DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020

Introduction

Governance requirements apply to Defined Contribution ("DC") pension arrangements like the DC Plan within the Baptist Pension Scheme (the "Scheme"), to help members achieve a good outcome from their pension savings. The Trustee is required to produce an annual statement, signed by the Moderator, to describe how the governance requirements have been met in relation to:

the default arrangement;
the range of self-select investment options and legacy funds;
the requirements for processing financial transactions;
charges and transaction costs borne by members;
an illustration of the cumulative effect of these costs and charges;
a 'Value for Members' assessment;
trustee knowledge and understanding; and
the constitution of the trustee board.

This is the Trustee's 2020 annual report covering the period from 1 January 2020 to 31 December 2020. CM Pensions Limited acted as Moderator (Chair of the Trustee) for this period and this Statement has been signed by Chris Maggs, representing CM Pensions Limited in its capacity as Moderator, on behalf of the Baptist Pension Trust Limited (the Trustee). This Statement is available to view and download from the member access website https://www.4myplan.co.uk/BPS as well as from the Baptist Pension Scheme website https://www.baptistpensions.org.uk/dc-governance/chairs-governance-statement/

In 2019 the DC Plan was authorised by the Pensions Regulator ('TPR') as a Master Trust arrangement. By maintaining Master Trust authorisation, the DC Plan satisfies the criteria set out in TPR's code of practice for authorisation and supervision of Master Trusts. The Scheme is not a 'relevant multi-employer scheme' as defined in regulations, since it is managed by a single Trustee Board and is not promoted to employers unconnected to the Baptist Family. Consequently, this Statement does not include information relating solely to relevant multi-employer schemes.

This Statement should be read in conjunction with the Scheme's October 2020 Statement of Investment Principles (SIP), which is shown as Appendix 3. The SIP was updated in 2020 to recognise the changes to the DC default completed in 2019.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

The Default investment strategy

The Scheme is used as a Qualifying Scheme for auto-enrolment. Within the DC Plan there is a default arrangement for members who choose not to use the other options available, this is called the Ethical Default Lifestyle Fund ("the Default fund"). Approximately 85% of the DC Plan's membership uses the Default fund.

Members who were within 5 years of retirement prior to an investment strategy change to a new default fund in 2019 remained in the legacy lifestyle default called the Lump Sum Target Lifestyle Fund. Under 10% of members remain in this fund.

Two other funds are also classified as legacy default arrangements for some members following past investment changes, where members' funds were transferred in the absence of the members expressing a choice. The Trustee identified two self-select funds, the Standard Life Global Absolute Return Strategies Fund and the L&G Global Equity Fixed Weights (50:50) Index Fund as being no longer suitable for members of the DC Plan and automatically moved members' assets into the L&G Dynamic Diversified Fund and the L&G Global Equity Market Weights (30:70) Index Fund respectively. These two receiving funds then became legacy default arrangements for the members who were automatically moved into them. The Trustee believes these funds to be appropriate default arrangements for these members, but they will not be considered as default arrangements for the rest of the DC Plan's membership. Neither of these legacy previously self-select default arrangements have any life-styling or automatic de-risking in place.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the DC Plan's default arrangements. Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP, dated October 2020, covering the default arrangements is attached to this statement.

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

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

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

The Default investment strategy (continued)

a Default investment option that the Trustee believes to be reasonable for those members who do not wish to make their own investment decisions. The objective of the Default fund option is to generate returns above inflation whilst members are some distance from retirement, and then to switch automatically and gradually to lower risk investments as retirement approaches; this is called a lifestyle strategy.

In determining the investment arrangements for the DC Plan 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 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;

the Trustee's ethical policy, which the Trustee believes reflects the wishes of the Scheme's members and will not contradict 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 default strategy was not reviewed during the period covered by this statement. The default strategy was last reviewed by the Investment Committee on 24 May 2018 and ratified at the Trustee Board meeting on 6 June 2018. A formal strategy and performance review takes place at least every three years. The 2021 review was completed and considered by the Investment Committee on 23 February 2021 with the recommendations ratified at the Trustee Board meeting on 3 March 2021.

The Trustee also reviews the performance of the default arrangements against its aims, objectives and policies on a quarterly basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

The Default investment strategy (continued)

The Trustee's performance reviews which took place during the year highlighted the underperformance and high charges of one of the investment managers in the legacy default Lump Sum Target Lifestyle Fund. Accordingly, following advice from their investment advisor, the Trustee replaced the Standard Life Global Absolute Return Fund with the Legal & General Dynamic Diversified Fund in July 2020 within this strategy. The Trustee also concluded that the other default arrangements were performing broadly as expected and remain consistent with the aims and objectives of the default arrangements as stated in the SIP.

The investment profiles of the lifestyle strategies in place during the period covered by this Statement are shown in the SIP in Appendix 3.

Requirements for processing core financial transactions

Processing of core financial transactions (e.g. investment of contributions, transfers within and into/out of the DC Plan, transfer of assets relating to members between different investments within the DC Plan, and payments to members/beneficiaries) is carried out by the Scheme Administrators.

