooled investment vehicles*	11.1	814,788	121,458	(34,364)	15,501	917,383
Purchases awaiting settlement		-				(8,696)
TOTAL DC ASSETS		**814,788**				**908,687**

*During the year, there were member transfers from the DC Section to L&G's Mastertrust of £3.5m (2024:15.5m).

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.

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Transaction costs

Included within the DB Section purchases and sales figures are direct transaction costs, comprimising of comission fees and stamp duty for which were nil this year (2024: £0.04m). These costs are attributable to the key asset classes as follows:

	Fees	Commission	Stamp Duty	Total 2025	Total 2024
	£000	£000	£000	£000	£000
Property	-	-	-	-	2
Derivatives	-	-	-	-	4
Pooled	-	-	-	-	29
Cash instruments	-	-	-	-	8
For the year to 5 April 2025	**-**	**-**	**-**	**-**	**-**
For the period to 5 April 2024	2	41	-	-	43

Transaction costs are also borne by the Co-op Section in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

For the DC Section, investments purchased by the Co-op Section are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. Legal & General holds the investment units on a pooled basis for on our behalf. Legal & General allocates investment units to members. We may hold investment units representing the value of employer contributions that have been retained by the Co-op Section that relate to members leaving the Co-op Section prior to vesting.

DC investment assets are allocated to members and the Trustee as follows:

	Total 5 Apr 25	Total 5 Apr 24
	£000	£000
Members	908,687	814,788
Trustee	-	-
	908,687	**814,788**

BUSINESS USE

11.1 Pooled investment vehicles

DBS	Total 5 Apr 25 £000	Total 5 Apr 24 £000
Cash	229,786	280,757

DCS	Total 5 Apr 25 £000	Total 5 Apr 24 £000
Multi-asset	882,178	785,374
Equity	22,903	16,763
Cash	11,062	12,336
Bonds	1,240	315
	917,383	**814,788**

11.2 AVC investments

DBS	Total 5 April 25 £000	Total 5 April 24 £000
Royal London (CIS) Ltd	18,214	19,420
Legal & General	12,046	10,768
Prudential	25	24
Utmost (formerly Equitable Life)	6	5
Aviva	-	3
	30,291	**30,220**

Legal & General invests money purchase Additional Voluntary Contributions paid by members of both the DB and DC Sections of Pace. These are invested separately from the main DC investments of the Co-op Section.

As Legal & General does not distinguish between or report separately on AVC investments held for DB members and DC members, all Legal & General AVCs are reported as Defined Benefit section assets for accounting purposes.

Royal London (CIS) Ltd provided AVCs for DB members up to October 2015, when the DB Section closed. It is no longer possible for any further contributions to be made to Royal London since the DB Section closed. Prudential, Legal & General, Aviva and Utmost also provide AVCs for members who have transferred into the Section from other Co-op pension schemes.

BUSINESS USE

11.3 Insurance policies

DBS	Total 5 April 25 £000	Total 5 April 24 £000
Rothesay	3,345,000	3,609,000
Aviva	743,000	801,000
Pension Insurance Corporation	547,000	589,000
Aviva (formerly Norwich Union)	56	56
	4,635,056	**4,999,056**

The Aviva (formerly Norwich Union) policies relate to deferred annuity contracts for former GT Smith Ltd employees.

11.4 Concentration of investments

The following investments represented more than 5% of the net assets of the Co-op Section:

		2025		2024	
		Market value £000	Net assets %	Market value £000	Net assets %
Rothesay	Insurance policy	3,345,000	57.4	3,609,000	58.6
Aviva	Insurance policy	743,000	12.7	801,000	13.0
PIC	Insurance policy	547,000	9.4	589,000	9.6
LGIM	Pace – Build Your Pot	525,661	9.0	483,375	7.9

The insurance policies above match the vast majority of pension payments due to members of the Co-op Section. The insurance policies are part of the Trustee's investments and will provide improved security for all members as they remove the risk of there being insufficient assets to meet those future liabilities.

BUSINESS USE

12 Investment management expenses

What does this show?	This note shows the investment management expenses incurred by the Co-op Section during the year.

DBS	Total year ended 5 Apr 25 £000	Total year ended 5 Apr 24 £000
Investment management fees	79	1,452
Property expenses	-	585
Custody fees	31	181
Other advisory fees	(4)	911
Performance measurement services	-	21
Other investment expenses	11	31
	117	**3,181**

Investment management expenses have significantly decreased in the current year following the Trustee's decision to enter into an additional bulk annuity policy with Rothesay in the prior year.

