ST.MODWEN

IMPLEMENTATION STATEMENT

ST. MODWEN PENSION SCHEME

For the period 6th April 2020- 5th April 2021

ST.MODWEN

IMPLEMENTATION STATEMENT

We have prepared this Implementation Statement ('Statement') for both the Defined Benefit (DB) and Defined Contribution (DC) sections of the St Modwen Pension Scheme ('the Scheme') for the period 6th April 2020 to 5th April 2021 (the 'Scheme Year').

This Statement has been prepared in accordance with applicable legislation, taking into account guidance from the Pensions Regulator.

Under applicable legislation, the Scheme, for the purpose of this Statement, is therefore a hybrid scheme (a scheme providing both Defined Benefit and Defined Contribution benefits).

In this Statement we seek to:

- Describe the review of the August 2019 Statement of Investment Principles ('August 2019 SIP') and the changes made to the August 2019 SIP, which resulted in a revised SIP being adopted on 29th September 2020; and
- Set out the Trustee's investment policies;
- Comment on the voting and engagement behaviour and how the Trustee's policies have been followed during the Scheme Year;
- Set out how, and the extent to which, the September 2020 Statement of Investment Principles ('September 2020 SIP') has been followed during the Scheme Year.

Changes made to the SIP during the Scheme Year

There have been no changes to the investment strategy for the Defined Benefit (DB) Section or Defined Contribution (DC) Section during the Scheme Year. The investment strategy is set out in the Scheme's current SIP dated September 2020 and can be found online at https://www.stmodwen.co.uk/about-us/policies-and-governance/pension-statements/

In August 2019 the SIP was updated to comply with the requirements on clarifying and strengthening trustee duties which came into force on 1 October 2019. The updates:

- set out how we take account of financially material considerations over the appropriate time horizon of the investments including those arising from environmental, social and governance ('ESG') considerations including climate change;

- set out our policies in relation to the stewardship of the investments including engagement with investee firms and the exercise of the voting rights associated with the investment; and

- confirmed our decision not to set a policy on non-financial matters in the selection, retention and realisation of investments.

In September 2020 more changes were made to the SIP to comply with further requirements in respect of stewardship and engagement which came into force on 1 October 2020. We have set out our policies in relation to:

- the exercise of rights attaching to investments, including voting rights;

- our expectations of investment managers in undertaking engagement activities with investee companies;

- how we incentivise investment managers to align investment strategy and decisions with the Trustee's policies;

- how we incentivise investment managers to make investment decisions over the medium to long-term;

- how the method of evaluation of investment mangers' performance and the remuneration for their services are in line with the Trustee's policies;

- how we monitor portfolio turnover costs incurred by investment managers; and

- the duration of the arrangements in place with the investment managers.

The Trustee believes these policies will help to deliver long-term value for all its members.

Trustee Policies

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year end, relating to the following:

- Financially Material considerations
- Non-Financially Material considerations
- Investment Manager Arrangements

Stewardship including the exercise of voting rights and engagement activities is set out in the 'Voting and Engagement' section.

Financially Material considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policies on socially responsible investment. The Trustee will assess that these corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;

- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and

- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' processes, it will take this into account on whether to select or retain an investment.

Non-Financially Material considerations

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

Investment Manager Arrangements

Incentives to align investment managers' investment strategy and decisions with the trustees' policies

The Scheme invests in pooled funds and so the Trustee acknowledges that the investment manager's investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustee set its investment strategy and then selects managers that best suits its strategy. Investment managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as investment managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so.

The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects investment managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying companies in which they invest.

The Trustee also considers the managers voting and ESG policies and how they engage with the underlying companies as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustee expects investment managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but does expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme. The Trustee believes the annual fee paid to the fund managers incentivises them to do this.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate the involvement of an investment manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered. The regular reporting also looks at performance over the previous quarter and 12 month periods.