The Trustee is satisfied with the evidence received from the administrators that there are adequate internal controls in place to ensure that core financial transactions relating to the DC Plan were processed promptly and accurately during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the DC Plan, transfers between different investments within the DC Plan, and payments to members/beneficiaries. In particular:

the Governance and Risk Committee review the administrator's AAF 01/06 report covering controls and processes in place for dealing with core financial transactions;

the Trustee has in place an agreement committing the administration teams to defined service level agreements ("SLAs");

the administration team provides regular reports on their performance against these SLAs which are reviewed at each quarterly Trustee meeting. Where SLAs are not met the Trustee challenges the relevant administration team, in order to identify possible systematic shortcomings in the administration function for the DC Plan;

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Requirements for processing core financial transactions (continued)

the administration team has adopted the following processes to help satisfy the Trustee in relation to the good running of the administration functions:

- appointing a named senior member of staff for the Scheme and adopting clear reporting lines within the team;
- agreed checking and review procedures reflecting the size of a particular transaction or payment;

the administration team reports quarterly to the Trustee including information such as:

- detailed performance statistics, work processed, and major events over the quarter.
- details of contribution receipts and investments such that the Trustees can monitor compliance with statutory and regulatory guidelines.
- details of the usage of 4myplan, the member access website.
- a summary of any investment decisions effected by the members.
- a bank account reconciliation identifying any "DC funds" held in the Trustee's bank account (i.e. contributions pending investment or benefits pending settlement).
- details of the quality of the Scheme's Common Data, measured in accordance with the Pension Regulator guidance.

Consequently, the Trustee is satisfied that in the year to which this Statement relates:

the operating procedures, checks and control mechanisms have been adhered to and processed in accordance with the SLAs;

there have been no material administration errors in relation to processing core financial transactions over the period covered by this statement, and

all core financial transactions have been processed promptly and accurately.

However, during the year, it was discovered that some employers had not been deducting and paying across the correct contributions due to the requirement to base contributions on 'Minimum Pensionable Income'. A correction exercise was undertaken and any shortfall in contributions has now been made up. TPR was also notified.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Requirements for processing core financial transactions (continued)

The administration of the collection of contributions from the employers and investment of the contributions with the investment managers is carried out by Broadstone. The Trustee is satisfied that contributions are being invested promptly and accurately and the administrators provide both monthly updates and quarterly reconciliations on the timeliness of receipt of contributions collected from the employers. The Trustee has a late contribution monitoring process in place with the administrator, to identify and proactively manage any employers who fail to meet the statutory deadlines. During 2020 this has been reviewed and improvements in the reporting process are being developed in 2021.

For any member whose employer deducts but does not pay across monthly contributions within the statutory timeframe for the first time, an amount equal to these contributions is invested on the member's behalf immediately funded from the reserve held in the DC Plan. This ensures that the member does not miss out while corrective action is taken with the employer.

For any member whose contributions are unable to be invested due to constraints associated with a specific fund, their contributions will be invested in the Default fund until such a time as the intended fund becomes investable once again.

Member borne charges and transaction costs

The Trustee is required to set out the ongoing charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is known as the Total Expense Ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude any costs associated with the administration of the DC Plan as these are met by the employers directly.

The Default arrangement for the DC Plan is the Ethical Default Lifestyle Fund. The Default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which funds they are invested. The charges over the period covered by this statement ranged for the Default fund from 0.35% p.a. (for members 15 or more years from retirement) to 0.24% p.a. (for members at retirement age).

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Member borne charges and transaction costs (continued)

For the legacy default Lump Sum Target Lifestyle Fund the level of charges and transaction costs also vary depending on how close members are to their target retirement date and in which funds they are invested, noting however that all members will be within 5 years of their target retirement date. The charges over the period covered by this statement ranged from 0.22% p.a. (for members 5 from retirement) to 0.24% pa (for members at retirement age).

For the self-select legacy default arrangements the charges over the period amounted to 0.45% p.a. for the L&G Dynamic Diversified Fund and 0.20% p.a. for the L&G Global Equity Market Weights (30:70) Index Fund.

For the period covered by this statement the member borne charges for the Default fund complied with the charge cap.

In addition to the Default fund, members also have the option to invest in several other self-select funds. The level of charges for all funds are listed in Appendix 1.

The Trustee is also required to separately disclosure transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the scheme's fund managers buy and sell assets within investment funds.

Acting on behalf of the Trustee, LCP have obtained a full breakdown of the underlying transaction costs over the period covered by this Statement from the investment managers. The transaction costs experienced by members over the period covered by this Statement are shown in the table below:

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Member borne charges and transaction costs (continued)

Fund Name	Transaction costs
Baptist Ethical Growth Fund (Default fund)	0.0107%
Baptist Ethical Diversified Fund (Default fund)	0.0438%
Baptist At Retirement Fund (Default fund)	0.0353%
L&G Cash Fund[2]	-0.0007%
L&G Dynamic Diversified Fund[1,2]	0.1155%
L&G AAA-AA-A Corporate Bond All Stocks Fund[2]	-0.0279%
Standard Life GARS[3]	0.6347%
L&G All Stocks Index-Linked Gilt Fund[2]	0.0926%
L&G All Stocks Fixed-Interest Gilt Fund[2]	-0.0039%
L&G Global Equity Fixed Weights 50:50 Fund[2]	0.0089%
L&G Over 5 Year Index-linked Gilt Fund	0.1020%
L&G Global Equity Market Weights (30:70) Index 75% Currency Hedged Fund[1]	0.0538%
L&G Ethical Global Equity Fund	-0.0010%
BMO Responsible Global Equity Fund	0.0003%
BMO Responsible UK Income Fund	0.0013%
Newton Real Return Fund	0.0024%
L&G World Emerging Markets Equity Index Fund	0.0186%