13 Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

BUSINESS USE

14 Fair value determination

What does this show?	This note categorises the investment assets and liabilities held by the Co-op Section 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).

The Co-op Section's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 5 April 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Section				
Pooled investment vehicles	-	229,786	-	229,786
AVC investments	-	30,266	25	30,291
Cash deposits	4	-	-	4
Accrued income	1,195	-	-	1,195
Sales awaiting settlement	103	-	-	103
Purchase awaiting settlement	(273)	-	-	(273)
Insurance policies	-	-	4,635,056	4,635,056
	1,029	**260,052**	**4,635,081**	**4,896,162**
DC Section				
Pooled investment vehicles	-	917,383	-	917,383
Purchase awaiting settlement	(8,696)	-	-	(8,696)
TOTAL	**(7,667)**	**1,177,435**	**4,635,081**	**5,804,849**

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At 5 April 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
DB Section				
Pooled investment vehicles	-	280,757	-	280,757
AVC investments	-	30,193	27	30,220
Cash deposits	4	-	-	4
Accrued income	2,337	-	-	2,337
Sales awaiting settlement	2	-	-	2
Insurance policies	-	-	4,999,056	4,999,056
	2,343	**310,950**	**4,999,083**	**5,312,376**
DC Section				
Pooled investment vehicles	-	814,788	-	814,788
TOTAL	**2,343**	**1,125,738**	**4,999,083**	**6,127,164**

15 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 Co-op Section is exposed to. Information about how the Co-op Section 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 Co-op Section.

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 increases or decreases 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, inflation or currencies).

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15.1 Defined Benefit Section

Other Defined Benefit Risks:

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

- "**Counterparty credit risk**": the risk that the Co-op Section's annuity providers do not make the required payments to the Co-op Section.

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

- **Environmental, social and governance ("ESG") risk (including climate change)** – 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.

15.1.1 Defined Benefit Investment Strategy

We make investment decisions after taking advice from a professional investment adviser.

In 2020, the Trustee entered into bulk annuity policies with PIC and Aviva in respect of a portion of the Defined Benefit section's pensioner liabilities. In November 2023, the Trustee entered into an additional bulk annuity policy with Rothesay in respect of the remainder of the Defined Benefit Section's pensioner and deferred liabilities, transferring the majority of the Section's assets to Rothesay (c.£4bn). These bulk annuity policies will provide the vast majority of benefits due from the Section to members, and the only remaining defined benefit assets consist of cash held by the Section to meet future costs.

This therefore limits the risks set out under note 15 that the Co-op DB Section is exposed to as at 5 April 2025 to credit risk.

A more detailed description of our approach to risk management and the Co-op Section's exposures to credit and market risks is set out below. This does not include AVC investments, because these are considered immaterial compared to the overall investments of the Co-op Section. Where the term 'invested assets' is used below, it includes the value of the annuity policies entered into by the Co-op Section.

15.1.2 Defined Benefit Investment Risk Management

(i) Credit risk

The Co-op Section is subject to credit risk because :

- it held 'buy-in' bulk annuity policies with Pension Insurance Corporation ("PIC"), Aviva and Rothesay Life ("Rothesay");
- it held cash in bank accounts, and,
- it had holdings in a pooled investment vehicle, which is an open ended investment company and is therefore directly exposed to credit risk in relation to the pooled investment vehicle.

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Credit risk – Insurance policies:

The Co-op Section is subject to credit risk arising from the buy-in policies with Aviva, PIC, and Rothesay.

This risk is, however, mitigated by the fact that Aviva, PIC and Rothesay are regulated by the Financial Conduct Authority and in the event of insurer default, the benefits secured by the buy-in policies will be protected by the Financial Services Compensation Scheme ("FSCS"). As at 5 April 2025, the value attributed to the buy-in policies was approximately £4,635m (2024: £4,999m).

Credit risk – cash:

Cash is currently held within financial institutions which are at least investment grade credit rated. We have appointed a banking services provider with an investment grade credit rating at year end, the total cash held is 0.4% of the Co-op Section's total net assets (2024: 0.4%)

Credit risk – pooled investment vehicles ("PIVs"):

The Co-op Section has holdings in one pooled liquidity fund which invested in underlying money market instruments on behalf of a number of investors, and was therefore directly exposed to credit risk in relation to the fund itself (as the PIV could default on its obligations to the Co-op Section); this pooled liquidity fund was retained to reduce the credit risk associated with holding cash in a bank account. This fund was rated investment grade by external credit ratings agencies.