The fund managers' remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustee's policies and fees applying for similar asset classes and fund types.

How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and targeted portfolio turnover to their investment consultant.

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee has appointed Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Scheme over the Scheme year.

Voting and Engagement Policy and Funds

The Trustee's policy on stewardship is as set out below in the SIP dated September 2020:

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights, where practical to do so, as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure and management of conflicts of interest.

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If the policies or level of engagement are not deemed to be appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

The table below sets out the funds the Scheme invested in over the Scheme year and states the use of a proxy voter.

Fund / Product Manager	Investment Fund/Product	Investment Made Via	Scheme / Inv Type	Period Start Date	-	Period End Date	'Proxy Voter' Used?
Allianz	Global Multi Sector Credit Fund	Direct	DB Fund	06/04/20	-	05/04/21	
Scheme Sponsor	Direct Property Portfolio	Direct	DB Fund	06/04/20	-	05/04/21	
Legal & General	LGIM Active Corporate Bond - Over 10 Year	Direct	DB Fund	06/04/20	-	05/04/21	
	LGIM LDI Matching Core Fund (3 Funds)	Direct	DB Fund	06/04/20	-	05/04/21	
	LGIM Sterling Liquidity Fund	Direct	DB Fund	06/04/20	-	05/04/21	
M & G	Alpha Opportunities Fund	Direct	DB Fund	06/04/20	-	05/04/21	
Legal & General	LGIM PMC 2015 - 2070 Target Date Fund 3 (11 Funds)	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC 2020 - 2055 Cash Target Date Fund 3 (6 Funds)	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC 2030 - 2070 Annuity Target Date Fund 3 (8 Funds)	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC BMO Responsible Global Equity Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Cash Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Diversified Fund	Direct	DC Fund	06/04/20	-	05/04/21	ISS
	LGIM PMC Global Equity Market Weights 30:70 Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC M&G PP All Stocks Corporate Bond Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Multi-Asset Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Over 15 Year Gilts Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Over 5 Year Gilts Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Property Fund	Direct	DC Fund	06/04/20	-	05/04/21	
	LGIM PMC Threadneedle Dynamic Real Return Fund	Direct	DC Fund	31/12/20	-	05/04/21	
	LGIM PMC UK Equity Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	ISS
	LGIM PMC World (Ex-UK) Equity Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	ISS
	LGIM PMC World Emerging Markets Equity Index Fund	Direct	DC Fund	06/04/20	-	05/04/21	ISS

Confirmed by Manager Not Yet Confirmed by Manager *Not Applicable

ISS is a proxy voting service.

Exercise of voting rights

The voting activity was requested from all of the Scheme's managers, where appropriate. Due to the nature of the Scheme's property holdings being managed by the Scheme sponsor, it is unlikely there is any voting information to report. Minerva received a response from Allianz, the manager confirmed that there was no voting information to report.

Legal & General Investment Management ('LGIM') confirmed that there are 2 different teams involved for providing voting information for the DB and DC funds. In relation to the DB funds, LGIM confirmed for all funds that the scheme is invested in, there is no voting activity to report. In relation to DC funds, although LGIM have not confirmed voting information for all funds, LGIM previously confirmed there was voting activity for the Diversified Fund, UK Equity Index Fund, World Emerging Markets Index Fund and World (Ex-UK) Equity Index Fund.

LGIM had previously provided Minerva with their manager voting policy. Using this information, Minerva were able to conclude that LGIM's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.

M&G did provide information on unique voting opportunities within the Fund but as the assets are fixed interest in nature, they do not come with traditional voting rights. Therefore, no assessment of good practice could be carried out

Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of each manager where disclosed by the manager.

