

Baptist Pensions Trust Limited (the Trustee)

The Ethical Investment Policy applying to the assets of the Baptist Pension Scheme and the Baptist Union Staff Pension Scheme

Introduction

The content of this document is based on the Ethical Investment Policy of the Baptist Union of Great Britain (BUGB), last revised in May 2013. At that time the Investment Committee of BUGB acted as the Investment Committee for Baptist Pension Trust Limited as well as overseeing Union investments. These roles are now separate. However, the Trustee wishes to continue to ensure that the investments held reflect our Christian values and ethos. The Trustee is committed to ensuring that such ethical investment considerations are integral to BUGB's stated object in the advancement of Christian Faith and Practice, especially by the means of and in accordance with the principles of the Baptist Denomination.

Striking a balance between risk, reward and ethical considerations is complex and subject to Trust law. The Trustee must at all times satisfy itself that its action in applying an ethical investment policy will not involve significant financial detriment. The Trustee therefore seeks to achieve an acceptable balance that will satisfy this expectation and the conscience of the Baptist constituency.

The Investments Committee appointed by the Trustee is responsible for ensuring that the ethical investment policy is adhered to by our appointed Investment Managers at all times.

The content of the Ethical Investment Policy was agreed in 2013 by consultation between the Trustee and the BUGB Trustees, who act on behalf of all the employers participating in the Pension Schemes. In doing so, it has been recognised that following an ethical investment policy is likely to lead to higher investment management costs and increased volatility of returns, compared to those for a non-ethical approach, with potential implications for employers' obligations to finance the Pension Schemes.

Application of the Policy

This policy applies to the assets of the Baptist Union Staff Pension Scheme, together with the "non-defined contribution" assets of the Baptist Pension Scheme.

The investment of the defined contribution assets of the Baptist Pension Scheme is determined by individual members' choice of funds. The range of funds offered to members includes two ethical funds, and appropriate lifestyle strategies, in addition to funds and lifestyle strategies which are not managed by reference to ethical criteria. If members do not make a choice of investment funds, their pension account is invested in the default lifestyle strategy determined by the Trustee. In accordance with legal advice received by the Trustee, this default lifestyle strategy does not utilise ethical funds.

Investment Policy

Through its ethical investment policy, the Trustee seeks a constructive engagement with the corporate world. Through the Investment Managers, it seeks to invest in companies that will successfully develop their business financially where responsible business practices and high standards of corporate behaviour are encouraged and supported.

The use of ‘positive screening’, ‘negative screening’ and ‘stakeholder activism’ will be applied in assessing companies that are included within the investment portfolios.

Positive Screening

This means investing in companies or sectors which reflect Christian values in areas like environmental protection, supporting sustainable development, health, education, employment, human rights, good corporate social responsibility, good governance, financial transparency, anti-corruption controls, safe working practices, natural justice and sensitivity towards the communities in which their business operates. By applying an ethical investment policy, the Trustee seeks to encourage companies to act responsibly in the interests of their shareholders, employees and other stakeholders.

Negative Screening

This means avoiding investment in companies or sectors or companies undertaking a particular activity or operating in a way which may be harmful and inconsistent with our Christian values and ethos.

The Trustee will therefore avoid investment in companies with significant trading in gambling, pornography, the supply of tobacco products, alcoholic beverages, armaments, high interest rate lending. Generally, the Trustee will avoid companies involved in human embryonic cloning or genetically modified organisms (GMO), except where such research is regarded as absolutely necessary and ensuring the ethical imperatives in embryo research are never forgotten as science develops. The Trustee will also avoid investment in companies significantly involved in human exploitation or injustice. Significant trading or involvement is taken to mean greater than 10% of turnover.

The Trustee will avoid investment where it is clear there is systematic abuse or harmful impact on community development. As stewards of the world, the Trustee will avoid investment in companies that act without proper regard to the environment.

Stakeholder Activism

This means where shareholders seek to influence a company’s policies towards those which better reflect their values and ethos. The Trustee does this primarily through –

- membership (along with BUGB) of the Church Investors Group (CIG) - a group of investors connected with Churches and other Christian charities in Britain and Ireland with combined assets of c£12 billion;
- regular reports from our Investment Managers on how they have exercised company voting rights (if applicable).

The purpose here is to see a desired improvement in the conduct of companies in which the Schemes invest and making known the Trustee’s values and ethos in the best practical ways possible.

Summary

The world of business and investment is very sophisticated and complex. The Trustee acknowledges there is difficulty in ensuring that its ethical investment policy is adhered to in every respect, especially given the complexity of global markets and the diversification of many companies. However, through the relationship the Investment Committee has with our investment managers and our ecumenical partners, they will seek to exercise their Christian, as well as shareholder, responsibility. In this way the Trustee will seek to communicate Christian concerns and help stimulate ethical awareness in business.

The Trustee is also applying the original 'Myners Principles' which set out to codify best practice in investment decision-making.

Agreed by the Trustee on 15 September 2016