A summary of pooled investment vehicles by type of arrangement can be found in note 11.1.

Direct credit risk arising from PIVs are reduced because:

- the underlying investments held by the pooled funds are legally ring-fenced from the investment manager(s); and,
- the investment managers that operated the PIVs need to meet the requirements of various financial regulations.

	2025	2024
	£ '000	£ '000
Open Ended Investment Company		
- BlackRock Liquid Environmentally Aware Fund	229,786	280,757
TOTAL	**229,786**	**280,757**

At year end, 5% of the Co-op Section's invested assets were held in pooled investment vehicles (2024: 5%).

Credit risk – custody:

We have appointed a global custodian for the safe-keeping of assets. The risk that the custody of the Co-op Section'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.

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Indirect credit risk:

Indirect credit risk arises in relation to underlying investments held in the pooled investment vehicles that the Co-op Section invested in (5% of assets at year-end; 2024: 5%). For example, the Co-op Section currently invests in a pooled investment which itself invests in in underlying money market instruments issued by other financial institutions, primarily banks. There is therefore a risk that these financial institutions default on their repayments to the pooled fund. Indirect credit risk for this liquidity fund is mitigated by:

- assessment by the pooled fund provider of the credit-worthiness of the underlying instruments and counterparties, with investments limited to those the fund provider considers "High Quality";
- limits within the fund's guidelines to the duration of money market instruments it is allowed to hold (the Fund will invest only in securities with a maturity at issuance or residual term to maturity of 397 days or less, and is required to maintain a weighted average maturity of 60 days or less and a weighted average life of 120 days or less; and
- the fund investing in a range of sterling-denominated money market instruments diversified by issuer and region

(i) Currency risk

The Co-op Section was not subject to currency risk in this Scheme year (2024: £nil)

(ii) Interest rate and inflation risk

The Coop Section was not subject to interest rate and inflation risk in this Scheme year (2024 nil%) asthe bulk annuity policies purchased by the Coop Section provide interest rate and inflation protection in relation to the liabilities they match.

(iii) Other price risk

At the year end, the Co-op Section's exposure to investments subject to other price risk was nil% (2024: nil%).

(iv) Other Defined Benefit risks

Other Defined Benefit investment risks are managed as outlined below:

- **Counterparty credit risk** – this is mitigated as the annuity policies in place are governed by insurance market solvency requirements and the protections provided by the Financial Services Compensation Scheme; the Trustee has further mitigated this risk through careful choice of insurance providers and negotiation of contract terms.

- **Liquidity risk** - While the buy-in policies held by the Section can only be liquidated by the Trustee in specific and limited pre-defined circumstances, they are designed to match the liquidity requirements of the relevant liabilities as exactly as possible, and so the requirement to hold liquid assets to meet these liabilities as they are due falls away.

- **Environmental, social and governance ("ESG") risk (including climate change)** – with the purchase of insurance policies, the Trustee's responsibility for the management of these risks is limited and passed on to Aviva, PIC and Rothesay (and the three insurers' management of these risks was considered as part of their selection).

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15.2 Defined Contribution Section

Other Defined Contribution Risks:

As well as considering the risks that apply to the underlying funds, summarised in note 15 above, we consider the following investment related risks:

- Purchasing power risk
- Conversion risk
- Manager risk
- Lack of diversification risk
- ESG risk

15.2.1 Defined Contribution investment strategy

Our objective is to make available to members of the Scheme, an appropriate range of investment options designed to generate income and capital growth, which together with contributions from members and their employer, will provide a retirement amount which the member can use for the provision of retirement income; either by taking their defined contribution account as cash, using it to purchase a pension annuity (or other type of retirement product) or transferring it out of the Scheme to provide alternative retirement benefits.

We have an insurance policy with Legal & General. The value of the policy is linked to the value of the underlying assets or pooled funds in which we choose to invest. The day to day management of the underlying investments of the funds is the responsibility of Legal & General, including the direct management of credit and market risks.

We have determined the defined contribution investment strategy, after taking professional investment advice and following consultation with the Sponsor. We provide three Target investment options for members which are designed to be an appropriate match for the different retirement options a member can take.

The default option is Target: Lump Sum, which has been selected as appropriate for members who want to take their account as a one-off cash sum on retirement. As a member approaches retirement, the funds are steadily moved into lower risk funds. These funds may not grow so quickly but are less likely to have large falls in value in the short term.

The other options available to members are Target: Secure Income and Target: Flexible Income.