		No. of Meeting	No. of Resolutions				
Manager	Fund	Eligiable for Voting	Eligiable for Voting	% Eligiable Voted	% Voted in Favour	% Voted Against	% Abstain
M & G	Alpha Opportunities Fund	34	52	86.3%	93.3%	6.7%	0.0%
Legal & General	LGIM PMC Diversified Fund	11,362	115,604	99.0%	81.7%	17.7%	0.6%
	LGIM PMC UK Equity Index Fund	943	12,574	100.0%	92.9%	7.1%	0.0%
	LGIM PMC World (Ex-UK) Equity Index Fund	3,243	37,840	99.8%	80.3%	19.2%	0.6%
	LGIM PMC World Emerging Markets Equity Index Fund	3,998	36,036	99.9%	85.2%	13.4%	1.4%

Significant Votes

A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

- Contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK)
- Is one proposed by shareholders that attracts at least 20% support from investors; and
- Attracts over 10% dissenting votes from shareholders.

Where the manager has not provided the level of data to identify the 'Significant Votes' based on the criteria explained above, Minerva has applied the definition provided by the managers themselves.

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
M & G	Alpha Opportunities Fund	Marston's Issuer PLC	27-May-20	Related to COVID impact.	Consent	Consent Granted	Manager identified.
		Vote Rationale:					
		Without covenant relief an event of default would likely have occurred in the short term. The amendment was necessary to prevent an imminent breach of a financial covenant.					
		Punch Taverns Finance B	12-May-20	Related to COVID impact.	Consent	Consent Granted	Manager identified.
		Vote Rationale:					
		Without covenant relief an event of default would likely have occurred in the short term. The amendment was necessary to prevent an imminent breach of a financial covenant.					
		The Unique Pub Finance Company PLC	06-Jul-20	Related to COVID impact.	Consent (Consent with Payment)	Consent Granted	Manager identified.
		Vote Rationale:					
		Without covenant relief an event of default would likely have occurred in the short term. The amendment was necessary to prevent a likely breach of a financial covenant in the later part of this year. A consent fee was offered on the final proposal, and it seems that management viewed the consent as necessary to support a refinancing at the parent level.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Lagardere	05-May-20	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB directors (resolutions B,C,E,F,G).	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.
		Vote Rationale:					
		Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardere, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.					
Legal & General	LGIM PMC Diversified Fund LGIM PMC UK Equity Index Fund	Barclays	07-May-20	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.
		Vote Rationale:					
		The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Amazon	27-May-20	Shareholder resolutions 5 to 16	Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)	The market attention was significant leading up to the AGM, with:
		Vote Rationale:					
		In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings Environment: Details about the data transparency committed to in their 'Climate Pledge' Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of $2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.					
Legal & General	LGIM PMC Diversified Fund LGIM PMC UK Equity Index Fund	SIG plc.	09-Jul-20	Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.	We voted against the resolution.	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.	The vote is high-profile and controversial.
		Vote Rationale:					
		The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business. The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments. We believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments. In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	The Procter & Gamble Company (P&G)	13-Oct-20	Resolution 5 Report on effort to eliminate deforestation.	LGIM voted in favour of the resolution.	The resolution received the support of 67.68% of shareholders (including LGIM).	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.
		Vote Rationale:					
		P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.					
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Whitehaven Coal	22-Oct-20	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	LGIM voted for the resolution.	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds and select exchange-traded funds were not invested in the company.	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.
		Vote Rationale:					
		The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.					
Legal & GeneraL	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Qantas Airways Limited	23-Oct-20	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.	LGIM voted against resolution 3 and supported resolution 4.	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.
		Vote Rationale:					
		The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Cardinal Health	04-Nov-20	Resolution 3, Advisory Vote to Ratify Named Executive Officers' Compensation.	LGIM voted against the resolution.	The resolution encountered a significant amount of oppose votes from shareholders, with 38.6% voting against the resolution and 61.4% supporting the proposal.	We believe it is imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.
		Vote Rationale:					
		The company paid out an above target bonus to the CEO, the same year it recorded a total pre-tax charge of $5.63 billion ($5.14 billion after tax) for expected opioid settlement costs during the fiscal year ended 30 June, 2020. The Compensation Committee excluded the settlement costs from the earnings calculations which resulted in executive pay being boosted. Further, the current CEO was head of pharma globally during the worst years of the opioid crisis. Accountability would therefore have been expected. LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. We voted against the resolution to signal our concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement					
Legal & General	LGIM PMC Diversified Fund LGIM PMC World (Ex-UK) Equity Index Fund	Walgreens Boots Alliance, Inc.	28-Jan-21	Resolution 3: Advisory vote to ratify named executive officer's compensation.	We voted against the resolution.	The resolution failed to get a majority support as 52% of shareholders voted against.	It was high-profile and controversial.
		Vote Rationale:					
		The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.					
Legal & General	LGIM PMC Diversified Fund LGIM PMC UK Equity Index Fund	Imperial Brands plc	03-Feb-21	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.	LGIM voted against both resolutions.	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.
		Vote Rationale:					
		The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.					

