



St. Modwen Pension Scheme

September 2020

Annual Governance Statement for the year ending 5 April 2020
Defined Contribution Section



Contents

INTRODUCTION.....	3
DEFAULT ARRANGEMENT.....	4
Description of Default Investment Arrangement	4
Pathway Journey Plan 2 – Income Drawdown (Default).....	5
Pathway Journey Plan 1 - Annuity.....	5
Pathway Journey Plan 4 - Cash	6
Self-select Funds.....	6
Pre-review Default Arrangement.....	7
Review of Strategy and Performance of Default Arrangement.....	7
Statement of Investment Principles.....	7
Self-Select Funds	7
CORE FINANCIAL TRANSACTIONS	8
Service Level Agreements.....	8
Independent Audit	9
The Trustees’ Assessment of Core Financial Transactions.....	9
Additional Disclosures.....	10
CHARGES AND TRANSACTION COSTS	11
Transaction Costs	12
Illustration of Costs and Charges Over Time.....	12
L&G PMC 2050-2055 Pathway Fund 3	13
L&G PMC BMO Responsible Global Equity Fund 3.....	14
L&G PMC Cash 3	15
L&G PMC World Emerging Markets Equity Index 3	16
VALUE FOR MEMBERS (VFM)	17
TRUSTEE KNOWLEDGE AND UNDERSTANDING (TKU)	18
LINKS TO FURTHER INFORMATION	21

INTRODUCTION

This statement sets out how the Defined Contribution (“DC”) Section of the St. Modwen Pension Scheme (“the **Scheme**”) has complied with the DC governance requirements introduced in April 2015 under Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, between 6th April 2019 and 5th April 2020 (the ‘**scheme year**’).

In preparing this Statement, information has been gathered from the following organisations:

- Legal & General Assurance Society Limited (“L&G”); and
- Barnet Waddingham LLP

The investment and administration of the DC Section of the Scheme is structured as an insurance policy with L&G, known as the WorkSave Pension Trust. L&G also provide bespoke member communications and access to a range of online member facilities.

Barnet Waddingham LLP is the Trustees’ Investment Adviser.

The Scheme is used by St Modwen Properties Limited in compliance with its Automatic-Enrolment requirements.

In preparing this Statement, consideration has also been given to the Pensions Regulator’s ‘A quick guide to the chair’s statement’ and to the Department for Work and Pensions guide on ‘Reporting of costs, charges and other information’, both published in September 2018. A copy of the Scheme’s latest Statement of Investment Principles (“SIP”) is attached as an appendix for your information. Please note that the Trustee is currently undertaking a review of the SIP to incorporate the new regulatory requirements which will come into effect on 1st October 2020. A copy of the updated SIP will be made available online at <https://www.stmodwen.co.uk/about-us/corporate-governance/pension-statements/>.

During the scheme year the Scheme has been governed by a Trustee Company, St. Modwen Pensions Limited (Company number 00878604) (the “Trustee”), whose directors (the “Trustee Directors”), were Mr Raymond Hill, Mr Simon Redfern (resigned 16th January 2020), Lesley Henderson (appointed on 16th January 2020), Mr Alastair Budd, Mr Richard Edwards and Dalriada Trustees Limited – an independent, professional trustee company. The Trustee Directors met 5 times during the scheme year - 6th June 2019, 5th Sept 2019, 5th Dec 2019, 5th March 2020 & 3rd April 2020.

Owing to the impact of COVID 19, the UK entered Lockdown on 23rd March 2020. As such, the meeting held on 3rd April 2020 was held via a video conference call. The Trustee Directors checked and confirmed that the Memorandum and Articles of Association for the Trustee Company, St. Modwen Pensions Limited, allows for any decisions made where the meeting is held via video conference call.

Following the UK Government’s Lockdown announcement, L&G implemented its Business Continuity Plan, as did all other Pension Administrators in the UK. L&G’s Major Incidents Team and Business Continuity Team temporarily closed the member call centre, with members being directed to the microsite or asked to send queries via email. L&G’s service provision prioritised all key critical member tasks, e.g. Financial transactions, Ill Health Claims, Death Claims, Drawdown, Pension Access, Investment switches etc. All other tasks continued to be managed with member’s informed that they may experience longer turn-around times.

All members, where L&G hold an email address, were communicated with via email, to outline its service provision during the Lockdown period. L&G also updated its website with specific Covid-19 service guidance ‘The effect of COVID-19 on our services’, including specific guidance on pension scams, which the Trustee welcomed. All L&G operations staff have been working from home during the Lockdown period, including Scheme owners who are set up to support members with Business as usual tasks, such as Payroll and file submissions etc. The Trustee continues to investigate the risks introduced by L&G staff working from home, including cybercrime and data protection. At this stage the Trustee has not identified anything that raises specific concerns.

DEFAULT ARRANGEMENT

A 'Default investment arrangement' is one which is designed for and offered to members of the Scheme who do not choose an alternative investment option themselves and into which the contributions for these members are invested.

As outlined in the 2019 Annual Governance Statement, the Trustee and its advisors, Barnett Waddingham LLP, completed a full review of the suitability of the Default investment arrangement in 2018. As part of the 2018 review, the Trustee conducted a member survey and considered the responses received alongside analysis of the evolution of the behaviours of DC members, as reflected in the market data available from the Association of British Insurers, as well as Barnett Waddingham's membership segmentation and analysis of the Scheme's data.

The 2018 review resulted in a decision to switch to a new Default investment arrangement, which was completed in July 2019. This section of the Annual Governance Statement is intended to outline the Scheme's Default investment arrangement after this switch.

Description of Default Investment Arrangement

The Trustee commenced a Default investment review on 7 December 2017 and completed this review on the 1st July 2019 when the fund transition was completed. The review concluded with the decision to implement the 'Pathway Journey Plan 2' as the Scheme's new Default arrangement, provided by Legal and General Investment Management Ltd ("LGIM"). The 'Pathway Journey Plan 2' investment arrangement is designed for and offered to members of the Scheme who do not choose an alternative investment option and are undecided about their retirement approach.

When deciding upon the design of the Default investment arrangement, the Trustee took into account the fact that most members do not make active investment decisions and therefore most members will be invested in the default investment arrangement, which aims to provide an investment solution that represents good value and secures good outcomes for members over the long-term. As at 31st March 2020, 94.6% of members were invested in the Scheme's default investment arrangement.

L&G's Pathway funds, including the 'Pathway Journey Plan 2' are constructed from a range of Target Date Funds ("TDF"). TDFs mix several different types of investments, which gradually get more conservative over time as members near their selected retirement date.

There are four investment phases; 'growth', 'steady growth', 'preparing for retirement' and 'retirement', depending on how close the member is to retirement. Over time, as the member's pension fund moves through the four phases, the proportion of riskier investments, such as equities is decreased and the proportion of less risky investments, such as government and corporate bonds is increased.

L&G's Pathway funds are put together using a range of TDFs which target 5-year 'windows', rather than a specific date. The Trustee believes this approach is more suitable as only few members will know exactly when they expect to retire. However, members should ensure that the retirement date they have selected is as accurate as it can be. This will then ensure that the target date is as accurate as possible.