[1] Legacy default for former self select default funds

[2] Legacy default for former Lump Sum Target Lifestyle Fund

[3] The high level of transaction costs for the GARS fund is being investigated by the Trustees. It is higher than the amount disclosed previous years as the platform provider (Legal & General) has been able to obtain more information on transaction costs from the investment manager.

These illustrate the implicit cost of the difference between the execution price of a deal and the buying price at the time the order was placed and include costs such as transaction taxes and broker commissions. A negative transaction cost typically occurs when the change in market value on the day of sale/purchase more than offsets the implicit transaction costs associated with that sale/purchase.

Over a period of time, the charges and transaction costs that are deducted from a member's pension savings can reduce the amount available to the member at retirement. Illustrative examples of the cumulative effect over time of the relevant charges and transaction costs on the value of an active member's benefits, assuming their benefits are invested in the DC Plan's Default fund, are included in Appendix 2. Consideration of the statutory guidance has been taken into account in the production of these examples.

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Value for Members Assessment

The Trustee is required to consider the extent to which the investment options and the benefits offered by the DC Plan represent good value for members, compared to other options available in the market.

An independent assessment was completed on 18 February 2021 in line with the Pensions Regulator’s Code of Practice No.13. There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee notes that value does not necessarily mean the lowest fee, and the overall quality of the service received has been considered in the 'value for members' assessment and consideration given to how the governance and associated costs of the DC Plan compares to other options available in the market.

The Trustee's assessments included an ongoing review of the performance of the DC Plan's investment funds (after charges) in the context of its investment objectives.

The Trustee also considered the other benefits members receive from the DC Plan, which include:

the oversight and governance of the Trustee, including ensuring the DC Plan is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the DC Plan and address any material issues that may impact members;

the design of the Default arrangement and how this reflects the interests of members;

the range of investment options and lifestyle strategies;

the quality of communications delivered to members;

the quality of support services and Scheme governance; and

the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

The Trustee has developed a scorecard assessing the value for money provided to members for the core areas of the DC Plan.

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Value for Members Assessment (continued)

Details of the February 2021 value for members’ assessment are provided below.

Area of Governance	Factor	VfM Assessment
Scheme Governance	Trustee Board	Strong
Scheme Governance	Trustee Oversight	Strong
Scheme Governance	Trustee Knowledge and Understanding	Strong
Scheme Governance	Professional Advice	Strong
Scheme Governance	Audit & Internal Controls	Strong
Scheme Governance	Risk Mitigation	Strong
Investment Governance	Strategy Design & Management	Strong
Investment Governance	Security & Liquidity	Strong
Investment Governance	Default Investment Option	Strong
Investment Governance	Self-select Investment Options	Strong
Administration	Processing Members’ Benefits	Strong
Administration	Maintaining Members’ Records	Strong
Administration	Customer Service	Strong
Administration	Benefit Flexibility	Good
Communications	Communications	Good
Communications	Guidance	Good

There were two specific areas from this assessment where the Trustee noted that the arrangements required review;

Communications

- The Trustee agreed to review the member communications strategy encompassing routine communications throughout a member’s lifetime in the DC Plan, as well as a review of the mechanisms through which member feedback is obtained and the opportunities through which members are able to provide their views on the suitability of the current arrangement. This will begin with a questionnaire being sent to members in the second half of 2021.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Value for Members Assessment (continued)

- There are member access websites, through Broadstone's 4myPlan site, for members of both DB and DC sections of the Scheme and the Scheme's own website. These sites provide information on the member's benefits as well as contact details for the administrators of the Scheme and links to other useful pensions resources. The Trustee issued a newsletter to the members of the Scheme giving a comprehensive overview of the investment performance of the DB and DC sections, information on the Scheme Trustee Boards and advisers, advice on avoiding pension scams and, contact details for the administrators.

Benefit Flexibility

- The Trustee, in conjunction with the Principal Employer (BUGB), has agreed to introduce a flexi-access drawdown facility within the DC Plan as an additional option for members at retirement. At the Trustee meeting in December 2020 the Trustee agreed the parameters and charges for implementation of this arrangement and during the Q1 Trustee meeting considered a policy and the member communication, with a view to implementing the arrangement in the second half of 2021.