Manager Engagement Information

The Trustee believes that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

			Summary of Company Engagement Topics Covered									Outcomes	
			Corporate Governance							Sustainability			
Manager	Fund	No. Meetings	Strategy	Audit & Report.	Board	Capital	Corp. Action	Remun	Shrhdr Rights	Envir.	Social		
Allianz	Global Multi Sector Credit Fund												
M & G	Alpha Opportunities Fund	8	62.5%							12.5%	25%		
Legal & General	Firm-level data only	891	41.3%							33.8%	24.7%		

Not Identified by Manager

Allianz and M&G provided further engagement information, which is set out below.

Allianz

Allianz Global Investors' stewardship activities include monitoring and engaging companies on a broad range of issues, including, but not limited to: strategy, performance, capital management, corporate governance and shareholder rights, risk management, operational issues, audit and accounting, management remuneration and incentives, environmental, social and business conduct issues, transparency and disclosure.

Our engagement activities include: monitoring, providing feedback, challenging corporate practices and seeking change, and, in rare circumstances, public interventions.

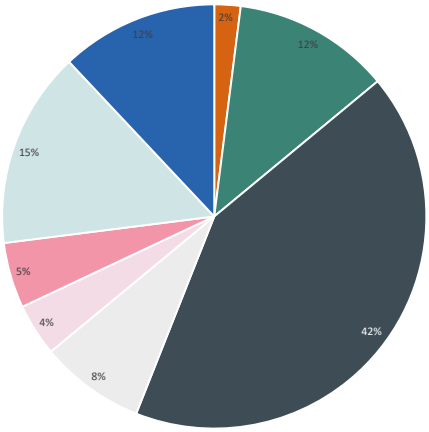
Engagement can take various forms, including:

- Electronic correspondence;
- Face-to-face meetings and conference calls with investor relations, executive directors and senior management, board chairmen and non-executive board members, company secretaries, as well as heads of operational, controls and sustainability functions;
- Formal letters to boards and management;
- Discussions with company advisers and other external stakeholders;
- Proxy voting and communication of voting decisions to issuers;
- Dialogue and collaboration with other shareholders; and
- Public interventions, through co-filing/filing shareholder resolutions, speaking at shareholder meetings, and commenting in the media.

In addition, Allianz Global Investors sees value in collaborative engagement initiatives coordinated by investors, trade associations and other organizations, where these seek to address market or industry-wide concerns. As an active investment manager, Allianz Global Investors sees engagement as a way to reduce investment risk, help improve corporate performance and better assure long-term business prospects of investee companies.