In comparison to the previous Default investment arrangement, the mechanics of the 'Pathway Journey Plan 2' are more tailored and specific to how members intend to access their pension savings.

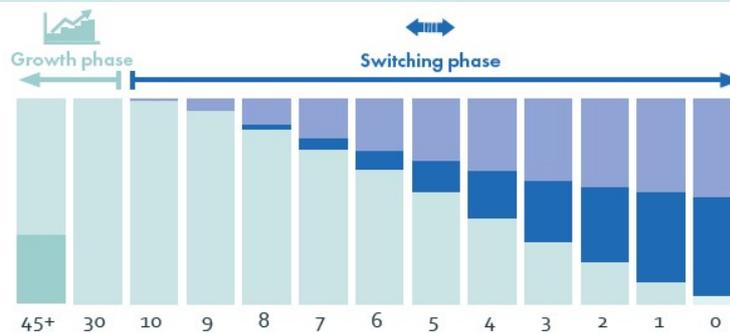
The 'Pathway Journey Plan 2' is not an investment fund, it is a pre-designed process (also referred to as an investment arrangement or strategy) that invests in a number of L&G funds which automatically change over time to achieve the target outcome. The target outcome for the Pathways Journey Plan 2 process is for members to take some tax free cash and income directly from their pension fund and keep the rest invested, i.e. via an income drawdown arrangement.

The 'Pathway Journey Plan 2' process invests in L&G's Generation 3 funds, e.g. L&G PMC 2015 - 2020 Pathway Fund 3. When reviewing L&G's fund list and Transaction Costs, the relevant funds for the 'Pathways Journey Plan 2' process are L&G's Generation 3 funds.

The Trustee concluded that the 'Pathway Journey Plan 2' is likely to suit most members' needs. This option offers flexibility and is especially suitable for those members who are undecided about how and when they plan to retire. This Journey Plan is most suitable for members who wish to take some tax free cash and income directly from their pension fund and keep the rest invested, i.e. via an income drawdown.

The chart below illustrates how the 'Pathway Journey Plan 2' fund's investment mix changes, gradually to be more conservative over time, by moving from the growth phase investments to the switching phase investments, as members near their selected retirement date.

Pathway Journey Plan 2 – Income Drawdown (Default)

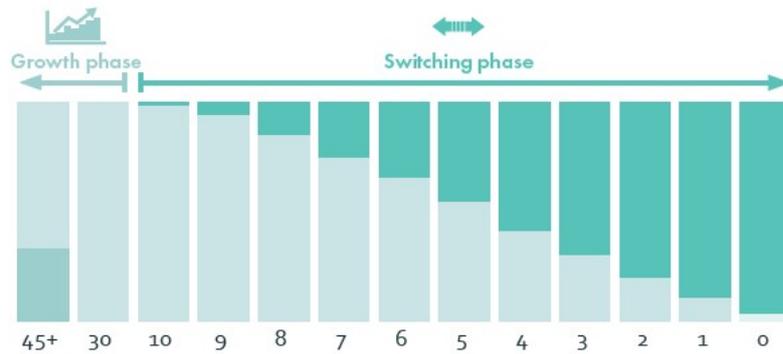


Growth phase investments													
	45+	30	10	9	8	7	6	5	4	3	2	1	0
Diversified Equity Fund (%)	33.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-Asset Fund (%)	66.7	100.0	98.8	94.0	85.7	75.9	65.7	54.6	42.6	31.2	20.9	11.9	5.1
Switching phase investments													
Retirement Income Multi Asset Fund (%)	0.0	0.0	0.0	0.0	1.0	4.6	8.8	14.6	22.0	29.3	36.1	42.3	47.0
Inflation Sensitive Pre-Retirement Fund (%)	0.0	0.0	1.2	6.0	13.3	19.5	25.5	30.8	35.4	39.5	43.0	45.8	47.9

Although the 'Pathway Journey Plan 2' fund is the Scheme's Default fund, members are able to invest in L&G's other Pathways funds:

Pathway Journey Plan 1 - Annuity

The Pathway Journey Plan 1 fund is an option designed for members who plan to use 25% of their pension savings for a tax-free cash sum and the balance to buy a guaranteed income for life (or annuity). Again the pathway gradually switches the investment to be more conservative over time, as members near their selected retirement date, but targets the outcome of the member's fund then being used to purchase a guaranteed income for life, rather than drawing income directly from their pension fund and keeping the rest invested.

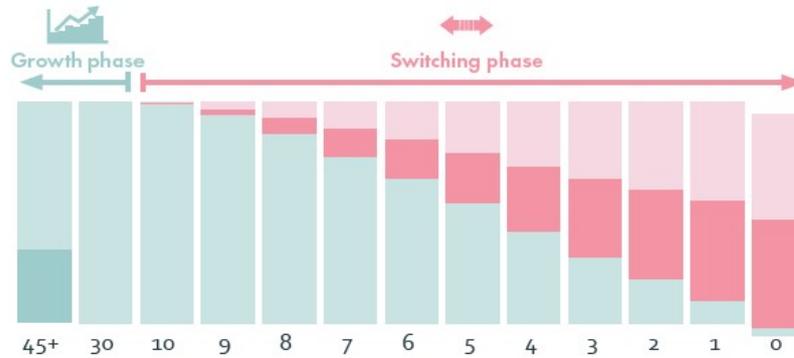


Growth phase investments												
Diversified Equity Fund (%)	33.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-Asset Fund (%)	66.7	100.0	98.8	94.0	85.7	75.9	65.7	54.6	42.6	31.2	20.9	11.9

Switching phase investments													
Inflation Sensitive Pre-Retirement Fund (%)	0.0	0.0	1.2	6.0	14.3	24.1	34.3	45.4	57.4	68.8	79.1	88.1	94.9

Pathway Journey Plan 4 - Cash

Pathway Journey Plan 4 is designed for members who plan to take all their pension savings as a single cash lump sum at, or close to their retirement. Again the pathway gradually switches the investment to be more conservative over time, as members near their selected retirement date but targets the outcome of the member's entire fund then being paid as a cash lump sum, rather than being used to purchase a guaranteed income for life or drawing income directly from their pension fund and keeping the rest invested. If taking this option members should remember that only 25% of the fund is tax free, the remaining 75% is taxable.



Growth phase investments												
Diversified Equity Fund (%)	33.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multi-Asset Fund (%)	66.7	100.0	98.8	94.0	85.7	75.9	65.7	54.6	42.6	31.2	20.9	11.9

Switching phase investments													
Short-Dated Credit Fund (%)	0.0	0.0	0.6	3.0	7.2	12.1	17.2	22.7	28.7	34.4	39.6	44.1	47.5
Sterling Liquidity Fund (%)	0.0	0.0	0.6	3.0	7.1	12.0	17.1	22.7	28.7	34.4	39.5	44.0	47.4

Self-select Funds

As part of the 2018 review, the Trustee also reviewed the range of the self-select fund available to the Scheme's members and decided to expand its range, which included the introduction of the L&G PMC BMO Responsible Global Equity Fund 3. The full list of self-select funds available to St Modwen members, including the charging information and transaction costs is provided on page 11 of this statement.

