

Nationwide Pension Fund Ethical Landlord Policy

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Pension Fund

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Nationwide Pension Fund Trustee Ltd invests in ground rents and long leases covering both residential and commercial property.

As a Pension Fund our members' future pension payments are linked to inflation. Therefore, we look to invest an appropriate proportion of our portfolio into low-risk assets that are also linked to inflation.

The Pension Fund has focussed, and will continue to focus, its investments on very long-dated leases on terms that it considers are fair and reasonable to both the leaseholder and to its pension fund members.

To achieve this, the Trustees of Nationwide Pension Fund have set out a clear and transparent investment and management policy which is provided below. The policy has been agreed with the fund advisers and managing agents who have been appointed by the Fund to undertake the day-to-day management of the ground rent and long-lease sub-sections of the Pension Fund's assets.

Investment Restrictions

The Pension Fund commits to the following investment restrictions:

1. The Pension Fund will not enter an agreement to purchase grounds rents that are outside the residential mortgage lending policy of Nationwide Building Society at the time of such a commitment to purchase. The Pension Fund will promptly provide any changes to the mortgage lending policy to the fund advisers as soon as it is made aware of such changes.

Specifically, the following restrictions apply to newly sourced investments in residential ground rents with effect from 11 May 2017:

- the Pension Fund will not purchase any ground rent on a new-build property whose starting ground rent is more than 0.1% of the market value of the property;

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- the Pension Fund will not purchase any ground rents on a new-build flat whose term is less than 125 years, or on a new-build house whose term is less than 250 years;
 - the Pension Fund will only purchase ground rents with “reasonable” terms: in particular, which increase in line with a recognised index such as RPI, or if doubling, be at a minimum frequency of every 20 years.
2. The Pension Fund will not purchase a residential ground rent where the rent review is a doubling mechanism that automatically doubles the rent at a frequency of less than 20 years. Similarly, contract terms will not be altered in a way which results in such rent review mechanisms.
 3. The Pension Fund will endeavour to ensure that all ground rents do not rise to levels that are deemed inappropriate for the asset class in question.
 4. The Fund will not alter the terms of an existing lease or ground rent contract to unreasonably penalise a new or existing residential leaseholder.
 5. The Fund will not purchase any contract which includes ground rent reviews that have been unreasonably back dated. Similarly, no contract will be altered by the Fund in a way which results in rent reviews which are unreasonably backdated from the start date of the new lease or ground rent.
 6. Regarding commercial leases, the Pension Fund will only enter contracts that reflect the best terms that may reasonably be expected for the property from an unconnected third party.

Enfranchisement

The Pension Fund commits to the following in relation to leaseholder enfranchisement:

1. The Pension Fund will be sympathetic to leaseholder enfranchisement and would value the lease at its fair value of future cash flows, with consideration of the costs that the Pension Fund and its advisers have incurred.
2. The Pension Fund would cooperate fully with an enfranchisement process and not seek to frustrate the procedure in any way, in particular, with regards to timing.

Responsibilities to Leaseholders

The Pension Fund understands it has the following responsibilities to its leaseholders:

1. Collection of Ground Rents

The Pension Fund recognises its responsibility to ensure that the collection of ground rents is managed and implemented fairly. The Pension Fund works with its investment advisors to appoint appropriate property managers with respect to these specifications. Following the appointment, the Pension Fund will monitor customer service, including complaint levels, and will take action to address any issues where necessary. Similarly, the Pension Fund will provide challenge to the management companies regarding block management fees and insurance policies.

2. Requests for Alterations

The Pension Fund will be fair when a request to alteration is received from one of its residential leaseholders and will respond in a timely manner, being mindful of the need to preserve the property's value to protect the Pension Fund for its members.

3. Insurance and Block Management

The Pension Fund recognises its responsibility to its leaseholders in the provision of appropriate and competitive insurance and block management services. To ensure that these responsibilities are upheld to a satisfactory level, management companies are appointed based on a service level agreed with our investment advisors. The services provided to leaseholders are monitored against this service level agreement, combined with other reports, on a regular basis. Achieving good value for leaseholders with respect to service fees and insurance provision is part of this assessment.

4. Health and Safety

The Pension Fund recognises its responsibility to its leaseholders in terms of ensuring health and safety regulations are adhered to and maintained. To ensure that these responsibilities are upheld, the Fund will monitor compliance with building regulations and relevant health and safety law, risk assessments and the implementation of accompanying recommendations where appropriate.

5. Commercial Leaseholders

The Pension Fund will work with commercial Leaseholders in a reasonable and flexible manner where necessary, without prejudicing the Pension Fund's portfolio performance, in order to ensure that the terms of any lease reflect the best terms that may reasonably be expected for the property from an unconnected third party.