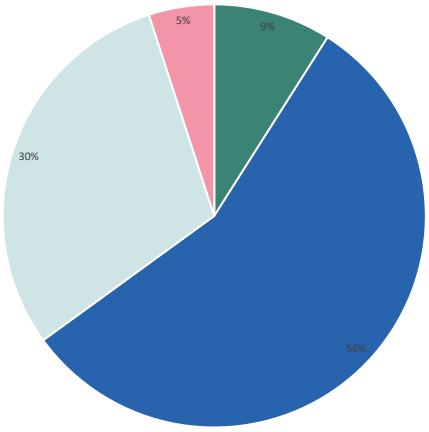
Portfolio related Engagement activities

By sector



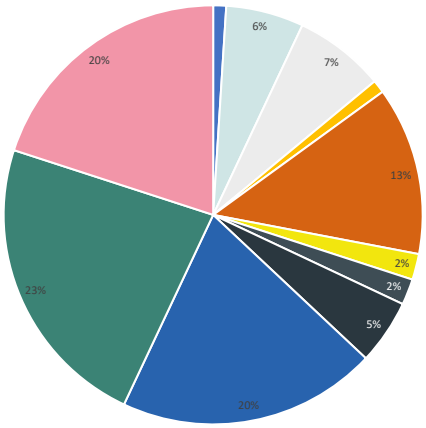
- Communication Services
- Energy
- Finanials
- Health Care
- Industrials
- Materials
- Others
- Utilities

Per Topic



- Captial management
- Corporate goverance
- Environmental risks
- Tranparencey & discolsure

Per geography



- Austria
- Denmark
- France
- Italy
- Japan
- Netherlands
- South Africa
- Spain
- Swizerland
- United Kingdom
- United States

The pie charts display % share of the engagement activities with copotrate of a portfolio structed into sector, topic and by geography for preivous year. Additionally, it lists corporates with which engagemtn took place including what topics.

Companies	Date	Details of the Engagement(s)
Heathrow Airport	06/08/20	The manager engaged with management as insiders in a series of meetings on the proposed covenant waivers and amendments related to Covid-19 impact. Where they asked for shareholders to support the business with fresh equity to cover cash burn through this period as they felt that such shareholder support would not only protect the business at this critical time but also send a strong message to employees and to the regulator. The consent request was approved by bondholders in July and they voted in favour. However, they did not succeed in encouraging shareholders to support the business via injecting fresh equity. Following engagements with management, they were however successful to ensure that bondholders were treated as fairly as possible, and the consent fees were work fees rather than being coercive in nature.
AB InBev	01/09/20	The manager met with the IR and sustainability teams of multi-national drinks company AB InBev urging it to set medium-term scope 1-3 emissions reduction targets, post 2025, as well as a net zero target for 2050 or sooner. The IR and sustainability teams explained the company's main challenges in reducing emissions. These primarily focused on the heat required in the brewing process – which is currently two-thirds of its energy requirements – and product packaging, which represents 40% of its scope 3 emissions. The company is clearly aware of its challenges and is working on the solutions, which could include the increased use of returnable glass bottles and recycling plastic on the packaging side. The manager is now giving the company time to work through these solutions, and await its next ESG report, to be published in February 2021, to see if any new targets are published, against which they will decide if further near-term engagement is necessary.
Quadient	01/09/20	The manager asked automation and communications specialist, Quadient to publish full public policy documents on human rights, supplier practices, business ethics and data privacy. Aiming to encourage further disclosure and policies relating to human rights and modern slavery. This allowed Quadient to explain its full ESG strategy, and allowed an in depth look at its approach to supply chain management, especially relating to conflict minerals and human rights. Quadient was extremely receptive to questioning from the manager and suggestions for releasing public-facing policy documents. The company has assured that it intends to publish these, and supplementary information, on its website in the near future. The manager will continue to monitor, and follow up as appropriate.