Pre-review Default Arrangement

Prior to the 2018 review the Default arrangement had been a Lifestyle Strategy, which in the early years had focused on holding investments which had been expected to provide meaningful and long-term capital growth, which gradually got more conservative over time as members were nearing their selected retirement date. Starting at eight years prior to each member's anticipated retirement date, the strategy gradually moved the member's pension investment towards lower risk assets, aimed at protecting the capital value of a member's fund and targeting an annuity purchase upon retirement.

The 2018 review the Trustee and their advisors undertook focused primarily on the following areas:

- the appropriateness of the Default strategy following the legislative changes;
- the suitability of the investment options for the Scheme membership's needs; and
- the value for money represented by the Default strategy.

The result of the review concluded that the above Default Lifestyle Strategy arrangement had been deemed no longer suitable considering the flexibilities introduced by the Freedom and Choice reforms introduced in April 2015 and the subsequent changes in the market trends of how pension scheme members accessed their pension savings in general.

However, should members specifically want to target an annuity purchase at retirement with their pension savings, the 'Pathway Journey Plan 1' remains an option.

Review of Strategy and Performance of Default Arrangement

The Trustee monitors the investment performance of the default investment arrangement at every DC focused meeting (at least twice a year) to ensure that investment returns (after the deduction of any charges) are consistent with the aims and objectives of the default arrangement and to check that it remains appropriate given the Scheme's membership. This is supported by the quarterly reports provided by Barnett Waddingham and recorded in the minutes of the Trustee's meetings.

At least every 3 years and without delay after any significant change in investment policy or demographic of membership, the Trustee carries out a formal strategic review of the default arrangement. The strategy of the default arrangement was not reviewed during this scheme year. The last full review of the performance and strategy of the default arrangement was undertaken on 7 December 2017 and completed on 1 July 2019. Details of the review and the changes implemented are explained in the previous section.

The Trustee is satisfied that the default arrangement remains appropriate.

Statement of Investment Principles

The Statement of Investment Principles ("SIP") governs decisions about investments and explains the aims and objectives of the Trustee, which are intended to ensure that the money held in the Scheme is invested in the best interests of members and beneficiaries. It also describes the strategy and objectives for the default arrangement and the self-select funds. A copy of the SIP is attached as an appendix for your information. Please note that the Trustee is currently undertaking a review of the SIP to incorporate the new regulatory requirements which will come into effect on 1st October 2020. A copy of the updated SIP will be made available online at <https://www.stmodwen.co.uk/about-us/corporate-governance/pension-statements/>. The SIP has been prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

Self-Select Funds

As part of the 2018 investment review the Trustee conducted a member survey and considered the responses received alongside analysis of the evolution of the behaviours of DC members as reflected in the market data available from the

Association of British Insurers, as well as Barnett Waddingham’s membership segmentation and analysis of the Scheme’s data. From this the Trustee, having received advice from Barnett Waddingham, devised a self-select fund list for Scheme members, recognising that no single default investment strategy can be designed to suit the needs of all Scheme members.

The Trustee monitors the performance of the self- select funds, in which the members invest, at each meeting, supported by the L&G quarterly governance reports and investment advice from Barnett Waddingham.

CORE FINANCIAL TRANSACTIONS

The Trustee has a duty to ensure that “core financial transactions” relating to the Scheme are processed promptly and accurately, and that the controls in place are reported to members.

Core financial transactions include, but are not limited to:

- Investment of contributions;
- Transfer of member assets into and out of the Scheme;
- Transfers between different investments within the Scheme; and
- Payments to and in respect of members and beneficiaries.

The Trustee has, in accordance with its powers under the rules of the Scheme, delegated the day to day administration of the Scheme, including the processing of core financial transactions, to the Scheme administrator, L&G. During the reporting period, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately:

- Investment fund administration and custody of assets is undertaken by L&G;
- The Trustee has in place with the Scheme’s administrators and investment managers a Service Level Agreement which includes relevant key performance indicators (KPIs) regarding the accuracy and timescales for processing core financial transactions;
- The Trustee receives quarterly governance reports from the Scheme’s administrators which set out the administrators’ performance against the KPIs in the service level agreement, including in relation to accuracy and timeliness of processing;
- The reports also note any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators’ processes which have been implemented to ensure that there is no repetition of such errors;
- The governance reports also monitor the timely receipt of contributions;
- The Trustee regularly reviews the L&G quarterly governance reports.

Service Level Agreements

The Trustee has a contract with the Scheme administrator and has agreed the service level standards set out in the table below. Breaches of these standards are reported to the Trustee:

Core financial transaction	Length of time to process
Processing Joiner Files	24 hours
Investing Contributions	24 hours
Processing Investment Switches	24 hours
Processing Lump Sum Payments	5 working days

Processing Transfers Out	5 working days
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The overall service level target is to complete 95% of all tasks within the above timescales.

The Trustee receives quarterly Governance Reports from the Scheme administrator, which report on the administration of the Scheme over the reporting period, including details of the core financial transactions over the period. The Trustee reviews these reports and investigates any errors or delays, to decide if any action is required e.g. the Trustee would ask for explanation of the breach, details of what caused the breach and the controls put in place to stop it re-occurring.

The results detailed within the most recent Governance Report for the Scheme are provided on pages 21 and 22 of this statement.

Owing to the impact of COVID 19, the UK entered Lockdown on 23rd March 2020. At this time L&G implemented its Business Continuity Plan (“BCP”). A BCP, also referred to as a Disaster Recovery Plan, is a pre-agreed (and regularly tested) action plan that can be implemented when an event occurs that prohibits L&G or any part of its business from operating normally.

In the period leading up to Lockdown, L&G’s Business Continuity team had been running a number of scenario tests to ensure it could continue to provide its services, in the event of an office closure or a significant number of staff becoming unwell.

L&G’s rigorous business contingency planning and testing framework included re-testing remote work access across all L&G’s operations, including trading, investment management and member servicing. Also, in preparation for an office closure, critical staff supporting Important and Critical Business Services had validated their working from home capabilities, including multi-day testing across the business, to ensure that all of L&G’s processes could be supported on a working from home structure over a longer time period. All key staff supporting Important and Critical Business Services had also been identified and the minimum number of staff required to support each business area had been validated.

Regular due diligence assessments of all L&G’s critical suppliers continues, which includes assessing business contingency arrangements.

This statement is in respect of the period 6th April 2019 to 5th April 2020. Therefore the full extent of the impact of COVID 19 on the performance of L&G will be monitored and assessed by the Trustee during 2020 and reflected in the 2021 annual governance statement.

The Trustee is satisfied that the Scheme administrator is performing core financial transactions promptly and accurately.

Independent Audit

The Trustee has appointed an independent auditor, Cooper Parry Group Ltd, to carry out an audit in line with the UK auditing and accounting standards.

