

UNIVERSITY OF YORK PENSION FUND
STATEMENT OF INVESTMENT PRINCIPLES – SEPTEMBER 2025

1 Introduction

- 1.1 This Statement of Investment Principles (the “Statement”) has been prepared by The University of York Pension Trust Limited (the “Trustee”), the trustee company of the University of York Pension Fund (the “Fund”). Its purpose is to outline the broad principles governing the investment policy of the trustee company and to satisfy the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005). It also provides information on various other aspects of the investment of the Fund’s assets.
- 1.2 The Statement has been prepared with the assistance, and on the written advice, of Isio Group Limited (“Isio”), the Trustee’s investment advisor. It has been agreed by the Trustee. The principal employer has been consulted on the contents of the Statement and the current investment managers were given the opportunity to comment on its contents.
- 1.3 The effective date of this statement is 3 September 2025. It is the Trustee’s policy to review this Statement and the Fund’s investment strategy no later than three years after the effective date of this Statement and without undue delay after any significant change in investment policy, or where the Trustee considers that a review is needed for other reasons. The Trustee monitors compliance with this Statement at least annually and obtains confirmation from the investment manager(s) that they have exercised their powers of investment with a view to giving effect to the principles contained herein as far as reasonably practicable.

2 Investment principles

- 2.1 The Trustee will act in the best financial interests of all classes of Fund member, seeking to ensure that the assets are invested in a way most likely to secure the benefits offered by the Fund. The investment managers are instructed to give primary consideration to the financial prospects of any investment they hold or consider holding.
- 2.2 The Trustee’s investment objective is to achieve returns over the long term that will meet the liabilities with a stable, affordable contribution rate. Regard is had to the Fund’s relative immaturity, strong positive cash flow, the Fund’s statutory funding objective, the covenant of the University, the University’s wish to minimise the risk of higher contributions at some time in the future and the need to ensure that the risk of deterioration of the funding level, to such an extent as to lead to the need to implement a recovery plan under The Occupational Pensions Schemes (Scheme Funding) Regulations 2005, is acceptable.

- 2.3 The Trustee takes a long-term view on investment given the Fund's strong positive cash flow and ongoing flow of new entrants, and the strength of covenant of the University. Short-term volatility of returns can be tolerated, as the Fund does not need to realise investments to meet liabilities, and this need not feed through directly to the contribution rate. The Fund's cash flow, including investment income, is likely to remain positive for the next five years or more.
- 2.4 The Trustee seeks to manage investment risk through a diversified portfolio and with regard to the risk appetite of its stakeholders. Further information on risk is given in sections 3 and 4 below.
- 2.5 The Trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. Further information on the Trustee's beliefs about investment returns and its investment benchmark and management structure are given in section 5 below.
- 2.6 The Trustee seeks to be an active and responsible long-term investor believing that this will protect and enhance the value of the Fund's investments in the long-term. Further information on responsible investment is given in section 9 below.

3 Risk

- 3.1 In order to meet the long-term funding objective to pay the Fund benefits as they fall due whilst managing the level of contributions, the Trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than would be achieved simply by matching liabilities and assets whilst maintaining a prudent approach to meeting the Fund's liabilities.
- 3.2 Before deciding to take investment risk relative to the liabilities, the Trustee receives information from its investment advisor and the Scheme Actuary and considers the views of the University. In particular, it considers carefully the following possible consequences:
 - 3.2.1 The assets might not achieve the excess return relative to the liabilities expected over the long-term. If the value of assets increased at a lower rate than the value of the liabilities, this would result in deterioration in the Fund's financial position and consequently the need for higher contributions from the University and members than currently expected.
 - 3.2.2 The relative value of the assets versus the liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the potential size of any shortfall of assets relative to the liabilities in the event of discontinuance of the Fund.
- 3.3 The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the University and its willingness to contribute appropriately to the Fund, the perceived capacity of the University and members to work collaboratively with respect to the management and adaptation of Fund benefits, the financial health

of the Fund and the Fund's liability profile. The Trustee monitors these factors regularly with a view to altering the investment objectives, risk tolerance and/or return target should there be any significant change in any of the factors.

