

Onward Pension Plan – Statement of Investment Principles

This is the Statement of Investment Principles (the “Statement”) made by the Trustee (the “Trustee”) of the Onward Pension Plan (“the Plan”) in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee on 5 February 2025, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the employer to the Plan (Onward Homes) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Plan is a defined benefit plan which is closed to accrual and to new members, although a small number of members retain a final salary link to their accrued benefits at date of closure.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

Plan objective

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee’s over-riding funding principles for the Plan are to set the employer contribution at a level which is sufficient:

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The value of liabilities is calculated on the basis agreed by the Trustee and the Plan Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustee has translated its objectives into a suitable strategic (asset allocation) benchmark for the Plan. The strategic benchmark is consistent with the Trustee’s view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The strategic benchmark is reflected in the choice and mix of funds in which the Plan invests.

The investment strategy takes account of the maturity profile of the Plan (in terms of the relative proportions of liabilities in respect of pensioners and deferred members), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustee’s view of the covenant of the principal employer.

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Plan. Written advice is received as required from professional advisers.

The Trustee has delegated all day to day investment decisions to authorised investment managers.

Written advice is received as required from professional advisers.

Choosing investments

The Trustee has appointed three investment managers to manage the Plan's investments. All investment managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Trustee has appointed each of its investment managers to deliver a specific performance target, which overall will align to deliver the broader Plan investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Plan. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Plan.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee reviews the suitability of the Plan's investments on a regular basis.

The Trustee seeks and considers written advice from a suitably qualified source when determining whether:

- Each manager and mandate are appropriate for the Plan, particularly in relation to diversification, risk, expected return, and liquidity;
- Any proposed investment in a security or product not previously known to the Trustee is suitable.

The Trustee recognises the long-term nature of the Plan's liability profile and appoints managers to invest in such a way that generates long term sustainable returns. The Trustee carries out necessary due diligence on the underlying investment decision-making process to ensure the managers make investment decisions over an appropriate time horizon aligned with the Plan's objectives.

Kinds of investment to be held

The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, and commodities either directly or through pooled funds.

The Plan may also make use of contracts of insurance, derivatives, and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient implementation of their strategy, efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Plan.

Balance between different kinds of investments

The Plan's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market each manager will maintain a diversified portfolio of securities.

Risk

The Trustee recognises that the Plan faces a number of risks in relation to the investment of its assets. The Trustee accepts that a certain level of risk is inevitable in the effective management of investments and monitors these risks on a regular basis.

Funding risks

The main funding risks affecting the Plan are:

- Financial mismatch – The risk that the Plan's assets fail to grow in line with the cost of meeting the Plan's liabilities.
- Demographic changes – The risk that improved longevity and adverse developments in other demographic factors increase the cost of providing the Plan's benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Plan's liabilities. Climate change is a particular systemic risk that has the potential to have a significant economic, financial, and demographic impact.

The Trustee manages financial mismatch in two ways. The Trustee has set a strategic benchmark for the Plan. The Trustee assesses risk relative to that benchmark by monitoring the Plan's asset allocation and investment returns against the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of returns against liabilities.

The Trustee keeps mortality and other demographic assumptions which could influence the cost of benefits under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustee seeks to mitigate systemic risk through a diversified portfolio. However, the Trustee recognises that it is not possible to make specific provisions for all possible eventualities that may arise.

Asset risks

The main asset risks affecting the Plan are:

- Concentration risk – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulty achieving the Plan's funding objective.
- Liquidity risk – The risk that the Plan is unable to meet its immediate liabilities due to a lack of liquid assets.
- Currency risk – The risk that the currency in which the Plan's assets are denominated underperforms relative to Sterling (the currency in which the liabilities are denominated).
- Manager performance risk – The failure by the Plan's asset managers to achieve the rate of investment return assumed in setting their mandate.
- Environmental, Social, and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or have not been considered in investment decision making, leading to financial underperformance relative to expectations.

- Climate risk – The extent to which climate change causes a material deterioration in the value of the Plan's assets as a consequence of factors including, but not limited to, policy changes, physical impacts, and the expected transition towards a low carbon economy.

By investing across a range of assets, included quoted equities, bonds, and future bulk annuity policies when appropriate, the Trustee recognises the need and ensures the ability to access sufficient level of funds in the short term to pay out benefits. In appointing the Plan's investment managers, the Trustee has considered the risk of underperformance by any single investment manager.