The Trustees’ Assessment of Core Financial Transactions

Overall, the monitoring and reporting activities undertaken, along with the independent sources of assurance (e.g. the audited Scheme accounts) allow the Trustee to be confident that the core financial transactions were processed during the Scheme year.

The Trustee is also satisfied that L&G’s response to the COVID-19 pandemic has been appropriate and satisfactory, although the full extent of the impact of COVID 19 on the performance of L&G will be monitored and assessed by the Trustee during 2020 and reflected in the 2021 Chair’s statement.

Additional Disclosures

In addition, acknowledging that the Trustee needs accurate member data for the processing of member benefits, contributions, and payments, the Trustee has carried out analysis of 'common data' and 'scheme specific data' (as defined by the Pensions Regulator). This helps the Trustee ensure the integrity of member data that is processed by the Scheme administrator on behalf of the Board.

L&G reported 97% common data accuracy, with 25 members' addresses currently recorded as 'gone away', which the Trustee has contacted the Employer to resolve. The conditional data accuracy is 100% (rounded) with only 1 member not making regular contributions without an explanation of why. Again, the Trustee has contacted the Employer to resolve this.

L&G also perform daily bank reconciliations for all Scheme bank accounts. The purpose of these reconciliations is to ensure that all transactions processed through the bank accounts (money in and out) can be accounted for. Any transactions which cannot be accounted for are investigated and corrected if required.

CHARGES AND TRANSACTION COSTS

The Trustee has a duty to tell members about the member borne charges and transactions costs for the investments used in the default arrangement and the self-select funds, and to assess the extent to which these charges and costs represent good value for money for members.

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs.

Default arrangement:

Members invested in the Pathways options (in any of the three Journey Plans) pay an ongoing annual fee of 0.19% on their invested funds.

Self-select funds:

The below table sets out the level of charges (%) applicable to the range of self-select funds:

Fund	Fund Management Charge % p.a.	Annual Management Charge % p.a.*	Additional Annual Expenses e.g. custodian, legal, accounting costs % p.a.	Total Expense Ratio i.e. the total charge %p.a.
L&G PMC Global Equity Market Weights 30:70 Index 3	0.14	0.2	0	0.34
L&G PMC Over 15 Year Gilts Index 3	0.08	0.2	0	0.28
L&G PMC UK Equity Index 3	0.10	0.2	0	0.30
L&G PMC Over 5 Year Index Linked Gilts Index 3	0.08	0.2	0	0.28
L&G PMC World (Ex-UK) Equity Index 3	0.12	0.2	0	0.32
L&G PMC Cash 3	0.09	0.2	0	0.29
L&G PMC World Emerging Markets Equity Index 3	0.25	0.2	0	0.45
L&G PMC BMO Responsible Global Equity Fund 3	0.75	0.2	0	0.95
L&G PMC M&G PP All Stocks Corporate Bond 3	0.36	0.2	0	0.56
L&G PMC Multi-Asset 3	0.13	0.2	0	0.33
L&G PMC Threadneedle Dynamic Real Return Fund 3	0.55	0.2	0	0.75
L&G PMC Property 3	0.91	0.2	0	1.11

*There is no Annual Management Charge for active non-casual employees as this is met directly by the Employer. The remaining categories of members are subject to an Annual Management Charge levied by L&G of 0.20% per annum. This is a reduced rate negotiated as part of the 2018 review of the Default Arrangement. For active non-casual employees the Total Expense Ratio is therefore 0.2% p.a. less than in the table above.

Transaction Costs

The charges referred to above do not include transaction costs. These are costs which fund managers incur when buying, selling, borrowing or lending the assets that make up the investment funds. In addition, investment and disinvestment costs are paid when members buy and sell funds. These costs are paid by members.

Due to the way in which transaction costs have been calculated, it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term, the Trustee has shown any negative figure as zero.

The full list of funds and transaction costs are available from the following link:

<https://www.stmodwen.co.uk/about-us/corporate-governance/pension-statements/>

Illustration of Costs and Charges Over Time

To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance issued by the Department for Work and Pensions: Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes (September 2018). These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

- The membership of the DC Section and the investment options offered were analysed in determining the parameters to be used.
- Pot size: pot sizes of £2,000, £5,000 and £13,000 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of DC Section members as at 4 August 2020.
- Active members and deferred members: illustrations have been provided for active members assuming total regular contributions of 9% of pensionable salary, and for deferred members assuming no future contributions.
- Pensionable salary: a starting pensionable salary of £25,000 has been used for the illustrations that represent active DC Section members. Pensionable salary is assumed to grow at 2.5% per year.
- Investment options: the investment options selected for the illustrations include the most popular by number of members, the highest charged fund, and the lowest charged fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
L&G PMC 2050 – 2055 Pathway Fund 3	Most popular option (by members)	0.30% - 1.50%	0.15% (Actives) 0.35% (Deferreds)	0.04%
L&G PMC BMO Responsible Global Equity Fund 3	Highest charged option	2.00%	0.75% (Actives) 0.95% (Deferreds)	0.19% ***
L&G PMC Cash 3	Lowest assumed investment return (jointly) and lowest charge	-1.80%	0.09% (Actives) 0.29% (Deferreds)	-0.04%
L&G PMC World Emerging Markets Equity Index 3	Highest assumed investment return	2.50%	0.25% (Actives) 0.45% (Deferreds)	0.00% ***

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2020 Statutory Money Purchase Illustrations (SMPIs).

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last two years only, the figures are two year averages.

*** These transaction costs are for 1 year only, as we were not able to source multiple year's costs from L&G at the date of issuing this report.

- Timeframe: the majority of illustrations are shown over a 50 year time frame as this covers the approximate duration that the youngest member would take to reach retirement age. The exception to this is the illustration for the L&G PMC 2050-55 Pathway Fund 3, which as a time frame of 35 years as members are not expected to be invested in this fund until no later than 2055.

Guidance to the illustrations

- For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.
- Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.
- Values shown are estimates and not guaranteed.
- The starting date for the illustrations is 5 April 2020.
- The illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

L&G PMC 2050-2055 Pathway Fund 3

This is part of the default strategy for the DC Section and the most popular choice by number of members.

Illustration basis	Years of membership	Starting pot size £2,000		Starting pot size £5,000		Starting pot size £13,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member Starting pensionable Salary: £25,000 Contribution level: 9%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£13,664	£13,591	£16,887	£16,785	£25,481	£25,301
	10	£25,948	£25,686	£29,371	£29,047	£38,498	£38,008
	15	£38,652	£38,078	£42,249	£41,577	£51,839	£50,907
	20	£51,961	£50,940	£55,736	£54,579	£65,803	£64,284
	25	£65,869	£64,257	£69,828	£68,039	£80,386	£78,123
	30	£79,222	£76,899	£83,307	£80,765	£94,198	£91,072
	35	£91,992	£88,850	£96,157	£92,755	£107,263	£103,169
Deferred member Contribution level: 0%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£2,149	£2,109	£5,372	£5,272	£13,966	£13,706
	10	£2,282	£2,198	£5,704	£5,494	£14,831	£14,284
	15	£2,398	£2,266	£5,994	£5,665	£15,584	£14,728
	20	£2,517	£2,334	£6,292	£5,835	£16,359	£15,172
	25	£2,639	£2,402	£6,599	£6,005	£17,157	£15,613
	30	£2,723	£2,431	£6,807	£6,079	£17,699	£15,805
	35	£2,776	£2,433	£6,941	£6,082	£18,047	£15,812

Note on how to read this table: If an active member had £5,000 invested in this option on 5 April 2020, when they came to retire in 20 years, the savings pot could be worth £55,736 if no charges are applied but £54,579 with charges applied.