- 3.4 Having regard to the above, and after receiving information from the Scheme Actuary and advice from the investment advisor, the Trustee has adopted investment arrangements that it believes offer an acceptable trade-off between risk and return.
- 3.5 The Trustee has considered the use of hedging of risks within the portfolio. In particular:
 - 3.5.1 The Trustee has taken the decision to hedge the currency risk associated with investing in overseas equities. The Trustee holds overseas equities in order to gain exposure to the underlying equity market returns in that region rather than to speculate on currency movements, and by currency hedging, the Trustee is able to remove this additional unwanted source of risk
 - 3.5.2 The Fund currently holds some investments in corporate bonds, which provide some degree of protection against adverse movements in interest rates.
 - 3.5.3 The Fund currently holds some investments in a Liability Driven Investment ("LDI") portfolio which, provides a high degree of protection against both interest rate and inflation exposure inherent within the Fund's liabilities.
- 3.6 The Trustee has considered the impact of 'financially material issues' including ESG and climate change. The details of the Trustee's policy on these issues is given in section 9.

4 Diversification of risk

- 4.1 The overall investment risk to the Fund is diversified across a range of different investment types, which are expected to provide excess return over time, commensurate with risk.
- 4.2 The Fund invests in, among other assets, bonds and LDI, equities, asset-backed securities and alternative assets such as private equity, direct lending, infrastructure equity and ground rents. It also maintains a watching brief over the potential contribution of other forms of asset including commodities, currencies, absolute return strategies, derivatives and infrastructure debt.
- 4.3 The Trustee also monitors, analyses and responds to other risks such as regulatory risk, administrative risk, custody risk, concentration, liquidity and counterparty risk and political and country risk.
- 4.4 The investment portfolio has been constructed to be consistent with the investment objective, risk tolerance and excess return target of the Trustee.

5 Strategic investment benchmark

5.1 The Trustee has put in place the following high level investment strategy for the Fund:

Global equities	11%
Private equity	5%
Infrastructure equity	6%
Multi-asset secure income	8%
Total growth assets	30%
Corporate bonds	20%
Absolute return bonds	5%
Asset-backed securities	15%
LDI and cash	30%
Total defensive assets	70%
Total assets	100%

All mandates, excluding global equities and corporate bonds, are managed on an active basis.

At the time of writing this Statement, the actual allocation of the Fund’s assets deviated slightly from the above allocations due to legacy allocations to ground rents and direct lending which are currently in the process of being liquidated.

5.2 Investment in closed ended funds:

The Trustee has made a number of commitments to closed-ended funds that are realising capital back to investors. Capital released from the winding up of these funds will be reinvested elsewhere or used to help undertake any rebalancing as described below.

5.3 Rebalancing arrangements:

Due to the illiquid nature of the Fund’s private equity, ground rent, direct lending, multi-asset secure income and infrastructure equity assets, the holdings in these areas are not regularly rebalanced. All of the more liquid assets are monitored by the investment advisor on a quarterly basis as part of quarterly performance reporting, which includes rebalancing recommendations to help the Fund’s assets track their long-term benchmarks in the table above.

6 How the investment strategy has been determined

6.1 The Trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the Fund a bias towards equities through portfolios that are diversified both geographically and by sector. The Trustee also believes that a portfolio of alternative assets can provide similar returns to equities whilst reducing risk through greater diversification.

- 6.2 The investment strategy has been agreed after taking advice from the investment advisor.
- 6.3 The investment strategy is formed with a view to likely returns on various asset classes over the long term. These are arrived at in consultation with the Scheme Actuary and investment advisor at the time of each full strategy review.
- 6.4 The assumptions and beliefs concerning investment risk and returns, on which the benchmark and investment management policy are based, are reviewed regularly by the Trustee.

