Baptist Pension Scheme

Statement of Investment Principles

December 2025

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Scheme ("the Trustee") on various matters governing decisions in respect of the Baptist Pension Scheme (the "Scheme"). This SIP replaces the previous SIP dated September 2024.

The SIP has been drawn up by the Trustee in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005, Occupational Pensions Schemes (Charges and Governance) Regulations 2015, Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and Pensions Regulations 2023 Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboard (Amendment) Regulations 2023.

Broadstone Financial Solutions Limited ("Broadstone") is the Investment Consultant to the Trustee, on the basis that their representatives are reasonably believed by the Trustee to be suitably qualified by their ability in, and practical experience of, financial matters and have the appropriate knowledge and experience of the management of the investments of such schemes.

The Trustee will review this statement at least every three years and without undue delay following any significant change in investment strategy.

Appendix 1 sets out details of the Scheme's investment governance structure, including the key responsibilities of the Trustee, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

Appendix 2 sets out the Trustee's policy towards risk appetite, capacity, measurement and management.

Appendix 3 sets out details of how the Trustee monitors the voting and engagement undertaken by its managers and when and how it engages with managers on these issues.

The Statement is published and is freely available to the public as well as members of the Scheme.

2. Investment Objectives

The Trustee's primary objectives for the Scheme are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and

- a main default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the main default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as retirement approaches.

3. Investment Strategy

The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the main default option, which is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to retirement age).

The Scheme also maintains holdings in the L&G Sterling Liquidity Fund and the CBRE Global Investment Partners UK Osiris Property Fund as reserves, and these assets are not allocated to members.

The Scheme's main default arrangement is the Ethical Default Lifestyle strategy; this will be the default option for new joiners who do not make an active investment choice.

Since the beginning of 2025, the Trustee implemented the following investment strategy changes within the default lifestyle strategy:

- The passive bond allocation within the Ethical Diversified Fund and the At Retirement Fund was replaced with an active credit fund, namely the M&G Sustainable Total Return Credit Investment Fund.
- The L&G FTSE4Good Developed Equity Index Fund was replaced with the L&G ESG Paris Aligned Equity Fund. The Paris Aligned Equity Fund aligns to the Trustee's Ethical Policy to a similar extent as the L&G FTSE4Good Developed Equity Index Fund but has an improved investment process.

The implementation of the strategy changes was finalised in June 2025.

4. The Scheme's main default arrangement

1. The Ethical Default Lifestyle strategy

The Ethical Default Lifestyle strategy has been designed to be in the best interests of the majority of the members based on the demographics of the Scheme's membership. The default option has an initial growth phase under which investments target a return significantly above inflation. Then, in the 15 years before retirement it switches gradually into less risky assets. The asset allocation at retirement is designed to be broadly appropriate for all members however they wish to take their retirement benefits, since the Trustee believes that this represents the lowest risk option for Scheme members.

2. Other default arrangements

In addition to the main default arrangement, the Scheme has four additional default arrangements:

- the Lump Sum Lifestyle strategy (closed to new members);
- the L&G Diversified Fund;
- the L&G Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged; and

- the L&G Low Carbon Transition UK Equity Index Fund.

These default arrangements are considered to be defaults for governance purposes and must also meet charge cap restrictions.

2.1. The Lump Sum Lifestyle strategy

The Lump Sum Lifestyle strategy is the Scheme’s legacy default option and is closed to new members but remains the default option for members who were within 5 years of retirement on 13 May 2019 and were able to remain in the legacy default option instead of being automatically transitioned to the Ethical Default Lifestyle strategy.

The legacy default option has an initial growth phase under which investments target a return significantly above inflation. Then, in the 15 years before retirement it switches gradually into less risky assets. The asset allocation at retirement is designed to be broadly appropriate for members who wish to take their entire benefits as a cash lump sum at retirement.