L&G PMC BMO Responsible Global Equity Fund 3

This is the highest charged investment option within the DC Section.

Illustration basis	Years of membership	Starting pot size £2,000		Starting pot size £5,000		Starting pot size £13,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member Starting pensionable Salary: £25,000 Contribution level: 9%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£13,869	£13,508	£17,174	£16,667	£25,985	£25,089
	10	£26,942	£25,624	£30,582	£28,949	£40,287	£37,816
	15	£41,342	£38,379	£45,351	£41,880	£56,041	£51,215
	20	£57,202	£51,808	£61,617	£55,493	£73,392	£65,321
	25	£74,671	£65,945	£79,534	£69,825	£92,503	£80,172
	30	£93,912	£80,829	£99,269	£84,914	£113,553	£95,807
	35	£115,105	£96,499	£121,006	£100,799	£136,739	£112,267
	40	£138,448	£112,995	£144,947	£117,523	£162,277	£129,596
	45	£164,159	£130,363	£171,317	£135,129	£190,405	£147,840
50	£192,479	£148,647	£200,363	£153,665	£221,386	£167,046	
Deferred member Contribution level: 0%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£2,203	£2,085	£5,507	£5,213	£14,319	£13,555
	10	£2,426	£2,174	£6,066	£5,436	£15,771	£14,133
	15	£2,672	£2,267	£6,681	£5,668	£17,371	£14,736
	20	£2,944	£2,364	£7,359	£5,909	£19,133	£15,364
	25	£3,242	£2,465	£8,106	£6,161	£21,074	£16,020
	30	£3,571	£2,570	£8,928	£6,424	£23,212	£16,703
	35	£3,933	£2,679	£9,833	£6,698	£25,567	£17,416
	40	£4,332	£2,794	£10,831	£6,984	£28,160	£18,159
	45	£4,772	£2,913	£11,930	£7,282	£31,017	£18,934
50	£5,256	£3,037	£13,140	£7,593	£34,164	£19,741	

Note on how to read this table: If an active member had £5,000 invested in this option on 5 April 2020, when they came to retire in 20 years, the savings pot could be worth £61,617 if no charges are applied, but £55,493 with charges applied.

L&G PMC Cash 3

This is the lowest charged investment option and the fund within the DC Section with the (joint) lowest assumed return (gross of costs and charges).

Illustration basis	Years of membership	Starting pot size £2,000		Starting pot size £5,000		Starting pot size £13,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member Starting pensionable Salary: £25,000 Contribution level: 9%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£12,464	£12,447	£15,210	£15,186	£22,532	£22,489
	10	£22,042	£21,984	£24,554	£24,485	£31,256	£31,153
	15	£30,807	£30,691	£33,107	£32,974	£39,240	£39,062
	20	£38,829	£38,641	£40,934	£40,725	£46,547	£46,282
	25	£46,171	£45,898	£48,098	£47,801	£53,235	£52,875
	30	£52,891	£52,524	£54,654	£54,261	£59,356	£58,893
	35	£59,041	£58,573	£60,655	£60,159	£64,958	£64,388
	40	£64,670	£64,095	£66,146	£65,543	£70,085	£69,404
	45	£69,821	£69,137	£71,173	£70,459	£74,777	£73,984
50	£74,536	£73,740	£75,773	£74,947	£79,072	£78,165	
Deferred member Contribution level: 0%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£1,830	£1,808	£4,576	£4,520	£11,898	£11,751
	10	£1,675	£1,634	£4,188	£4,085	£10,889	£10,622
	15	£1,533	£1,477	£3,833	£3,693	£9,966	£9,601
	20	£1,403	£1,335	£3,508	£3,338	£9,121	£8,679
	25	£1,284	£1,207	£3,211	£3,017	£8,348	£7,845
	30	£1,175	£1,091	£2,939	£2,727	£7,640	£7,091
	35	£1,076	£986	£2,689	£2,465	£6,993	£6,410
	40	£985	£891	£2,461	£2,229	£6,400	£5,794
	45	£901	£806	£2,253	£2,014	£5,857	£5,237
50	£825	£728	£2,062	£1,821	£5,361	£4,734	

Note on how to read this table: If an active member had £5,000 invested in this option on 5 April 2020, when they came to retire in 20 years, the savings pot could be worth £40,934 if no charges are applied, but £40,725 with charges applied.

L&G PMC World Emerging Markets Equity Index 3

This is the fund within the DC Section with the highest assumed return (gross of costs and charges).

Illustration basis	Years of membership	Starting pot size £2,000		Starting pot size £5,000		Starting pot size £13,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Active member Starting pensionable Salary: £25,000 Contribution level: 9%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£14,065	£13,967	£17,449	£17,311	£26,473	£26,228
	10	£27,675	£27,306	£31,492	£31,033	£41,672	£40,973
	15	£43,027	£42,175	£47,333	£46,330	£58,817	£57,410
	20	£60,345	£58,749	£65,203	£63,380	£78,157	£75,731
	25	£79,881	£77,223	£85,361	£82,386	£99,974	£96,153
	30	£101,919	£97,817	£108,100	£103,572	£124,584	£118,918
	35	£126,778	£120,772	£133,751	£127,187	£152,345	£144,293
	40	£154,820	£146,360	£162,686	£153,510	£183,661	£172,578
	45	£186,453	£174,882	£195,326	£182,852	£218,987	£204,107
50	£222,137	£206,675	£232,146	£215,560	£258,837	£239,251	
Deferred member Contribution level: 0%	0	£2,000	£2,000	£5,000	£5,000	£13,000	£13,000
	5	£2,256	£2,208	£5,640	£5,520	£14,665	£14,353
	10	£2,545	£2,438	£6,362	£6,095	£16,542	£15,847
	15	£2,871	£2,692	£7,177	£6,729	£18,661	£17,496
	20	£3,238	£2,972	£8,096	£7,430	£21,050	£19,317
	25	£3,653	£3,281	£9,133	£8,203	£23,745	£21,328
	30	£4,121	£3,623	£10,302	£9,057	£26,786	£23,548
	35	£4,649	£4,000	£11,621	£9,999	£30,216	£25,999
	40	£5,244	£4,416	£13,110	£11,040	£34,085	£28,705
	45	£5,915	£4,876	£14,788	£12,189	£38,449	£31,692
50	£6,673	£5,383	£16,682	£13,458	£43,373	£34,991	

Note on how to read this table: If an active member had £5,000 invested in this option on 5 April 2020, when they came to retire in 20 years, the savings pot could be worth £65,203 if no charges are applied, but £63,380 with charges applied.