7 Investment manager arrangements

- 7.1 The Trustee appoints asset managers based on advice from its investment advisor. Before appointing an asset manager the Trustee will undertake a review of the manager's objectives, historic performance and ESG and stewardship policies. These will be compared against other potential managers to ensure that the provider with the most appropriate overall mix of objectives and policies is chosen. Prior to the appointment of a manager, the Trustee will also invite the manager to present to the Trustee at which point any additional questions or issues can be raised and explored.
- 7.2 The Trustee has appointed an ESG specific provider for the liquid market allocation. The appointed manager applies an ESG tilt to standard market indices.
- 7.3 On a quarterly basis the Trustee will monitor the performance, fees, costs, charges and any changes in key staff or policy of the managers. Performance is measured both on a short-term (quarterly) and long-term (commensurate with each manager's objectives) basis.
- 7.4 If the Trustee believes that any of the Fund's investment managers are no longer acting in accordance with the Trustee's policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustee will take the following steps:
- engage with the investment manager in the first instance, in an attempt to influence its policies, including those on ESG and stewardship. This can be in the form of correspondence or by inviting it to present at an upcoming Trustee meeting (ahead of its usual turn in the rotation); and
 - if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustee's objectives, policies and views.
- 7.5 The Trustee believes that this approach will incentivise the investment manager to align its actions with the Trustee's policies as follows:
- Quarterly monitoring, with a focus on both longer-term and shorter-term performance should incentivise the Fund's investment managers to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

- The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager. The investment manager for the liquid portfolio will report to the Trustee on a quarterly basis disclosing the ESG outcomes and properties of the aforementioned ESG tilted funds.
- Explicitly including a focus on ESG and Stewardship issues in the appointment and review of all managers' aims to incentivise the managers to align their ESG views and practices with those of the Trustee.
- The remuneration of the majority of investment managers is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the investment managers if net of fees investment performance and ESG practices are not in line with the Trustee's expectations and views. This incentivises the investment manager to act responsibly.
- The reviewing of investment managers' fees, costs and charges on a quarterly basis, and the monitoring performance net of transaction costs, incentivises investment managers to consider the impact of portfolio turnover on investment performance.

7.6 The Trustee, with guidance from their investment advisor, has chosen to invest in open-ended pooled funds and closed-ended pooled funds.

For open ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in these cases the Trustee will seek to enter arrangements where it has the power to terminate the arrangement in a time-frame that is in line with the liquidity of the underlying assets. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Fund's asset allocation over time.

For closed ended arrangements the Trustee's policy is to enter arrangements of a length commensurate to the nature of the underlying investments and the purpose of the arrangement in the overall investment strategy, taking advice from its investment advisor and considering the potential to exit the arrangement through secondary market trading should the need arise.

7.7 The external managers are remunerated through a combination of base fees and performance-related fees. The decision as to fee arrangement reflects the Trustee's view regarding the best way of encouraging outperformance while ensuring value for money.

8 Realising investments

8.1 Given the lumpiness of cashflows and the volatility and illiquidity of many of the asset classes that the Fund invests, it is the Trustee's policy to keep an appropriate cash float in its bank account for liquidity purposes.

9 Responsible investment – Environmental, social and governance (ESG) policies and stewardship

- 9.1 As an institutional investor that takes its fiduciary obligations to its members seriously, the Fund aims to be an active and responsible long-term investor in the assets and markets in which it invests. By encouraging responsible corporate behaviour, the Trustee expects to protect and enhance the value of the Fund's investments in the long-term.
- 9.2 The investment managers are responsible for managing the Fund's investments in accordance with the agreements in place with the Trustee. The Trustee has requested that the investment managers have the financial interests of the Fund members as their first priority when choosing investments and the Trustee has delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the investment manager.
- 9.3 The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Fund's interests in the investments, having regard to appropriate advice. The Trustee expects the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects the Fund's investment managers to provide regular updates on how they exercise voting rights and actively engage with the companies in which they invest, including how often they vote against company proposals.

- 9.4 The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved. The Trustee has considered its views and its belief about the likely views of the Fund's members with regards to non-financial considerations and will review its beliefs in this area from time to time.
- 9.5 As part of the selection, retention and realisation of the Fund's investments, the Trustee, in consultation with their investment advisor, have reviewed the ESG and stewardship policies of their investment managers and are comfortable that these policies are consistent with their views. In particular, with regards to the investment manager for the liquid assets, the Trustee notes the following:
- The investment manager implements an ESG tilt to the standard market index for the Fund's holdings in global equity and corporate bonds. This process involves an initial screening, and then a re-weighting based on an ESG scoring system.

