Implementation Statement for the Year to 31/03/2024

Southern Housing Group Pension Plan ('the Plan)

Introduction
This implementation report is to provide evidence that Southern Housing Group Pension Plan ('the Plan') continues to follow and act on the principles outlined in the Trustees' Statement of Investment Principles ('SIP').

The SIP can be found online at the following web address:
https://www.southernhousing.org.uk/media/2tajdh2a/shgpp-sip-for-online.pdf

This Implementation Report details:

- Actions the Plan has taken over the reporting period to manage financially material risks and implement the key policies in its SIP
- The current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- The extent to which the Plan has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate (see attached Mobius reports covering details for the 1964 and 2017 sections of the Plan)
- Voting behaviour for and on behalf the Plan including the most significant votes cast by the Plan or on its behalf (see attached Mobius reports covering details for the 1964 and 2017 sections of the Plan)

Summary of key actions undertaken over the Plan reporting year

Over the reporting period, the Plan de-risked the investment strategy for both the 1964 and 2017 sections. At the beginning of the Q2 2023 period, the Plan fully disinvested from its Columbia Threadneedle ('CT') LDI portfolio as well as CT Equity-Linked LDI, and the Legal and General Investment Management ('LGIM') Sterling Liquidity (Cash) Fund. The proceeds were reallocated to a new LDI portfolio managed by LGIM and a new Insight Asset-Backed Securities mandate.

Further, as Apollo came to the end of its 2-year lock-in period, the Trustees decided in light of a significant funding level improvement to de-risking the Plan's investment strategies with an entire sale of Apollo Semi-Liquid Credit for the 1964 Section and a partial sale for the 2017 Section, reducing its allocation to 10%. Proceeds were used to implement an interim step to increase the hedge level to 95% on the proxy 2024 Technical Provisions basis as a pragmatic approach to reducing interest rate and inflation risks in the Plan, before ultimately increasing it to 100% once the 2024 Actuarial Valuation cashflows become available. As part of the LDI update, the Trustees decided to include a corporate bond portfolio to provide some of the Plan's routine cashflow requirements. This portfolio is also managed by LGIM.

Implementation Statement

This report demonstrates that the Plan has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions
Interest rates and Inflation	The risk of mismatch between the value of the Plan's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge the majority of the Plan's interest rate and inflation risks, whilst considering the liquidity profile of the Plan's assets.	In Q2 2023 the Trustees replaced the Plan's Liability Driven Investment ('LDI') manager following discussions with their investment consultant. In Q1 2024, the Trustees increased the interest rate and inflation hedge ratio to 95% on the proxy 2024 Technical Provisions basis for both Sections. The Trustees took a pragmatic approach to increasing the hedge level, before ultimately increasing it to 100% once the 2024 Actuarial Valuation cashflows become available.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI mandates.	The Trustees introduced an Asset-Backed Securities fund within the investment strategies to provide an alternative liquidity source to Multi-Asset Credit. Both funds are now included in the Plan's collateral waterfall. The Plan has implemented a Buy & Maintain Corporate Bond mandate to provide some of the Plan's routine cashflow requirements. The Trustees have reduced the Plan's allocation to Semi-Liquid Credit, a quarterly dealt investment fund. This has reduced liquidity risk within the Plan's investment strategies.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away from any unrewarded risks, where practicable.	Following two investment strategy reviews, the Plan de-risked over the period, by disinvesting from CT Equity-Linked LDI, and the entire sale of the Apollo Semi-Liquid Credit fund for the 1964 Section and a partial sale for the 2017 Section. The Trustees introduced an Asset-Backed Securities fund to both investment strategies

			providing some diversification to traditional corporate credit.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.	The Plan reduced its Semi-Liquid Credit allocation with Apollo while replacing it with lower risk credits including investment grade Asset Backed Securities and Buy & Maintain Credit.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy/Framework 2. Implemented via the investment process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the managers on an ongoing basis.	The Trustees' investment advisor, on behalf of the Trustees, have reviewed each of the Plan's managers from an ESG perspective and this feeds into their rating of the investment manager/product. This is provided to the Trustees as part of an annual Impact Assessment, with feedback points communicated back to the managers on behalf of the Trustees.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge all currency risks on all assets that deliver a return through contractual income.	The Trustees invest in GBP share classes in all of their investments.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

Over the reporting period, there were no changes to the SIP. The Trustees did update the SIP post period end to reflect the de-risking strategy work as described in the policy actions above.

Current ESG policy and approach

The Trustees' ESG policy can be found in the Statement of Investment Principles linked above.

Engagement and Voting

As the Plan invests via the Mobius platform, the Trustees have delegated responsibility for reporting on engagement and voting to Mobius. Mobius have produced an annual ESG report which should be read alongside this cover letter.

The Plan invests solely into credit assets. Therefore, the data provided by Mobius is not expected to contain information on voting, which is typically only associated with equity funds.

During the year, the Trustees completed an Impact Assessment which assessed how well the Plan's investment managers are integrating ESG factors into their investment processes. This report highlighted engagement points which have been fed back to the Plan's managers on behalf of the Trustees.

The Trustees will complete the exercise again in Q1 2025 to assess how well the managers have progressed against the Trustees' proposals.