Target: Secure Income is designed to be an appropriate match for members who want to use their account to buy a pension (annuity) at retirement.

Target: Flexible Income is designed to be an appropriate match for members who want to leave their account invested after retirement, taking sums of money from it (drawdown) over time. Drawdown is not currently offered through the Scheme so members will need to transfer their account to another arrangement at retirement to take advantage of it.

Although the Target funds have been designed to be a good match for the different retirement options a member can take, they do not guarantee a particular outcome at retirement. Members are advised to consider taking independent financial advice if they are unsure as to what investment fund is right for them.

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The three lifestyle target options invest in a number of 'blended' investment funds over a member's working life. All three of the Target options make use of the same underlying blended investment funds to provide appropriate levels of expected investment risk and return for members with different timescales to their selected retirement date.

These blended funds may combine a number of underlying investment funds together. The Trustees monitors and adjusts the proportions of the underlying funds, to make sure they remain appropriate. The blended funds (and current benchmark underlying holdings) are set out below:

- Pace – Build Your Pot (30% of Pace Growth (Mixed) Fund; 70% Pace Growth (Shares) 2021 Fund)
- Pace – Consolidate Your Pot (100% Pace Growth (Mixed) Fund)
- Pace - Take Your Pot as cash (25% Pace Growth (Mixed) Fund; 75% Cash Fund)
- Pace - Take Your Pot as flexible income/drawdown (75% Pace Growth (Mixed) Fund; 25% Cash Fund)
- Pace - Take Your Pot as an annuity (75% Pace Pre-retirement (Annuity Aware) Fund; 25% Cash Trust)

Members who would rather make their own investment decisions can select from the following range of funds:

- Pace Growth (Shares) Fund – this fund is closed to new contributions, other than members already invested in the fund.
- Pace Growth (Shares) 2021 Fund
- Pace Growth (Ethical Shares) Fund
- Pace Growth (Mixed) Fund
- Pace Pre-retirement (Inflation-linked Annuity Aware) Fund
- Pace Pre-retirement (Annuity Aware) Fund
- Pace Cash Fund
- Pace Growth (Shariah) Fund

15.2.2 Defined Contribution Investment Risk Management

Member level exposure to the risks outlined in note 15 will be dependent on the funds invested in by members. The funds which have significant exposure to these risks are set out below:

	Credit risk	Interest rate risk	Inflation risk	Currency risk	Other price risk	Asset Value 5 April 2025 £000
Pace - Build Your Pot	YES	YES	YES	YES	YES	525,661
Pace - Consolidate Your Pot	YES	YES	YES	YES	YES	243,253
Pace - Take Your Pot - as cash	YES	YES	YES	YES	YES	105,020
Pace – Cash Fund	YES	YES	-	-	-	11,062
Pace Growth (Ethical shares) Fund	YES	-	-	YES	YES	10,802
Pace Growth (Shares) 2021 Fund	YES	-	-	YES	YES	8,546
Pace Growth (Mixed) Fund	YES	YES	YES	YES	YES	6,871

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Pace Growth (Shariah) Fund	YES	-	-	YES	YES	2,804
Pace - Take Your Pot - as flexible income/drawdown	YES	YES	YES	YES	YES	1,372
Pace - Take Your Pot - as an annuity	YES	YES	-	-	YES	904
Pace Growth (Shares) Fund	YES	-	-	YES	YES	751
Pace Pre-retirement (Annuity Aware) Fund	YES	YES	-	-	YES	228
Pace Pre-retirement (Infl-Lkd Annuity Aware) Fund	YES	YES	YES	-	YES	109

(i) Credit risk

Credit risk – Insurer:

The Defined Contribution Section (DC Section) is subject to direct credit risk in relation to the Scheme's holding in unit-linked funds provided by Legal & General. Legal & General is regulated by the Financial Conduct Authority and they maintain separate funds for policyholders. We monitor the creditworthiness of Legal & General by reviewing published credit ratings. Legal & General invests all the Scheme's funds in its own investment funds, reinsured to Legal & General Assurance (Pension Management) Ltd funds, with the exception of the Pace Growth (Shariah) Fund which is managed by HSBC.

Credit risk – cash:

Cash is currently held within financial institutions which are at least investment grade credit rated. Over the reporting year, cash balances were held in a bank with an investment grade credit rating. The cash balance at year end was £1.4 million for the Co-op Section (2024: £3.8 million).