- The investment manager has clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues.
- Company engagement is an ongoing consideration. The aim of this engagement is to encourage companies to adopt longer-term approaches to stakeholder relationships, improve investment insights on emerging risks and opportunities and to generate better returns.
- The Trustee notes that the investment manager has clear stewardship policies that aim to influence the ESG practices of the companies it invests in and the investment manager has demonstrated how it acts on these policies. For example, the investment manager has voted on company proposals covering climate risk, capital structure, political donations, gender diversity on company boards, board independence issues / conflicts of interest and remuneration policies.
- The investment manager regularly publishes detailed results of how its stewardship policies are enacted in practice and the Trustee expects the Investment Manager to provide regular updates on how it exercises those rights, including how often the investment manager votes against company proposals.

9.6 The Trustee will keep its investments under review, and should they feel that any investment manager no longer acts in accordance with its views on ESG, the Trustee will take the following steps:

- engage with the investment manager in the first instance, in an attempt to influence their policies on ESG and stewardship; and
- if necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustee's policies and views.

These statements are made noting that the Fund's assets are invested in pooled funds and as such, the Trustee is restricted in their ability to directly influence its investment manager on the ESG policies and practices of the companies in which the pooled funds invest.

10 Additional Voluntary Contribution assets

10.1 Additional voluntary contributions (AVCs) from members to purchase additional benefits on a money purchase basis are invested separately from the other assets of the Fund and are managed and administered externally. They do, however, form part of the Fund. The appointment of AVC providers is subject to review by the Trustee and their investment performance is monitored by the Trustee.

11 Governance

11.1 The Trustee of the Fund is responsible for the investment of the Fund's assets. The Trustee takes some decisions and delegate others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether the Trustee has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

Trustee

- Select and monitor planned asset allocation strategy;
- Select and monitor investment advisors and investment managers;
- Select and monitor any direct investments;
- Responsible for all aspects of the investments of the Fund's assets, including ESG considerations and implementation.

Investment Advisor

- Advises on this statement;
- Advises the Trustee's on areas of strategy, manager selection, ESG and implementation as required;
- Provides required training when engaged on a separate basis by the Trustee.

Investment Manager

- Operates in line with the agreement with the Trustee, which the Trustee believes is consistent with the terms of the SIP;
- Manages in accordance with the agreement, including decisions around the selection and retention of underlying investments;
- Is responsible for the stewardship of underlying investments.

- 11.2 The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals, and at least once every three years. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the investment manager. The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement.
- 11.3 The Trustee has appointed external custodians who are responsible for the safekeeping of the Fund's assets and for performing the associated administrative duties such as trade settlements, dividend collection, corporate actions, tax reclamation and proxy voting.
- 11.4 The investment advisor, , provides regular and ad-hoc advice to the Trustee around all areas of investment strategy and manager monitoring. The investment advisor is responsible for providing quarterly reporting on the performance of the Fund's assets and investment managers. It also undertakes asset liability modelling work where the Trustee believes that the outputs would provide useful.
- 11.5 The Scheme Actuary performs a valuation of the Fund at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and agree an appropriate funding strategy.
- 11.6 The Trustee recognises that, as the Fund is invested in a range of pooled funds, there

is limited scope to influence the controls and restrictions used in the management of the underlying assets and acknowledge that derivatives may be used by the manager within the funds. The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate to the investment managers through a written contract. These duties include:

- Realisation of investments;
- Taking into account ESG factors;
- Voting and corporate governance in relation to the financial potential of the Fund's assets.

11.7 The Trustee expects the investment managers to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

11.8 The investment managers are remunerated on a percentage value of assets basis. In addition, the investment managers pay commissions to third parties on trades they undertake in the management of the assets.

Approved for and on behalf of the Trustee of the University of York Pension Fund on 3 September 2025.

Ann Rigby