<u>Central England Co-operative Limited Pension Scheme</u>

<u>Investment Implementation Document</u>

This Investment Implementation Document ("IID") covers the Central England Co-operative Limited Pension Scheme ("the Scheme"), and details the policy of the Trustee relating to the implementation of the Scheme's investment arrangements, based on the policies set out in the Scheme's Statement of Investment Principles ("SIP") dated _______________. The IID should be considered alongside the SIP. This IID also clarifies the policy of the Trustee relating to Governance.

Investment strategy

Asset Class	Proportion %	Expected Return (relative to fixed interest gilts)[1] %
Direct Lending	9.0	4.2
Infrastructure Equity	14.0	4.9
Semi-Liquid Credit[2]	13.0	3.5
Liability Driven Investment ("LDI")[3]	50.0	0.0
Cash	3.0	0.0
Asset Backed Securities	11.0	2.0
TOTAL	**100.0**[4]	**1.9**[5]

1. 10 year assumptions as at 30 September 2023.
2. After allowing for expected defaults and downgrades.
3. The liability driven investment mandate is in place to hedge a proportion of interest rate and inflation risk in the liabilities.
4. The high-level strategic control ranges are detailed in the Scheme's SIP.
5. Return assumption includes a diversification benefit and therefore is not a weighted average of the individual asset class returns.

Investment mandates

The Trustee has invested in pooled funds managed by the following investment managers. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Investment Manager	Proportion %
Alcentra Limited ("Alcentra")	9.0
Alternative Investment Partners – Morgan Stanley ("Morgan Stanley AIP")	0.0[1]
J.P. Morgan Asset Management ("JP Morgan")	14.0
IFM	
Apollo Global Management ("Apollo")	13.0
Insight Investment ("Insight")	64.0

1. Legacy investment

The Trustee will monitor the allocation between the managers quarterly and take any corrective action as they see appropriate.

Alcentra European Direct Lending Funds – Direct Lending

The Fund has a private equity structure providing direct loans to small and medium sized businesses in Europe with an aim to generate a long-term compounded annual net Internal Rate of Return ("IRR") of 10-12% for Alcentra Fund I and a long-term compounded annual net Internal Rate of Return ("IRR") of 8-10% for Alcentra Fund II, and 7-9% for Alcentra Fund III.

Morgan Stanley AIP Phoenix Global Real Estate Fund II 2013 – Global Real Estate Secondaries

The Fund has been structured within a private equity fund of funds arrangement investing in underlying property funds with an aim to generate a long-term compounded annual net Internal Rate of Return ("IRR") of c.15% or a multiple of c.1.7x.

JP Morgan Infrastructure Investments Fund – Infrastructure Equity

The Fund has exposure to global private equity infrastructure. It aims to return 8-12% p.a. net of fees and has a target distribution yield of 5-7%.

IFM Infrastructure Investments Fund – Infrastructure Equity

The Fund has exposure to global private equity infrastructure. It aims to return 8-12% p.a. net of fees.

Apollo Total Return Fund – Semi Liquid Credit

The Fund aims to achieve enhanced returns versus traditional fixed income portfolios over a multi-year cycle via a flexible mandate. The target return of the Fund is Libor + 6%-8% gross of fees.

Insight Global Asset Backed Securities – Asset Backed Securities

The Insight Global Asset Backed Securities *("*ABS") fund aims to provide a return in excess of cash through investments in a highly diversified pool of underlying assets that range from corporate loans to consumer credit card receivables and which are principally A rated.

Insight Liquid Asset Backed Securities – Asset Backed Securities

The Insight Liquid Asset Backed Securities *("*ABS") fund aims to provide a return in excess of cash through investments in a portfolio of liquid asset backed securities and corporate floating rate notes, with a focus on daily liquidity management and a high allocation to AAA and AA rated instruments with short maturities.

Insight Bespoke Pooled QIAIF (LDI)

The key objective of this mandate is to broadly match a proportion the Scheme's liabilities in order to reduce inflation and interest rate risk. This is accessed via a Bespoke Pooled QIAIF arrangement where the Scheme is the single investor.

Appendix 1 - Fees

Alcentra I European Direct Lending Funds – Direct Lending
Management fees have not be charged since 14 August 2022 as the fund has been extended beyond the original total fund life permitted in the fund documentation. The Scheme is subject to a performance fee of 10%, subject to a preferred return of 6% with a catch-up provision.

Alcentra II & III European Direct Lending Funds – Direct Lending
The Scheme will incur management fees of 0.9% p.a. on drawn capital. There is also a performance fee of 10% subject to a preferred return of 6% with a catch-up provision.

Morgan Stanley Phoenix Global Real Estate Fund II 2013 – Global Real Estate Secondary's
The Scheme incurred management fees of 0.9% p.a. for the first four years on the capital committed. Thereafter the management fee has reduced to 75% of the percentage used to calculate the management fee for the previous year. There is a Performance Fee of 10% on net returns in excess of 8% p.a.

JP Morgan – Infrastructure Equity
The Scheme incurs management fees of 0.9% p.a. as well as a Performance Fee of 15% subject to a preferred return of 7% p.a. The Scheme will receive a further 5% discount if the aggregate of the NAV across all investors exceeds $30bn.

IFM – Infrastructure Equity
The Scheme incurs management fees of 0.77% p.a. as well as a Performance Fee of 10% subject to a preferred return of 8% p.a.

Apollo Total Return Fund – Semi Liquid Credit
The Scheme will incur management fees of 0.65% p.a. This includes a discount of 0.10% p.a. as the Trustee elected for a 2-year hard lock on the Scheme's investment at inception.

Insight
The Scheme will incur charges of:
- 0.05% on the first £1bn of liability exposure
- 0.05% p.a. on equity exposure
- 0.06% p.a. on assets invested in the Institutional Liquidity Fund
- 0.35% p.a. on assets invested in the Global ABS Fund.
- 0.15% p.a. on assets invested in the Liquid ABS Fund.

The Insight Bespoke QIAIF is subject to a minimum fee of £300,000 p.a.

If total annual Insight fees exceed £350,000, the Scheme will receive a 5% on any fees above this threshold.

Collateral management policy

At the time of writing, the Trustee is targeting a level of collateral sufficient to withstand a yield rise to exhaustion of at least 600bps with a minimum collateral level of 300bps.

The Trustee will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustee also has a framework for topping up the collateral.

Trigger	Action	Responsibility
When collateral headroom falls below 300 bps	Assets sold from below collateral waterfall to restore buffer to 300 bps	LDI manager responsible for monitoring trigger and implementation

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustee.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	**Cash**	**Daily**	**T - 1**	**T**
LDI manager	**ABS**	**Daily**	**T - 2**	**T + 3**
Non-LDI manager	Semi-Liquid Credit	Quarterly	T - 60	T + 90
Non-LDI manager	Infrastructure Equity	Various	Various	Various