As detailed above, and in the previous section covering processing of financial transactions, the Trustee has reviewed the charging structure for members and remains satisfied that the charges represent good value for members. The Trustee believes that members of are receiving good value for money based on the costs and charges paid, the range of options available, and the service they receive.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Scheme Governance

The Trustee Board is made up of people either appointed by BUGB or nominated by the Scheme members. The process of selecting new Trustee Directors is completed in an open and transparent manner. This is managed by the Pensions Manager who prepares the candidate profile giving consideration to the skills and experience gaps identified in the most recent assessment of Trustee Knowledge and Understanding, and the diversity of the Directors. For BUGB-appointed Directors, the profile is distributed through the Baptist network of churches and organisation to all church members and congregations. Applicants are reviewed by the Moderator and the Pensions Manager via CVs and interview. A recommendation is then made to BUGB. It has been agreed that BUGB will not appoint its own representative to the Board, to avoid conflicts of interest. The process for member-nominated appointments was reviewed in 2020. The profile is distributed to all members, inviting suitable nominations as previously, but an interview process has been introduced. Appointment by election is still adopted if there are more candidates than vacancies.

The table below shows the make-up of the current Trustee Board and those who were on the Board during 2020.

Trustee Director	Appointed by	Date of Original Appointment	Date of Retirement
CM Pensions Limited (Moderator)	BUGB	1 June 2019	
N Davis	BUGB	15 March 2016	
P Dick	Member election	1 January 2015	10 December 2020
J Drake	BUGB	15 March 2016	
A Pike	BUGB	15 March 2016	
P Chilcott	BUGB	18 September 2019	
S Glen	Member election	5 March 2020	
K Stewart	Member election	9 March 2020	

The Trustee has in place two sub-committees: an Investment Committee and a Governance and Risk Committee. The role of each sub-committee is set out in their Terms of Reference (available on request) and both sub-committees report back to the main Trustee Board at each quarterly Trustee meeting.

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Scheme Governance (continued)

Members are informed of the ways in which they can provide feedback through the various communication methods employed by the Trustee:

Members have access to the www.4myplan.co.uk site hosted by Broadstone; this provides access to their benefits as well as providing a portal for members to communicate directly with Broadstone.

Members also have access to the Baptist Pensions website www.baptistpensions.org.uk which provides members with details of relevant contacts for enquiries and feedback.

In addition, on all member communications (including retirement packs, member newsletters, booklets and announcements) details are provided of the various ways in which contact can be made.

The Trustee are completing a review of member communications and member feedback mechanisms during 2021.

If any member would like to get in touch with the Trustee or provide any feedback on the Scheme, please contact the Pensions Manager, Steve Kaney.

Knowledge and understanding of the Directors of the Trustee Board

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee Director must:

be conversant with the trust deed and rules of the Scheme, the Scheme’s Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally; and

have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Knowledge and understanding of the Directors of the Trustee Board (continued)

The Trustee has measures in place to secure compliance with the legal and regulatory requirements regarding conversance and knowledge and understanding including investment matters, pension regulation and trust law. This, together with the advice available from the appointed professional advisors (e.g. investment consultants, legal advisors), means the Trustee is well placed to properly exercise its functions and run the Scheme effectively.

The Trustee Directors' relevant knowledge and understanding is monitored throughout the year. Training and support from advisers is provided and a log of training has been collated. This is maintained by the Trustee Secretary and shows that all Trustee Board members have satisfactorily completed the Pension Regulator's Trustee Toolkit (or will do so within six months of appointment), and the Trustee Directors continue to receive training on a regular basis. The Trustee undertook a self-assessment analysis in June 2020 to identify any skills gaps on the Trustee Board and develop an on-going, structured training programme.

Specific examples of training and support are:

induction process for new Trustee Directors;

advisors incorporating training for the Trustee Directors in the advice that they provide at both quarterly and ad hoc meetings (see below);

bespoke training half-day in September (see below);

quarterly meeting packs including updates from actuarial consultants and legal advisers on topical issues to ensure that Trustee Directors are aware of all relevant information and legislation in relation to the Scheme;

any Trustee Director who determines that their knowledge and understanding is inadequate will work with the Pensions Manager, Moderator and advisers to attend appropriate training; and

the Trustee's legal adviser ensures that the Trustee is alerted to the relevant Rules and legislation relating to all issues being discussed.

In addition, the Trustee has access to, and is conversant with, the Trust Deed & Rules, the Statement of Investment Principles and the policies and procedures relating to the administration of the Scheme. The documents are easily accessible online through the administrators' Scheme-specific website or through the Pensions Manager.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Knowledge and understanding of the Directors of the Trustee Board (continued)

Specific training during 2020 on DC related issues is listed below.

23 July - Administration issues focused on Value for Members and Self-assessment review outcomes

9 September – ESG and climate control

9 September – Trustee duties and 21st century trusteeship

9 September – Communication and member perspective

In addition, all Trustee Board Directors completed the Regulator's Pension Scams toolkit module in Q1 2021.

Master Trust authorisation

All Master Trusts operating in the UK must be authorised by The Pensions Regulator. The Scheme's authorisation was confirmed in 2019 and it is subject to on-going supervision by the Pensions Regulator.

Engagement with members

During the reporting period we took our first steps towards a significant improvement in communicating and inviting feedback from our members. We have:

implemented new style benefit statements, in line with Pensions Regulator recommendations for clear member understanding;

encouraged the use of 4myplan to access Scheme documentation, up to date fund values and to contact the Administrator; and

requested feedback from members contacting Broadstone (the Scheme Administrator) for their views on the experience.