2.2. The L&G Diversified Fund

The L&G Diversified Fund became a default arrangement when changes to the Scheme’s investment options were carried out in January 2022. These changes were in relation to the review of the Scheme’s investment strategy which took place in February 2021. The Trustee identified the L&G Dynamic Diversified Fund as being no longer suitable for members of the Scheme and decided to close the fund and automatically move members’ assets into the L&G Diversified Fund. The L&G Diversified Fund became a default arrangement for the members whose assets were automatically mapped into this fund. The Trustee believes that this fund is an appropriate default arrangement for these members, but the fund is not to be offered as a default option to the rest of the Scheme’s membership.

The L&G Diversified Fund is designed to provide long-term investment growth through exposure to a diversified range of asset classes.

2.3. The L&G Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged

The L&G Global Equity Market Weights (30:70) Index Fund (75% currency hedged) became a default arrangement when changes to the Scheme’s investment options were carried out in May 2019. These changes were in relation to the review of the Scheme’s investment strategy which took place in May 2018. The Trustee identified the L&G Global Equity Fixed Weights (50:50) Index Fund as being no longer suitable for members of the Scheme and decided to close the fund and automatically moved member’s assets into the L&G Global Equity Market Weights (30:70) Index Fund. The L&G Global Equity Market Weights (30:70) Index Fund became a default arrangement for the members whose assets were automatically mapped into this fund. The Trustee believes that this fund is an appropriate default arrangement for these members, but the fund is not being offered as a default option to the rest of the Scheme’s membership.

The L&G Global Equity Market Weights (30:70) Index Fund is designed to provide a diversified exposure to UK and overseas equity markets while reducing the foreign currency exposure of 75% of the overseas assets.

2.4. The L&G Low Carbon Transition UK Equity Index Fund

The L&G Low Carbon Transition UK Equity Index Fund became a default arrangement when changes to the Scheme’s investment options were carried out in April 2022. These changes were in relation to the review of the Scheme's investment strategy which took place in February 2021. The Trustee identified the BMO Responsible UK Income Fund as being no longer suitable for members of the Scheme and decided to close the fund and automatically move member's assets into the L&G Low Carbon Transition UK Equity Index Fund. The L&G Low Carbon Transition UK Equity Index Fund became a default arrangement for the members whose assets were automatically mapped into this fund. The Trustee believes that this fund is an appropriate default arrangement for these members, but the fund is not to be offered as a default option to the rest of the Scheme's membership.

The L&G Low Carbon Transition UK Equity Index Fund is designed to provide exposure to the UK equity market while on a decarbonisation path to achieve net zero by 2050, whilst also significantly reducing the level of carbon reserves and improving green revenues. Companies that fail to meet L&G's minimum standards in low carbon transition and corporate governance standards may be excluded from the fund.

5. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, the Trustee considers a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

In determining the investment arrangements for the Scheme the Trustee took into account:

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the main default strategy to ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members;
- any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate (such as those detailed in Section 7);
- the Trustee's ethical policy, which the Trustee believes reflects the wishes of the Scheme's members and is not expected to undermine the long-term objectives of the members; and
- the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements for the Scheme, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors including factors relating to Climate Change;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustee's key investment beliefs and understanding of the Scheme's membership are reflected in the design of the Ethical Default Lifestyle strategy and in the range of other funds made available to members.

6. Illiquid Investments

The Trustees' policy regarding investments in illiquid assets in the DC default arrangement is set out below. Illiquid assets refer to assets that can't be easily or quickly be sold or exchanged for cash, and where assets are invested in a collective investment scheme this includes any such assets held by the collective investment scheme.

Investments in the default lifestyle arrangements include illiquid assets through a small investment in global private markets, which includes exposure to private equity, private credit, private infrastructure and private real estate. These investments are held via the L&G Diversified Fund, which forms part of the Ethical Default Lifestyle Fund.