Outstanding Information

This section sets out the status of outstanding information Minerva have requested

Fund / Product Manager	Investment Fund/Product	Information Request Acknowledged	Voting Info Available?	Engagement Info Available?	Info Rec'd by Minerva Deadline
Allianz	Global Multi Sector Credit Fund				
Scheme Sponsor	Direct Property Portfolio				
Legal & General (DB Funds)	LGIM Active Corporate Bond - Over 10 Year				
	LGIM LDI Matching Core Fund (3 Funds)				
	LGIM Sterling Liquidity Fund				
M & G	Alpha Opportunities Fund				
Legal & General (DC Funds)	LGIM PMC 2015 - 2070 Target Date Fund 3 (11 Funds)				
	LGIM PMC 2020 - 2055 Cash Target Date Fund 3 (6 Funds)				
	LGIM PMC 2030 - 2070 Annuity Target Date Fund 3 (8 Funds)				
	LGIM PMC BMO Responsible Global Equity Fund				
	LGIM PMC Cash Fund				
	LGIM PMC Diversified Fund				
	LGIM PMC Global Equity Market Weights 30:70 Index Fund				
	LGIM PMC M&G PP All Stocks Corporate Bond Fund				
	LGIM PMC Multi-Asset Fund				
	LGIM PMC Over 15 Year Gilts Index Fund				
	LGIM PMC Over 5 Year Gilts Index Fund				
	LGIM PMC Property Fund				
	LGIM PMC Threadneedle Dynamic Real Return Fund				
	LGIM PMC UK Equity Index Fund				
	LGIM PMC World (Ex-UK) Equity Index Fund				
	LGIM PMC World Emerging Markets Equity Index Fund				

Nothing to Report | Positive Response | Not Provided

Not Confirmed | Partial Response

*Indicates that from previous communications the manager had provided the required voting and/or engagement – or had indicated that there was none to report

Minerva is continuing to engage with the relevant managers on the identification and provision of any missing VEI information and will provide the Scheme with an update as soon as all of the managers have formally reported back, and any information provided has then been analysed.

Conclusion

Allianz confirmed there was no voting information to report due to nature of the underlying holdings. From the engagement information provided by the manager, Minerva concluded that the Trustee's engagement policy had been followed.

M&G provided some voting information but due to the nature of the fixed interest holdings, which generally do not carry voting rights, Minerva was not able to determine that the manager had followed the Trustee's voting policy. Minerva was able to determine that M&G had followed the Trustee's engagement policy.

Minerva was also able to determine that LGIM have followed their own voting policies and by extension the Trustees' policies. LGIM stated that they are unable to provide any engagement information at a fund level, however Minerva were able to extract firm level engagement information from the manager's website.

It was determined that the Scheme's property holdings had no voting or engagement information to report due to nature of the underlying holdings.

How the SIP has been followed during the Scheme Year

The Trustee is of the opinion that the SIP has been followed over the Scheme Year as detailed below:

- The Trustee discusses investment matters at each quarterly Trustee meeting, alternating the focus of each meeting between the DB and DC Sections. The Trustee's investment consultants – XPS (DB) and Barnett Waddingham (DC) - each attend two Trustee meetings a year to discuss investment matters;

- The Trustee updated the SIP over the Scheme Year as detailed above. During the Scheme Year the Trustee reviewed its policies on ESG and Stewardship.

- The Trustee monitors the performance of the investment managers against its aims and objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

- Portfolio turnover costs are currently monitored implicitly via quarterly fund performance monitoring, with performance being tracked on a net of fee basis. The Trustee is currently seeking explicit portfolio turnover information via the Scheme's investment consultants and will report further on this in next year's statement.

- The Trustee seeks advice from its investment consultants on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercise. During the Scheme Year, there have been no such manager selection exercises.

- In terms of internal controls, the Scheme's risk registers are reviewed quarterly at every Trustee meeting;

- 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 of the Trustee Director's have completed the Pension Regulator's online toolkit and 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. All professional trustee representatives of Dalriada Trustees Limited are accredited by the Association of Pension Professional Trustees and maintain up-to-date CPD with an emphasis on the skills and knowledge required to act as a professional trustee. During the Scheme Year, this has included the completion of responsible investment training delivered by the Principles for Responsible Investment Academy.