During 2021 we expect to increase our efforts to include member surveys on a variety of issues.

BAPTISTS TOGETHER
BAPTIST PENSION SCHEME

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Signed: *C Maggs*

by C Maggs (of CM Pensions Limited), as Moderator on behalf of the Baptist Pension Trust Limited

Dated: 30 June 2021

Attachments

Appendix 1 - Charges for investment options

Appendix 2 - Projections illustrating impact of costs and charges on member funds

Appendix 3 - Statement of Investment Principles (October 2020)

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 1 - Summary of Investment Charges

The following table illustrates the Total Expense Ratio applicable to the legacy default arrangements and self-select funds available to members as at 31 December 2020:

Fund Name	31 December 2020 Ongoing Charge (p.a.)
BMO Responsible Global Equity Fund	0.75%
BMO Responsible UK Income Fund	0.75%
L&G AAA-AA-A Corporate Bond All Stocks Fund	0.12%
L&G All Stocks Fixed-interest Gilt Fund[2]	0.08%
L&G All Stocks Index-Linked Gilt Fund[2]	0.08%
L&G Cash Fund[2]	0.10%
L&G Dynamic Diversified Fund[1,2]	0.45%
L&G Ethical Global Equity Fund	0.30%
L&G Global Equity 30:70 Currency Hedged Fund[1]	0.20%
L&G Global Equity Fixed Weights (50:50) Index Fund[2]	0.10%
L&G Over 5 Year Index-Linked Gilts Index Fund	0.08%
L&G World Emerging Markets Equity Index Fund	0.45%
Newton Real Return Fund	0.85%

[1] legacy default for former self select default funds

[2] legacy default for former Lump Sum Target Lifestyle Fund

All funds listed above are available as a self-select option with the exception of the L&G Global Equity Fixed Weights 50:50 fund which remains due to its inclusion in the legacy default, Target Lump Sum Lifestyle Fund, only.

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DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 1 - Summary of Investment Charges (continued)

The following table illustrates the charges applicable to the Ethical Default Lifestyle Fund applicable from April 2019:

Blended white-label fund	Underlying funds	Allocation	Ongoing charges (p.a.)
Ethical Growth Fund (>15 years to retirement)	L&G Ethical Global Equity Fund	70%	0.30%
	L&G Dynamic Diversified Fund	30%	0.45%
		Total	**0.35%**
Ethical Diversified Fund (15-5 years to retirement**)**	L&G Ethical Global Equity Fund	30%	0.30%
	L&G Dynamic Diversified Fund	30%	0.45%
	L&G All Stocks Fixed-interest Gilt Fund	16%	0.08%
	L&G AAA-AA-A Corporate Bond All Stocks Fund	16%	0.12%
	L&G All Stocks Index-Linked Gilt Fund	8%	0.08%
		Total	**0.26%**
At Retirement Fund (<5 years to retirement)	L&G Dynamic Diversified Fund	40%	0.45%
	L&G Cash Fund	30%	0.10%
	L&G All Stocks Fixed-interest Gilt Fund	12%	0.08%
	L&G AAA-AA-A Corporate Bond All Stocks Fund	12%	0.12%
	L&G All Stocks Index-Linked Gilt Fund	6%	0.08%
		Total	**0.24%**

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 2 - Illustration of impact of costs on member funds

Illustration of impact of costs on the Ethical Default Lifestyle Fund, the Default arrangement, in which approximately 85% of members are invested.

Projected pension pot in today's money
Current Age: 40 Target Retirement Age: 65
Initial pension pot: £25,000

	Ethical Default Lifestyle Fund	
Age	Before charges	After all charges + costs deducted
40	£25,000	£25,000
45	£43,451	£42,853
50	£65,533	£63,875
55	£89,715	£86,539
58	£103,599	£99,398
60	£112,231	£107,334
62	£120,049	£114,468
64	£126,760	£120,526
65	£129,648	£123,107

Projected pension pot in today's money
Current Age: 50 Target Retirement Age: 65
Initial pension pot: £25,000

	Ethical Default Lifestyle Fund	
Age	Before charges	After all charges + costs deducted
50	£25,000	£25,000
55	£42,448	£41,898
58	£53,050	£52,054
60	£59,920	£58,596
62	£66,424	£64,754
64	£72,358	£70,335
65	£75,068	£72,869

Important note: The above figures are intended to provide an indication of the effects of future costs and charges on the build-up of funds for a typical member, and should not be used for any other purpose. Values are presented in today's money terms, accounting for the impact of inflation and other assumptions in the period to retirement. Members should seek independent financial advice if they are unsure which of the investment options is most suitable for their own circumstances. Self-select options are subject to different charges and are not represented by these projections.

Notes on life-style strategy:

Monies are initially invested in the Ethical Growth Fund.

From 15 years to 5 years before Target Retirement Age, the monies are gradually switched into the Ethical Diversified Fund.

From 5 years before Target Retirement Age, the monies are gradually switched into the At Retirement Fund.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 2 - Illustration of impact of costs on member funds (continued)

Assumptions

A starting pot of £25,000. This is approximately based on the average fund value invested in the Default Arrangement.

Initial Qualifying Earnings of £25,000.