VALUE FOR MEMBERS (VFM)

Regulations require trustees to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good 'Value for Members'.

Generally, trustees should assess the extent to which the charges and costs represent 'good value' during the scheme year, by considering the level of member borne charges against the benefits attributable to such charges and costs.

As mentioned in the 2019 annual governance statement and to comply with the regulations the Trustee scheduled a more in depth review for the first quarter of 2020 and commissioned Barnet Waddingham LLP, the Trustees' Investment Adviser, to complete a Value for Member assessment. Barnett Waddingham completed their 'value for members' assessment on 29th July 2020.

In the report dated 29th July 2020 Barnet Waddingham LLP states:

'We believe that overall the DC Section represents excellent value for all members.

The Scheme's Annual Management Charge ("AMC") is 0.20% p.a. This is met by the Company for 'active non-casual' members of the DC Section. Therefore, the relative value for these members is excellent. Even where members meet the AMC, the relative value is still very good.

There is one matter which might be considered to detract value. We understand that the Trustee has not received any recent common/conditional data record keeping reports from Legal & General ("L&G"). Consequently, the Trustee does not have any visibility on whether a data improvement plan has been put in place by L&G, or whether one would not be required. The Trustee should raise this with L&G in the next Scheme year.'

When considering the additional element of the make-up of the Trustee Board, which includes the Professional Trustee Dalriada, the Trustee considers that the DC Section represents excellent value for all members.

Barnet Waddingham LLP delivered its Value for Member report shortly before L&G reported on the common and conditional data accuracy, for which the data scores are 97% and 100% (rounded) respectively. These scores are very good and the Trustee has referred the few data errors to the employer to resolve.

TRUSTEE KNOWLEDGE AND UNDERSTANDING (TKU)

The Trustee is required to maintain appropriate levels of knowledge and understanding.

The Trustee therefore has measures in place to ensure compliance with the requirements regarding its knowledge and understanding including investment matters, pension and trust law. This, together with the advice available from service providers, enables the Trustee to exercise its functions and run the Scheme properly and effectively.

All new trustees are provided with a training plan and aim to complete the Pension Regulator's tool kit within six months of their appointment. The new Trustee Director, Lesley Henderson, was unable to complete the tool kit within the six month timeframe due to the circumstances of COVID 19 crisis and her commitments to St. Modwen during this time. However, Lesley has now completed the toolkit and there are no concerns regarding the level of knowledge and understanding of the Trustee board overall.

Training needs is an item on each meeting agenda to allow the Trustee Directors to identify any knowledge gaps by being asked whether they would benefit from any specific training.

Ad-hoc training is provided as and when required. The Trustee reviews the trust deed and rules, SIP and all other documents setting out the Trustee's current policies as appropriate to ensure they have a good working knowledge of these documents.

The non-professional Trustee Directors maintain a training log, documenting the date, content, training provider and Trustee Directors in attendance.

All professional trustee representatives of Dalriada Trustees Limited are professionally qualified and maintain up-to-date CPD with an emphasis on the skills and knowledge required to act as a professional trustee.

Taking into account the knowledge and experience of the Board together with the specialist advice received from the appointed professional advisors (including the investment consultants, and legal advisers), the Trustee believes it is well placed to properly exercise its functions as Trustee of the Scheme.

The Trustee Directors must be conversant with the Scheme's own documentation including the Trust Deed and Rules and Statement of Investment Principles. The Trustee Directors must also be conversant with any other document recording current policy relating to the Scheme generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee.

This requirement has been met during the course of the Scheme year as the Trustee has undertaken ongoing training, both as a group and individually to keep abreast of relevant developments. During the year, the Trustee completed the following:

Requirement	How met
Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the funding and investment of the assets	<p>The Trustee Directors consider their annual training plan on a quarterly basis at each meeting, which includes specific consideration of whether any further training is required in respect of these statutory areas.</p> <p>In addition, the Trustee Directors receive updates from their advisors at regular Trustee meetings and throughout the year to keep abreast of recent developments in these areas. They are also</p>

Requirement	How met
	<p>required to complete The Pension Regulator’s Trustee Tool Kit and any new/revised relevant modules released.</p> <p>During the year the Trustee Directors undertook ongoing training as a group within the regular meetings. The current training log is included in this statement on page 23.</p> <p>For Dalriada Trustees Limited, each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure.</p>
<p>Trustees must be conversant with the Scheme’s own documentation including the Trust Deed and Rules, Statement of Investment Principles and current policies</p>	<p>The Trustee Directors undertake a quarterly evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these documents.</p> <p>The Trustee Directors have been provided with copies of all key Scheme documentation.</p> <p>Business plan/ risk register is considered at every trustee meeting.</p> <p>For Dalriada Trustees Limited, each Trustee Representative records their ongoing training in accordance with the Dalriada Learning & Development structure, which includes specific consideration of whether any further training is required in respect of these documents, and others e.g. the risk register, which is considered at every trustee meeting.</p>
<p>Knowledge and resources generally</p>	<p>The Trustee comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions.</p> <p>The Trustee’s investment advisor reports quarterly on the performance of the Scheme’s investments and on their views regarding the Scheme’s funds and their managers.</p> <p>The Trustee Directors receive email bulletins and quarterly updates from its advisors including the latest developments affecting defined contribution pensions, which helps to keep their knowledge and understanding up to date.</p> <p>Dalriada Trustees Limited comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions.</p>

The table above shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Trustee enables them to properly exercise their duties and responsibilities.

Agreed as a final version and signed by Chris Roberts acting as Chair for and on behalf of St Modwen Pensions Limited.

Date: 25 September 2020

LINKS TO FURTHER INFORMATION

Legislation

<http://www.legislation.gov.uk/uksi/1996/1715/part/PARTV/chapter/CHAPTER1>

TPR Guidance

<https://www.thepensionsregulator.gov.uk/en/trustees/managing-dc-benefits/6-communicating-and-reporting/#6662df02d32046b292360baf721cb1a2>

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/chair-statement-quick-guide-new.ashx>

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/chair-statement-quick-guide-appendix.ashx>

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/dc-vfm-guide.ashx>

DWP Guidance

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/557888/charge-cap-guidance.pdf

<https://www.gov.uk/government/publications/reporting-costs-charges-and-other-information-guidance-for-trustees-and-managers-of-occupational-pension-schemes/a>

Appendix 1 – L&G Service Level Agreement performance 1st January 2020 – 31 March 2020:

Appendix 2 – Trustee Training Log

Appendix 3 – Statement of Investment Principles

▶ ADMINISTRATION PERFORMANCE.

COMMITMENT.

Legal & General commits to provide a robust and timely level of service to the trustees in relation to the administration of your pension scheme. This document outlines the component parts of Legal & General's service standards and contact management as they relate to your scheme to ensure service excellence.

SERVICE STANDARDS.

For the period between 1 January 2020 and 31 March 2020.

Legal & General undertake to ensure that 95% of all processes identified below are completed within the defined Service Level Agreements.