- The Trustee does not hold any employer related investments that would contravene the Pensions Act 1995 and underlying regulations.

Further details of how the SIP has been followed for both the DB and DC Sections is overleaf.

DB Section

- The Trustee's overall investment policy in respect of the DB section is to achieve and maintain a fully funded position on a Technical Provisions basis, to implement an investment strategy to achieve a return of 1.5% p.a. in excess of the returns on government bond yields, to control volatility and the long term costs of the Scheme and to ensure the Scheme's assets have sufficient liquidity and meet benefit payment as they fall due. The Trustee believes that these objectives have been achieved.

- During the Scheme Year the Trustee reviewed the investment strategy for the DB Section following advice received from XPS. The purpose of this exercise was to review the level of risk in the portfolio and to ensure that the Liability Driven Investment (LDI) portfolio continues to provide adequate protection of the Scheme's funding position. As part of this review a decision was taken to reduce risk by selling down the Scheme's active corporate bond portfolio and investing the proceeds in a lower risk Buy and Maintain credit fund. The review of the Scheme's LDI portfolio is due to be concluded in September 2021. The SIP will be updated once the review is complete and further details will be provided in next year's statement.

- Cashflow requirements have been reviewed by the Scheme's administrator, Dalriada Trustees Limited, on a quarterly basis and liquidity requirements have been kept under review by the Trustees with the assistance of XPS.

- The Scheme directly holds a property portfolio and the Trustee regularly reviews the portfolio and actively considers opportunities to dispose of properties in order to improve the liquidity in the Scheme. The disposal of one of the properties in the portfolio was completed in July 2021 and following advice received from XPS it was agreed to hold the proceeds in cash to meet the Scheme's ongoing cashflow requirements.

DC Section

- The Trustee's investment objectives in relation to the DC section are to ensure members are given an appropriate range of investment options and guidance on the suitability of those options and to give members investment options that enable them to maximise their returns at acceptable levels of risk. The Trustee also wants to ensure that member's funds represent appropriate value for money and that they make allowance for change in risk preference as members approach retirement. The Trustee is satisfied that it is meeting these objectives.

- The last full review of the default arrangement was undertaken on 7 December 2017 and completed on 1 July 2019. The next formal review is due in 2022, unless there is any significant change in investment policy or demographic of membership.

- Following advice received from Barnett Waddingham during the Scheme Year, the Trustee agreed to introduce a sign posted 'at retirement solution' for flexi-drawdown. This will be via the Legal and General WorkSave Master Trust – Pension Access Scheme and will provide members with relatively seamless access to a drawdown facility. The Trustee are currently working with Barnett Waddingham and Legal and General to implement this arrangement and will shortly be communicating details with members.

- The Trustee commissioned Barnett Waddingham to perform an in depth 'Value for Member' assessment of the Scheme for the Scheme Year. The review concluded that the Scheme continues to represent excellent value for all members and further details can be found in the annual governance statement at https://www.stmodwen.co.uk/about-us/policies-and-governance/pension-statements/.

- The Trustee has also set an objective to ensure core financial transactions undertaken by the administrator are completed accurately, promptly and effectively. The Trustee receives quarterly stewardship reports from the Scheme administrators, Legal and General, to monitor the position and the Trustee is satisfied that this objective is being met. Further details can be found in the annual governance statement.

- The Trustee also ensures 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. Copies of the Scheme's investment guide and membership handbook can be obtained from St. Modwen HR. Members also have access to up to date information about their pension savings and investment options via the Scheme's L&G website, www.legalandgeneral.com/workplace/s/st-modwen

- Engagement with other stakeholders: The Trustee is in regular dialogue with the Company on DC specific issues and produces an annual board paper updating the Company on any key matters which have arisen during the course of the year and highlighting any DC specific issues which might require Company input.