Contributions from the Employee and Employer totalling 10% of Qualifying Earnings; contributions are assumed to continue up to the future ages at which the projected pension pots are shown.

Any regular charges deducted from the funds will remain at current level.

Transaction costs have been assumed to be in line with those charged over the previous scheme year.

Future price inflation will be 2.5% each year in the period up to the member's retirement.

The member's earnings will increase in line with price inflation, in other words 2.5% each year.

The projected figures are then adjusted back to the current date to strip out the effects of assumed future price inflation at 2.5% each year. This is so that the values are expressed in 'today's money'.

Investments are assumed to grow at the following rates before the application of charges:

Fund	Assumed rate of growth before charges (p.a.)
L&G AAA-AA-A Corporate Bond All Stocks[2]	1.5%
L&G All Stocks Fixed-interest Gilt[2]	1.5%
L&G All Stocks Index-Linked Gilt[2]	1.5%
L&G Cash[2]	1.5%
L&G Dynamic Diversified[1,2]	4.5%
L&G Ethical Global Equity	7.0%

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (October 2020)

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustee of the Baptist Pension Scheme ("the Trustee") on various matters governing decisions about the investments of the Baptist Pension Scheme ("the Scheme"), a Scheme with Defined Benefit ("DB") and Defined Contribution ("DC") sections. The DC section is known as the DC Plan. This SIP replaces the previous SIP dated 26 September 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended), the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Pension Regulator's guidance for defined benefit pension schemes (March 2017). The SIP also reflects the Trustee's response to the Myners' voluntary code of investment principles, and the DWP's 2018 guidance on matters pertaining to ESG including Climate Change.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes account of the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP. The Trustee has consulted with the relevant employers (the Employers") in producing this SIP.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy or in the demographic profile of the relevant members in respect of the DC Plan, and at least once every three years.

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.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

2. Investment objectives

The primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustee has additional objectives. These are as follows:

that the expected return on the Scheme's assets is maximised while maintaining investment risk at an appropriate level. What the Trustee determines to be an appropriate level of risk is set out in Appendix 2.

that the Scheme should be fully funded on a technical provisions basis (ie the asset value should be at least that of its liabilities on this basis) as soon as possible. The Trustee is aware that there are various measures of funding, and has given due weight to those considered most relevant to the Scheme.

that the Scheme has a long-term journey plan in place (developed with representatives from BUGB and the Employers' Group) which is designed to help it achieve full funding by 31 December 2028 on a gilts-flat basis. Progress against this long-term journey plan is regularly reviewed.

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

an appropriate range of investment options, reflecting the membership profile of the DC Plan 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.

Investment strategy

The Trustee, with the help of its advisers and in consultation with representatives of BUGB and the Employers' Group, reviewed the investment strategy for the DB Section and DC Plan in 2018, taking into account the objectives described in Section 2 above.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

3. Investment strategy (continued)

The result of the review for the DB Section was that the Trustee agreed to allocate assets between equities, property, infrastructure, diversified growth funds ("DGFs"), multi-asset credit, corporate bonds, cash and liability-driven investment ("LDI") products.

From time to time the Trustee may purchase an annuity from an insurer that matches the pensions payable to a sub-section of the Scheme's members (a "buy-in"). In preparation for undertaking a buy-in, the Trustee may temporarily invest in (for example) fixed and index-linked gilts (in a portfolio that is designed to broadly match changes in buy-in pricing).

The full details of the DB Section's asset distribution are contained in a separate document called the Investment Policy Implementation Document ("IPID").

The allocation between asset classes will be reviewed over time, taking into account the funding level of the Scheme and de-risking opportunities.

The Trustee monitors the asset allocation from time to time. If material deviations from the strategic allocation occur, the Trustee will consider, with its advisers, whether to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

The Trustee has agreed an approach to de-risk the DB section's investment strategy following improvements in the required investment return - to reach full funding on a gilts-flat basis by 31 December 2028. The objective of this approach is to identify opportunities to "lock in" funding gains following better than expected investment experience through purchasing a buy-in. The Trustee reviews the de-risking approach on a regular basis.

For the DC Plan, 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 (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The DC Plan'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.

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

3. Investment strategy (continued)

3.1 The DC Plan’s main default arrangement

3.11 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 DC Plan’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 DC Plan members.

To help manage the volatility that members’ assets experience in the growth phase of the main default strategy, the Trustee has included an allocation to DGFs which over the long term are expected to generate returns above inflation, but with lower volatility than equities.

The Trustee will monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

3.2. Other default arrangements

In addition to the main default arrangement, the DC Plan has three additional default arrangements:

the Lump Sum Lifestyle strategy (closed to new members);

the L&G Dynamic Diversified Fund; and

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

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

3.2.1. The Lump Sum Lifestyle strategy

The Lump Sum Lifestyle strategy is the DC Plan’s legacy default option and 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.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

3. Investment strategy (continued)

3.2. Other default arrangements (continued)

3.2.1. The Lump Sum Lifestyle strategy (continued)

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.

To help manage the volatility that members' assets experience in the growth phase of the legacy default option, the Trustee has included an allocation to DGFs which over the long term are expected to generate returns above inflation, but with lower volatility than equities.