We believe that long-term net risk-adjusted investment returns may be improved by investing in illiquid assets. However, investing in stand-alone illiquid assets in DC pension schemes is a relatively new and developing area. In addition, the inability to sell stand-alone illiquid assets at relatively short notice could impact and delay the wind-up of the DC Section if this was to happen in the future. Therefore, at this time, it is our policy to only invest in illiquid assets through pooled fund structures such as the L&G Diversified Fund which are not subject to dealing restrictions.

There are a number of 'legacy defaults' in the Scheme. These include the L&G Diversified Fund mentioned above, as well as the Lump Sum Target Lifestyle Fund and the L&G

Dynamic Diversified Fund. The L&G Dynamic Diversified Fund includes illiquid assets through a small investment in UK direct physical property and global private markets. The Lump Sum Target Lifestyle Fund invests in illiquid assets via the L&G Dynamic Diversified Fund, which is one of its component funds. The other legacy defaults do not include illiquid assets. Members across all ages can be invested in legacy defaults.

7. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers for the Scheme are set out in the IPID.

In respect of the Scheme, the Trustee has entered into a contract with L&G as its platform provider, who makes available the range of investment options to members. There is a direct relationship between the Trustee and L&G but not with third party underlying investment managers of the DC investment funds.

The Trustee has limited influence over managers' investment practices where a majority of the Scheme's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

8. Incentivisation of Investment Manager

The Trustee does not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

The Trustee's policy is to evaluate each of its investment managers by considering performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

9. Portfolio Turnover Costs

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management.

The reasonableness of such turnover will change according to the Investment Manager's view of market conditions. The Trustee therefore does not set a specific portfolio turnover target for its strategy or the underlying investments.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

10. Realisation of investments

The Investment Managers have discretion over the timing of realisation of investments of the Scheme within the portfolios that they manage, and in considerations relating to the liquidity of investments. The Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

11. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social and governance ("ESG") considerations (including but not limited to climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its Investment Managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and periodically reviews how its managers are taking account of these issues in practice. The Trustee has limited influence over its Investment Managers' investment practices where assets are held in pooled funds, but it encourages its Investment Managers to improve their practices where appropriate.

The Trustee has chosen to invest the equity allocation of the Ethical Default Lifestyle strategy in a passively managed fund that tracks an index that has reduced exposure to ESG risks (including climate related) and ethical risks and increased exposure to ESG and ethical opportunities. The Ethical Default Lifestyle strategy components are also available as separate investment options members can select. Outside of the Ethical Default Lifestyle strategy funds, the Scheme offers an actively managed equity fund which invests in ESG and ethically screened equities as well as a passively managed equity fund which tilts the Fund in favour of companies with lower greenhouse gas emissions.

12. Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register. Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to the Investment Manager, while also setting out a process for their management.

13. Voting and engagement

The Trustee recognises its responsibility as the owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has delegated to its Investment Managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but it does engage with current and prospective investment managers on matters including ESG and stewardship.

Appendix 1: Investment governance, responsibilities, decision-making and fees

In broad terms the Trustee has decided on the following division of responsibilities and decision-making for the Scheme. This is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that the division of responsibility allows for efficient operation and governance of the Scheme overall. The Trustee's investment powers are set out within the Scheme's governing documentation.

1. Trustee

The Trustee is responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the employers;
- setting the investment strategy, in consultation with the employers;
- formulating a policy in relation to financially material factors and exercise of rights and engagement activities in respect of the investments, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters, including ethical considerations, in the selection, retention and realisation of investments;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- monitoring, reviewing, and replacing investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that it has delegated to the investment managers and monitoring compliance with Section 36 of the Pensions Act 1995;
- communicating with members as appropriate on investment matters, such as the Trustee's assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the investment policy as part of any review of the investment strategy;
- reviewing the SIP and modifying it as necessary.

The Trustee has delegated consideration of certain investment matters to an Investment Committee ("IC"), and the Trustee and IC understand the different areas where each party makes decisions, provides oversight or recommendations. The terms of reference for the IC detail clearly its responsibilities.