PROCESS	SERVICE TARGET	COMPLETED IN TARGET	NOT COMPLETED IN TARGET	TOTAL	SERVICE LEVELS (SLA)	AVERAGE DAYS OUTSIDE OF SLA (FOR CASES NOT COMPLETED IN TARGET)
JOINER FILES	24 hours	5	0	5	100%	-
CONTRIBUTION FILES	24 hours	2	0	2	100%	-
CASH ALLOCATION	24 hours	2,296	0	2,296	100%	-
MATURITY PACK	5 working days	3	0	3	100%	-
RETIREMENT QUOTE	5 working days	-	-	-	-	-
RETIREMENT PAYMENT	5 working days	-	-	-	-	-
DRAWDOWN QUOTE	9 working days	1	0	1	100%	-
DRAWDOWN PAYMENT	10 working days	-	-	-	-	-
LUMP SUM QUOTE	5 working days	1	1	2	50.00%	3
LUMP SUM PAYMENT	5 working days	1	0	1	100%	-
DEATH QUOTE	5 working days	-	-	-	-	-
DEATH PAYMENT	5 working days	-	-	-	-	-
ILL HEALTH QUOTE	5 working days	-	-	-	-	-
ILL HEALTH PAYMENT	5 working days	-	-	-	-	-

PROCESS	SERVICE TARGET	COMPLETED IN TARGET	NOT COMPLETED IN TARGET	TOTAL	SERVICE LEVELS (SLA)	AVERAGE DAYS OUTSIDE OF SLA (FOR CASES NOT COMPLETED IN TARGET)
SERIOUS ILL HEALTH QUOTE	5 working days	-	-	-	-	-
SERIOUS ILL HEALTH PAYMENT	5 working days	-	-	-	-	-
DIVORCE QUOTE	5 working days	3	0	3	100%	-
DIVORCE PAYMENT	5 working days	-	-	-	-	-
TRANSFER QUOTE	5 working days	-	-	-	-	-
TRANSFER PAYMENT	5 working days	2	0	2	100%	-
LEAVER OPTION PACK	5 working days	14	0	14	100%	-
SHORT SERVICE REFUNDS	5 working days	-	-	-	-	-
SURRENDER	5 working days	-	-	-	-	-
TRANSFERS IN (BULK)	Agreed individually with ER, case by case	-	-	-	-	-
TRANSFERS IN (INDIVIDUAL)	5 working days	3	0	3	100%	-
CUSTOMER UPDATES & ENQUIRIES	5 working days	54	6	60	90.00%	4
STATEMENTS	5 working days	-	-	-	-	-
INVESTMENT MANAGEMENT (SWITCHES)	24 hours	3	0	3	100%	-

Appendix 3

Trustee Training Log – Training Undertaken (2019/ 2020)

Date	Training Log	R Hill	A Budd	R Edwards	L Henderson
March 2016	Investment strategy review, undertaken by Xafinity	X			
March 2016	Integrated risk management (IRM), undertaken by Xafinity and Dalriada Trustees	X			
May 2016	Investment manager selection, undertaken by Xafinity	X			
June 2016	Investment transitions, undertaken by Xafinity	X			
December 2016	Actuarial factors, undertaken by Barnett Waddingham and Dalriada Trustees	X			
December 2016	DC governance, undertaken by Dalriada Trustees	X			
June 2017	Integrated Risk Management and Valuation Process	X			
September 2017	DC Investment Training and Legal Update	X			
December 2017	Legal update, undertaken by Squire Patton Boggs, valuation journey planning by Dalriada Trustees, Target Date Funds presentation by LGIM and Barnett Waddingham	X			
March 2018	DC Strategy Update undertaken by LGIM, Valuation Journey planning by XPS, GDPR training.	X			
July 2018	LDI Strategy & Pooled LDI fund selection, undertaken by XPS	X			
September 2018	DC Fund Self Select update undertaken by BW	X			
December 2018	DC Asset Transition Update by BW	X	X	X	
January 2019	Legal Update undertaken by SPB	X	X	X	
March 2019	ESG, CMA Output & Journey Planning undertaken by XPS	X	X	X	
June 2019	Trustee Report & Accounts, undertaken by Dalriada Trustees.	X	X	X	
September 2019	Impact of Gilt Yields on scheme funding, undertaken by Dalriada Trustees.	X	X	X	
December 2019	GMP Equalisation Training undertaken by Dalriada Trustees.	X	X		
March 2020	DC Investment Monitoring	X	X	X	X

DALRIADA TUSTEES LIMITED (Independent Trustee)

All our [professional trustee representatives](#) are professionally qualified and maintain up-to-date CPD with an emphasis on the skills and knowledge required to act as a professional trustee.

Future Training – Continuous Personal Development Requirements

Date	Training Log	R Hill	A Budd	R Edwards	L Henderson
14/05/2015	Trustee knowledge and understanding course, undertaken by Eversheds	X			
22/07/2020	Investment landscape post COVID and Brexit webinar				X

The Pensions Regulator E-Learning Modules

Date	Name of Module	R Hill	A Budd	R Edwards	L Henderson
Essential Learning					
	Introducing pension schemes	X	X	X	X
	The Trustee's role	X	X	X	X
	Running a Scheme	X	X	X	X
	Pensions law	X	X	X	X
	An introduction to investment	X	X	X	X
	How a DB scheme works	X	X	X	X
	Funding your DB scheme	X	X	X	X
	DB recovery plans, contributions and funding principles	X	X	X	X
	Investment in a DC scheme	X	X	X	X
	Investment in a DB scheme	X	X	X	X
	Certificate received?	X	X	X	X

The Pensions Regulator E-Learning Modules can be accessed at the following address: www.trusteetoolkit.com



St. Modwen Pension Scheme

Statement of Investment Principles

August 2019

Statement of Investment Principles

The Trustee of the St. Modwen Pension Scheme ("the Scheme") has prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995¹ ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005, as well as the principles recommended by the Myners Code.

It supercedes any previous SIP and reflects the investment policy agreed by the Trustee in respect of assets covering Defined Benefit ("DB") liabilities and Defined Contribution ("DC") assets.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustee has:

- Obtained and considered the written advice from the Scheme's Investment Consultant, XPS, who is suitably qualified through ability and experience and has appropriate knowledge;
- Consulted the Employer.

Choosing investments

The Trustee sets the investment strategy and investment policies for the Scheme.

The Trustee has considered the Scheme's liabilities and strength of Employer covenant when setting the investment strategy and policies.

The Trustee relies on Investment Managers for the day-to-day management of the Scheme's assets but retains control over all decisions made about the investments in which the Scheme invests. An exception to this is the property portfolio, which is managed internally and decision-making is not delegated to the Investment Managers.

Where Investment Managers are delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Trustee relies on the Investment Managers to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the assets of the Scheme.

The Trustee relies on the Investment Managers to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Scheme's entitlement within the pooled funds.