3.2.2. The L&G Dynamic Diversified Fund

The L&G Dynamic Diversified Fund became a default arrangement when changes to the DC Plan's investment options were carried out in May 2019. These changes were in relation to the review of the DC Plan's investment strategy which took place in May 2018. The Trustee identified the Standard Life Global Absolute Return Strategies Fund as being no longer suitable for members of the DC Plan and decided to close the fund and automatically move member's assets into the L&G Dynamic Diversified Fund. The L&G Dynamic 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 DC Plan's membership.

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

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

3. Investment strategy (continued)

3.2. Other default arrangements (continued)

3.2.3. 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 DC Plan's investment options were carried out in May 2019. These changes were in relation to the review of the DC Plan'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 DC Plan 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 be offered as a default option to the rest of the DC Plan's membership.

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

Considerations made in determining 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.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

4. Considerations made in determining the investment arrangements (continued)

The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumptions made by the Trustee in determining the investment arrangements are that over the long term they will outperform gilts by the following amounts p.a.:

equity-type investments: 5.0%;
UK property: 3.3%;
DGFs: 3.0%;
UK corporate bonds: 0.9%;
multi asset credit: 2.3%;
global Infrastructure 3.9%; and
dynamic LDI funds 0%.

In setting the strategy for the DB Section the Trustee took into account:

the Scheme's investment objectives, including the target return required to meet the Trustee's investment objectives;

the Scheme's cash flow requirements in order to meet benefit payments in the near to medium term;

the best interests of all members and beneficiaries;

the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level and assumptions, and the strength of the employer covenant;

the risks, rewards and suitability of a number of possible asset classes and investment 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 between different asset classes to ensure that both the Scheme's overall level of investment risk and the balance of individual asset risks are appropriate;

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

4. Considerations made in determining the investment arrangements (continued)

any other considerations which the Trustee considers financially material over the time horizon that the Trustee considers is needed for the funding of future benefits by the investments of the Scheme (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 Scheme; and

the Trustee's investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

In determining the investment arrangements for the DC Plan 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.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

4. Considerations made in determining the investment arrangements (continued)

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements for both DB Section and DC Plan, 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.

5. 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 DB Section and the DC Section are set out in the IPID.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

5. Implementation of the investment arrangements (continued)

In respect of the DC Plan, 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, and investment managers to whom discretion has been delegated, exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

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.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

5. Implementation of the investment arrangements (continued)

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual 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.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. 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.

For the DB Section, when appropriate, the Trustee, on the administrators' recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable, but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property and infrastructure).

In general, the Trustee's policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

For the DC Plan the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social and governance ("ESG") factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

7. Consideration of financially material and non-financial matters (continued)

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 from time to time reviews how its managers are taking account of these issues in practice. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee has decided that, in the investment of the DB Section's assets, the investment managers should adopt ethical guidelines where possible. The current guidelines are those set out in the Trustee's Ethical Investment Policy document. The Trustee believes that this stance should not undermine the long-term objectives of the Scheme.

The Trustee will take its ethical guidelines into account when appointing and reviewing the DB Section's investment managers. The Trustee cannot usually directly influence investment managers' policies on ethical factors where assets are held in pooled funds due to the collective nature of these investments.

Within the DC Plan, 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 and ethical risks and increased exposure to ESG and ethical opportunities. Outside of the Ethical Default Lifestyle strategy, the DC Plan offers actively managed equity funds which invest in ESG and ethically screened equities. At this time, it does not believe there are any ESG-focused investment options available that meet its needs in other asset classes but will keep this under review.

8. Stewardship

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 issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

9. Stewardship (continued)

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

SIP signed for and on behalf of the Trustee of the Baptist Pension Scheme:

Signed: *C Maggs*

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

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 considerations, 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;

appointing (and, when necessary, dismissing) 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 Act;

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;

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 1 - Investment governance, responsibilities, decision-making and fees (continued)

1. Trustee (continued)

reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and

consulting with the employers when reviewing the SIP.

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

Platform provider

The investment platform provider for the DC Plan, 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.

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 the Trustee / investment platform provider with 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.

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 1 - Investment governance, responsibilities, decision-making and fees (continued)

3. Investment managers (continued)

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustee or not) 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:

in relation to the DB Section, advising on how material changes within the Scheme's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;

in relation to the DC Plan, advising on a suitable fund range and default strategy, and how material changes to legislation or within the DC Plan's benefits and membership may impact this;

advising on the selection, and review, of the investment managers; and

participating with the Trustee in reviews of this SIP.

5. Fee structures

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

The Trustee has agreed Terms of Business with the Scheme’s actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a “time-cost” basis.