2. Platform provider

The investment platform provider for the Scheme, L&G, will be responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

3. Investment managers

The investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments;
- providing regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

4. Investment adviser

The investment adviser will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on a suitable fund range and default strategy, and how material changes to legislation or within the Scheme's benefits and membership may impact this;
- advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations (including climate change and other ESG considerations); and
- participating with the Trustee in regularly reviewing this SIP.

5. Fee structures

The Trustee recognises that the provision of advisory services to the Scheme results in a range of charges to be met, directly or indirectly, by deduction from the Scheme's assets.

Broadstone is remunerated a fee for its advice, and its appointment is reviewed from time to time by the Trustee.

The platform provider receives fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the providers' general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Scheme. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

6. Performance assessment

The Trustee is satisfied with the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Scheme's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

7. Working with the Scheme's employers

When reviewing matters regarding the Scheme's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employers' perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employers, the Trustee believes that better outcomes will generally be achieved if the Trustee and employers work together collaboratively. Primarily this is achieved through discussion with representatives of BUGB.

Appendix 2: Policy towards risk

1. Approach to managing and monitoring investment risks

The Trustee considers that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

- **Manager Risk**: The failure by the Investment Manager to achieve the rate of investment return assumed.
- **Liquidity Risk**: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- **Custodian Risk**: The risk of failed or inadequate performance by the custodian.
- **Concentration Risk**: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of the assets.
- **Political Risk**: The financial risk that a country's government will suddenly change its policies.
- **Counterparty Risk**: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.
- **Credit Risk**: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Climate-related Risk**: This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change (e.g. extreme weather).
- **Currency Risk**: This risk relates to exposure of foreign currencies due to investments being held in overseas markets.
- **ESG Risk**: The risk that unsustainable or socially harmful business practices, and unsound corporate governance could be financially material.

The policy of the Trustee is to monitor, where possible, these risks on a regular basis and no less frequently than annually. The Trustee therefore considers:

- Investment Manager performance against the respective benchmarks and targets.
- Level of total charges for the selected funds.
- The range and number of funds available.
- Any significant issues with the Investment Manager that may impact its ability to achieve returns at the same level as their respective benchmarks.

Appendix 3: Monitoring and engaging with managers on voting and engagement

1. Stewardship priorities

We have selected priority themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are climate change and human rights.

We chose these priorities because they are market-wide areas of risk that are financially material for the Scheme's investments, aligned with the interests of the Scheme's members and can be addressed by good stewardship. Therefore, we believe it is in our members' best interests that our managers adopt strong practices in these areas.

We will write to our investment managers regularly to notify them of our stewardship priorities and remind them of our expectations of them in relation to responsible investment – i.e. ESG considerations, climate change, voting and engagement.

2. Manager selection and monitoring

We seek to appoint investment managers that have strong responsible investment skills and processes. We prefer investment managers who are signatories to the Principles for Responsible Investment, UK Stewardship Code and Net Zero Asset Managers Initiative.

The Investments Committee receives information regularly to enable us to monitor our managers' responsible investment practices and check how effective these are.

This information includes metrics such as our investment consultant's responsible investment grades for each manager, whether they are signatories to the responsible investment initiatives listed above, and (where available) carbon emissions data for our mandates.

3. Annual responsible investment review

Each year, the Investments Committee undertakes a more comprehensive review of our managers' responsible investment practices. This includes our investment consultant's qualitative responsible investment assessments for each manager, including how the manager mitigates climate change risk, and an assessment against the Trustee's Ethical Investment Policy.

4. Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, we expect most managers will have areas where they could improve. We therefore aim to have an ongoing dialogue with our managers to clarify our expectations and encourage improvements. In particular, investment managers are routinely invited to meetings with the Investments Committee and the investment consultant.

We review the information outlined above to identify any concerns, for example where the managers' actions are not aligned with our views. Where there are concerns, we typically seek further information through our investment consultants.