¹ As amended 30th November 2018

Investment objective and strategy (DC Section)

Investment objective

The Trustee has set the following objectives:

- To ensure members are given an appropriate range of investment options and guidance on the suitability of those options.
- To give members investment options that enable them to maximise their returns at acceptable levels of risk.
- To ensure members' funds represent appropriate value for money; this may include looking at areas such as performance, volatility of returns, transaction costs and management charges incurred. The Trustee will assess the value for money on a regular basis and understand the contributing factors.
- To ensure that members' invested funds make allowance for change in risk preference as members approach retirement.
- To ensure that any core financial transactions undertaken by the administrator are completed accurately, promptly and effectively.
- To provide flexible investment choices to members and ensure that members are able to switch their investment choices easily.
- To ensure that members have access to enough information about the investment options available and the process of switching investment choices, to enable them to make informed decisions about their investment choices and to understand the potential impact of those decisions on their pension savings.
- To adhere to the provisions contained within this SIP.
- To adhere to the Pension Regulator's DC code and DC regulatory guidance.

Investment strategy

The Trustee intends to meet the investment objective by:

- Providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations, together with guidance on those options, allowing members to make informed decisions on their pension savings. This will include a range of different choices with different return and risk characteristics.
- Providing a Default Lifestyle Option that automatically switches from investments with higher expected returns to investments with lower expected volatility as the member approaches retirement.
- Periodically reviewing the structure of the DC Section and the funds made available to members.
- Regularly reviewing the performance and charging structure of funds available, as well as the value for money of available funds.

The actual strategy adopted for the DC Section of the Scheme is set out in the Appendix.

Investment restrictions

The Trustee intends to adhere to the following restrictions:

- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.
- Stock lending is permitted at the discretion of the Scheme's Investment Managers in line with their overall investment objectives, policies and procedures.

Investment risk

The Trustee has identified a number of risks including (but not limited to):

- **Employer covenant risk & Self investment risk**
- **Liability risks:** Interest rate risk, Inflation risk, Longevity risk
- **Asset risks:** Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk
- **Strategy risks:** Asset allocation risk, Liquidity risk (including collateral risk), Growth asset risk (including currency risk)
- **Implementation risks:** Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustee as follows:

- The Trustee has set an investment strategy that adheres to the contents of this SIP.
- The Trustee receives strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustee undertakes regular monitoring of the Scheme's investments supplemented by information provided by both the Investment Managers and Investment Consultant, as well as advice from the latter.
- The Trustee periodically assess the strength of the Employer covenant and uses external expertise where appropriate.
- The Trustee delegates the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustee considers the Investment Managers' role and approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustee utilises custodian relationships to ensure Scheme assets are held securely.
- The Trustee assesses whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers and Custodians (where there is a direct relationship).

There are a number of non-financial risks that may impact the Scheme. The Trustee may consider these risks when appropriate.

Direct Property

The Scheme invests in a portfolio of directly held properties. The Trustee calls upon the specialist expertise of the Employer to advise upon and manage the day to day management of the portfolio. The Trustee may at their discretion outsource this management if appropriate.

The property portfolio forms one component of the strategy and provides added diversification benefits. In addition, the property provides regular income that is used to supplement cashflow requirements for the Scheme.

The Trustee will look to sell properties should offers above the book value be achievable.

Realising investments

The Trustee recognises that assets may need to be realised to meet Scheme obligations at any time.

The Trustee will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy.

The Trustee will from time to time agree a policy for sourcing cash from the investments as required. Further details are set out in the Appendix.

Responsible investment

The Trustee has considered its approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believes there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues.

Appendix 2 – DC Section Investment strategy

The Trustee assessed the suitability of the default strategy, lifestyle strategies and the self-selection options for the DC section in 2018.

In doing so, the Trustee considered the profile of the membership, their likely investment preferences as well as reviewing if the funds provided good value for money to members, as defined by the Trustee.

As part of this review the Trustee conducted a member survey, the results of which were incorporated into the Trustee's thinking. The outcome of this review included providing a specific ethical and sustainable investment option for members to select, if they so wish.

Default Flexible Withdrawals Option

The Trustee offers a default strategy which comprises of a number of funds, which gradually transition from a growth portfolio, which targets long-term capital growth, to a less risky and more conservative approach as members approach retirement. The Default Lifestyle Option of the DC Section of the Scheme is summarised in the chart below.

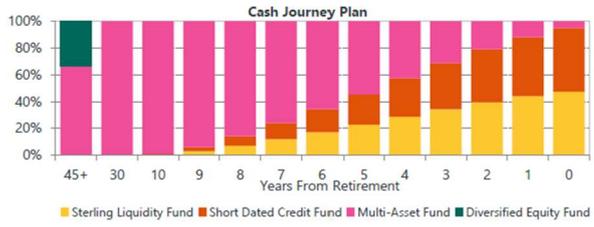


The default lifestyle strategy incurs a total management charge of 0.18% pa, including additional expenses the total charges are 0.54%. The difference is due to the administration charges that are incurred by LGIM, such as the process of automatically switching the units over time, as members approach retirement.

Other Journey Plans

The Trustee offers two alternative journey plan options to the default that may be better suited to some member's needs. The annuity journey plan is suitable for members planning to use their pension savings to purchase an annuity at retirement and the cash journey plan is suitable for members planning to take their pension savings at cash upon retirement.





Self Select Funds

Individual members may elect to follow their own investment strategy by investing in a range of funds. The Trustee has made the following funds available to members:

Asset class	Manager and fund	Fund	Objective	OCF (pa)
Equities				
Global Equities	Legal & General	Global Equity (30:70) Index Fund – 75% GBP Hedged	Capture the total returns of the UK and overseas equity markets.	0.14%
Global Equities	Legal & General	World (ex UK) Equity Index Fund	Capture the total returns of world equity markets, excluding the UK.	0.12%
UK Equities	Legal & General	UK Equity Index Fund	Capture the total returns of UK listed companies.	0.10%
Emerging Market Equities	Legal & General	World Emerging Markets Equity Index Fund	Capture the total returns of emerging equity markets.	0.25%
Global Equities	F&C	Responsible Global Equity Fund	Capture the total returns of global equities that have a strong ESG Focus	0.85%
Multi-Asset				
Multi-Asset	Legal & General	Multi-Asset Fund	Provide long term returns that have less volatility than equities by investing in a range of asset classes	0.13%
Multi-Asset	Threadneedle	Dynamic Real Return Fund	Provide long term returns that have less volatility than equities by investing in a range of asset classes	0.55%
Credit				
Corporate Bonds	M&G	PP All Stocks Corporate Bond Fund	Provide low risk returns from high quality short and long dated corporate debt	0.36%
UK Government bonds	Legal & General	Over 15 Year Gilts Index Fund	Track the sterling total returns of the FTSE A Government (Over 15 Year) Index.	0.08%
UK Government bonds	Legal & General	Over 5 Year Index-Linked Gilts Index Fund	Track the sterling total returns of the FTSE A Index-linked (Over 5 Year) Index.	0.08%
Property				
Property	Legal & General	Property Fund	Provide long term returns through a combination of income and growth from commercial property investments	1.09%
Cash				
Cash	Legal & General	Cash Fund	To provide capital protection with growth at short term interest rates.	0.10%