The investment managers receive fees calculated by reference to the market value of assets under management and also in some cases a performance related fee. The fee rates are believed to be consistent with the managers’ general terms for institutional clients and are considered by the Trustee to be reasonable when compared with those of other similar providers.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 1 - Investment governance, responsibilities, decision-making and fees (continued)

5. Fee structures (continued)

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, taking into account 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 and the Employers' Group.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk

8. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustee is willing to bear within the Scheme in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors, including:

the strength of the employers' covenant and how this may change in the near/medium future;

the agreed journey plan and employers' contributions;

the Scheme's long-term and shorter-term funding targets;

the Scheme's liability profile, its interest rate and inflation sensitivities, and the extent to which these are hedged;

the Scheme's cash flow and target return requirements; and

the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

9. 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:

DC Chair’s Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk

9. Approach to managing and monitoring investment risks (continued)

9.1. Risk of inadequate returns

For the DB Section, a key objective of the Trustee is that, over the long-term, the Scheme should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Scheme to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Scheme's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustee on a regular basis.

In the DC Plan, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy.

9.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Scheme’s assets. The Trustee believes that the Scheme’s DB assets and main DC default strategy are adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range for members to choose from. This was a key consideration when determining the Scheme’s investment arrangements and is monitored by the Trustee on a regular basis.

9.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk (continued)

9. Approach to managing and monitoring investment risks (continued)

9.4. Liquidity/marketability risk

For the DB Section, this is the risk that the Scheme is unable to realise assets to meet benefit cash flows as they fall due, or that the Scheme will become a forced seller of assets in order to meet benefit payments. The Trustee is aware of the Scheme's cash flow requirements and believes that this risk is managed by maintaining an appropriate degree of liquidity across the Scheme's investments and by investing in income generating assets, where appropriate.

For the DC Plan, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

9.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Scheme's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

9.6. Collateral adequacy risk

The Scheme is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage.

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk (continued)

9. Approach to managing and monitoring investment risks (continued)

9.6. Collateral adequacy risk (continued)

Collateral adequacy risk is the risk that the Trustee, when requested to do so, will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Scheme's interest rate and inflation hedging could be reduced and that the Scheme's funding level could suffer subsequently as a result. To manage this risk, the Trustee ensures that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

9.7. Risk from excessive charges

Within the DC Plan, if the investment management charges together with other charges levied on, for example, transfer or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Scheme are in line with market practice and assess regularly whether these represent good value for members.

9.8. 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.

The Scheme invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds. The Trustee, with the help of its advisors, carries out due diligence checks prior to the appointment of any new investment manager or fund, and monitors for changes in the operating environment of the existing investments.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk (continued)

9. Approach to managing and monitoring investment risks (continued)

9.8. Credit risk (continued)

The Scheme is directly exposed to credit risk through its segregated diversified growth fund mandate managed by Ruffer. As the Ruffer portfolio forms part of the return-seeking assets of the Scheme, credit risk exposure of investments is actively managed in order to optimise the risk / return profile of the portfolio.

The Scheme is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds where they invest in bonds and other assets of a contractual nature (eg multi asset credit, property, LDI, etc)

The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers, tenants and derivative counterparties, conducting thorough research on the probability of default of those entities, and having a controlled and carefully considered exposure to counterparties rated below investment grade. The magnitude of credit risk within each fund will vary over time as the managers change the underlying investments in line with their views on markets, asset classes and specific securities.

Under its de-risking policy, the Trustee may from time to time insure member benefits by purchasing annuity policies (ie buy-ins). Any buy-in would be subject to credit risk, due to the potential for the counterparty to default on its contractual payments. There are a number of mitigating factors that protect against this, including but not limited to the insurance regime, regulatory scrutiny and the Financial Services Compensation Scheme.

9.9. Currency risk

Whilst the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk (continued)

9. Approach to managing and monitoring investment risks (continued)

9.10. Interest rate and inflation risk

The DB Section's assets are subject to interest rate and inflation risk because some of the assets are held (directly and indirectly) in bonds, inflation linked bonds, and other assets of a contractual nature where payments are linked to interest rates or inflation. However, the interest rate and inflation exposure of the DB Section's assets hedges part of the corresponding risks associated with the DB Section's liabilities.

The Trustee considers interest rate and inflation and risks to be generally unrewarded investment risks.

As a result, the Trustee aims to partially hedge the DB Section's exposure to interest rate and inflation risk. In practice, this involves hedging the portion of interest rate and inflation risk that corresponds to the Scheme's funding level, by investing in a mixture of bonds as well as leveraged LDI arrangements. The Trustee reviews the interest rate and inflation hedge on a regular basis and will amend the hedge to reflect improvement the Scheme's funding position.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner.

9.11. Other non-investment risks

The Trustee recognises that there are other, non-investment, risks faced by the Scheme, and takes these into consideration as far as practical in setting the Scheme's investment arrangements as part of its assessment of the other aspects of the Scheme's Integrated Risk Management framework.

Examples for the DB Section include:

longevity risk (the risk that members live, on average, longer than expected); and

sponsor covenant risk (the risk that, for whatever reason, the sponsoring employers are unable to support the Scheme as anticipated).

DC Chair's Annual Statement for the Baptist Pension Scheme as at 31 December 2020 (continued)

Appendix 3 - Statement of Investment Principles (continued)

Appendix 2 – Policy towards risk (continued)

9. Approach to managing and monitoring investment risks (continued)

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Scheme's funding position falls below what is considered an appropriate level. The Trustee regularly reviews progress towards the Scheme's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustee believes that it has appropriately addressed and is positioned to manage this general risk.