The Trustee does not expect managers to take excess short-term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short-, medium- and long-term basis.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

Further third-party risks affecting the Plan are:

- Transition risk – The risk of occurring unexpected costs in relation to the transition of assets among managers
- Custody risk – The risk of losing economic rights to the Plan's assets or outright loss of the assets while held in custody or being traded
- Credit default risk – The possibility of default of a counterparty in meeting its obligations

The Trustee manages risks in these areas through a process of regular scrutiny of the appointed service providers and audit of the operations the Trustee conducts in the name of the Plan. In cases where management of specific risks has been delegated to service providers (e.g. custody risk in relation to pooled funds), the Trustee actively monitors how the relevant service providers exercise the responsibilities delegated to them.

When carrying out significant transactions, the Trustee seeks professional advice as required by law and recommended by the regulator.

Expected return on investments

The Plan's investment strategy aims to achieve a return on the Plan's assets which, taken in conjunction with contributions, is sufficient over time to match growth in the Plan's pension liabilities.

Realisation of investments

The majority of the Plan's investments may be realised quickly if required. Less liquid assets, which represent 25% of strategic total Plan assets, may be difficult to realise in short order.

Financially material factors

The Trustee recognises that the consideration of financially material factors over the appropriate time horizon of the investments, including ESG factors, is relevant at different stages of the investment process. The Trustee further recognises that the financial materiality of any factor, including ESG factors, is context specific and that whilst some factors may be relevant to certain stocks/assets, they may not be relevant to others.

The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention, and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will require that their investment managers take such considerations into account within their decision making.

The Plan's strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financial material factors.

Non-financially material factors

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustee regards stewardship as encompassing:

- The exercise of voting rights and engagement activities with investee companies in the case of equities mandates;
- Engagement activities by and with investment managers, and the monitoring of managers' compliance with agreed policies;
- Participation in ESG-related industry initiatives

Voting

The Trustee has chosen to delegate voting decisions on stocks to investment managers. Voting power is to be exercised by the managers with the objective of preserving and enhancing shareholder value. Managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy

Where relevant, the Trustee has reviewed the voting policies of their Investment Managers and determined that these policies are appropriate. On a periodic basis, the Trustee will request their Investment Managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from their Investment Managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators, and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance, and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Plan and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place. Managers are required to disclose any potential or actual conflict of interest to the Trustee.

Engagement

The Trustee will aim to meet with all their Investment Managers on a periodic basis. The Trustee will provide its managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the Code and to produce a statement of their commitment to the Code.

Investment arrangements

The Plan's assets are invested through several mandates with a range of investment managers.

Structural considerations

Given the discretion afforded to the active Investment Managers, the Trustee expects that their Investment Managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Performance monitoring

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis. The Trustee expects the Plan's investment adviser to assist by providing pertinent input and analysis. Where necessary, the Trustee highlights to managers areas of concern identified during such reviews and requests that managers take appropriate action. Areas of concern may include financial performance, risk management, stewardship practices, investment processes, and operational issues. Where concerns have been raised, the Trustee requires managers to demonstrate a level of improvement. Failure to achieve the desired improvement will result in the mandate being reduced or terminated.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee requests investment managers to provide turnover costs incurred at least once over the Plan year.

Prepared by:

Trustee of the Onward Pension Plan

Trustee Director

Date

Trustee Director

Date

Appendix – Strategic Asset Allocation

The Scheme's Strategic Asset Allocation is as follows:

Strategic Asset Allocation

Asset	Strategic Allocation
Equity (with downside protection) – exposure *	40%
Equity (with downside protection) – offsetting cash *	(40%)
Illiquid Investments	25%
Total Growth	25%
Multi-Asset Credit	30%
Total Income	30%
Collateral (supporting equity and hedging) *	45%
Total Protection	45%
Total	100%
Return p.a. (Gilts +) **	3.55%

* Collateral is held within a segregated mandate with Schroders Investment Management. Equity exposure is achieved synthetically, and the manager operates a shared collateral pool which supports both the synthetic equity and LDI hedging arrangements. To avoid double counting, we include the cash within the Protection section, including an offsetting negative cash allocation in the Growth section so the exposures remain highlighted.

** best estimate; as at 30 June 2024.

Multi-asset credit exposure is achieved via an income mandate with M&G Investment Management Ltd - the Total Return Credit Investment Fund. The illiquid allocation is sourced from an investment in the Partners Fund, run by Partners Group.

As part of their strategic decisions, the Trustee have set a target level of hedging for interest rate and inflation risks which has been set to be broadly in line with the Plan's technical provisions funding level, at the time of implementation.