Indirect Credit risk:

The DC Section is also subject to indirect credit arising from the underlying investments held in the funds. Indirect credit risk is mitigated by the spread of assets held in the funds, which provides diversification. Within the Pre-retirement Funds, indirect credit risk is also mitigated by the funds only holding government bonds or investment grade corporate bonds. The Cash Fund invests in short-term money markets such as bank deposits or Treasury Bills. All investments are held with institutions with investment grade credit ratings.

In addition, the DC Section is subject to indirect credit risk arising from the custodians appointed by the fund provider for the safe-keeping of assets. The selection and assessment of the ongoing appropriateness of the custodians is delegated to the fund provider and the indirect credit risk is addressed through the fund provider's monitoring of the custodian's activities and creditworthiness.

(ii) Indirect Currency risk

The DC Section is subject to currency risk because some of the funds invest in investments denominated in overseas currencies. The Growth (Shares) Fund and the Growth (Shares) 2021 Fund mitigate this risk by currency hedging 75% and 50% respectively of overseas assets (excluding emerging markets) to Sterling. The Growth

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(Mixed) Fund mitigates currency risk through the overall risk framework of the Fund. The Growth (Ethical Shares) Fund and the Growth (Shariah) Fund do not hedge overseas currency risk.

(iii) Indirect Interest rate risk

The Pre-retirement (Annuity Aware) Fund and Pre-retirement (inflation-linked) Annuity Aware Funds are subject to indirect interest rate risk. This risk is mitigated through the construction of the Funds, which are designed to change in value when interest rates change in a similar way to how the price of buying a retirement income changes.

The Cash Fund is also subject to indirect interest rate risk. The Fund aims to provide capital protection and provide a return in line with short term interest rates. The value of the assets would only fall should the interest earned by the Fund's assets be insufficient to cover the Fund management charge and any additional Fund expenses.

(i) Indirect Inflation risk

The Pre-retirement (inflation-linked) Annuity Aware and Growth (Mixed) Funds are subject to indirect inflation risk as they invest in assets that are affected by changes in inflation expectations.

This inflation risk associated with the Pre-retirement (inflation-linked) Annuity Aware Fund is mitigated through the construction of the Fund, which is designed to change in value when inflation expectations change in a similar way to how the price of buying an inflation-linked retirement income changes. For example, if inflation expectations increase, the value of the Fund will rise in a similar, but not exact, amount to the cost of buying an inflation-linked retirement income. Similarly, if inflation expectations fall, the value of the Fund will fall in value in a similar, but not exact, amount as the cost of buying an inflation-linked retirement income.

The inflation risk of the Growth (Mixed) Fund is considered by the Fund provider as part of the overall risk and return framework in place.

(v) Other Price risk

Other price risk arises principally in relation to the Growth Funds and the Pre-retirement Annuity Aware Funds. Other price risk in these Funds is mitigated through the diversification of assets within the Funds (in particular, the Pace Growth (Shares) 2021 Fund caps its exposure to individual companies and is therefore has a more diversified range of holdings than a traditional market capitalisation weighted index-tracking fund).

(vi) Other Defined Contribution investment risks

- **Purchasing power risk** - the purchasing power risk to members is that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate retirement income. This risk is mitigated through the design of the Target Funds, which aim to provide sufficient investment returns over a members working life. In addition, we have made availa ble four self-select Growth Funds, should members wish to select their own investment options.

- **Conversion risk** - the risk that relative market movements in the years just prior to retirement lead to substantial reduction in the retirement income and cash lump sum secured. This risk is mitigated through the design of the three Target Funds, which aim to protect members from relative market movements in the years just prior to retirement.

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In addition, we have made available two Pre-retirement Funds and a Cash Fund, should members wish to select their own investment options.

- **Manager risk** - the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed. This risk is mitigated through the regular review of investment performance by the Trustee.

- **Lack of diversification risk** – we recognise the risks that may arise from a lack of diversification within the investments. We therefore invest in pooled fund vehicles, to ensure an adequately diversified portfolio for each fund option. As noted above, the Pace Growth (Shares) 2021 Fund caps its exposure to individual companies and is therefore has a more diversified range of holdings than a traditional market capitalisation weighted index-tracking fund.

- **ESG risk (including climate change)** – the Co-op Section incorporates Pace's Responsible Investment Policy when implementing its investment strategy for the DC Section. In 2019 the strategy for the Pace Growth (Mixed) Fund, which is used in the default option, was reviewed and in June 2019 the underlying holdings were switched into a multi-asset fund which explicitly considers ESG factors when determining how much to invest in companies' shares and bonds, as the Trustee believed this strategy was better aligned with the Responsible Investment Policy and would reduce ESG risk to members. The Pace Growth (Shares) 2021 fund follows a similar approach.

  In addition, the Trustee recognises that some members may wish to take more explicit account of ethical issues or their personal religious beliefs in their investments, and so it offers an ethical equity fund, the Pace Growth (Ethical Shares) Fund, and an Islamic equity fund, the Pace Growth (Shariah) Fund.

BUSINESS USE

16 Current assets

What does this show?	This note shows the value of current assets held by the Co-op Section at the year end.

	DBS 5 Apr 25 £000	DCS 5 Apr 25 £000	Total 5 Apr 25 £000
Contributions due:			
Employer's normal contributions	-	3,797	3,797
Members AVC's	-	189	189
Cash balances	21,651	1,351	23,002
Pensioner payroll paid in advance	3,990	-	3,990
Other debtors	165	109	274
Tax debtor	-	-	-
	25,806	**5,446**	**31,252**

	DBS 5 Apr 24 £000	DCS 5 Apr 24 £000	Total 5 Apr 24 £000
Contributions due:			
Employer's normal contributions	-	3,408	3,408
Members AVC's	-	135	135
Cash balances	22,000	3,918	25,918
Pensioner payroll paid in advance	3,839	-	3,839
Other debtors	186	85	271
Tax debtor	558	-	558
	26,583	**7,546**	**34,129**

BUSINESS USE

17 Current liabilities

What does this show?	This note shows the value of current liabilities owed by the Co-op Section at the year end.

	DBS 5 Apr 25 £000	DCS 5 Apr 25 £000	Total 5 Apr 25 £000
Unpaid benefits	(464)	(1,125)	(1,589)
Accrued expenses	(1,188)	(63)	(1,251)
Tax creditor	(3,179)	(1)	(3,180)
Other creditors	(2)	(1)	(3)
	(4,833)	**(1,190)**	**(6,023)**

	DBS 5 Apr 24 £000	DCS 5 Apr 24 £000	Total 5 Apr 24 £000
Unpaid benefits	(1,114)	(832)	(1,946)
Accrued expenses	(2,292)	(779)	(3,071)
Tax creditor	(2,794)	(1)	(2,795)
Other creditors	-	(6)	(6)
	(6,200)	**(1,618)**	**(7,818)**

18 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 Section by businesses within the Co-op's corporate structure, other related party transactions are:

- The Co-op, in conjunction with Aptia for the former Plymouth and Yorkshire Funds, is the DB administrator.

- Prior to 14 June 2024, the Trustee Directors were all professional Independent Trustee Directors who are pension experts and received remuneration from the Scheme based on rates negotiated with the Co-op or the Bank, depending on which entity appointed them. From 15 June 2024, Independent Trustee Services Limited (ITS, part of Independent Governance Group) remained appointed to the trustee board but as a sole professional trustee. ITS receives remuneration from the Scheme based on rates negotiated with the Co-op, as the principal employer of the Scheme.

- The total of all Trustee remuneration paid from the Section during the year ended 5 April 2025 was £78k (2024: £180k).

BUSINESS USE

19 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.

20 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.

On 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 Scheme.

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; the Government has confirmed that it will introduce legislation to give schemes affected by the Virgin Media decision the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. The Trustee is considering its next steps and will consider the Government's legislation once available.

21 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.

On 26 October 2018, in the *Lloyds Banking Group* legal case, the High Court ruled that schemes that were contracted out of the State Earnings Related Pension Scheme (SERPS) between 1990 and 1997 need to equalise benefits overall, to address the effect of unequal GMPs. A further ruling followed in November 2020 relating to equalising GMPs in respect of historic transfer values paid out, going back to May 1990.

An interim solution has been implemented for equalising GMPs for transfer values and trivial commutation payments made by the Scheme, ahead of when GMP equalisation is completed for all benefits in the Scheme.

The Trustee, with the assistance of its legal and actuarial advisers, is in the process of considering with the Co-op and Bank, the most appropriate GMP equalisation methodology for equalising GMPs for main scheme benefits. The Trustee is also currently revisiting historic transfer values.

GMP equalisation is expected to increase the liabilities of the Scheme. The liability impact will vary depending on the equalisation methodology approach taken, although the differences in liability impact on the Scheme's technical provisions basis are expected to be immaterial in the context of total Scheme liabilities. Therefore, we have not included a liability in respect of GMP equalisation in these financial statements. They will be accounted for in the year they are determined.

BUSINESS USE