

# Baptist Pension Scheme

## DC Chair Statement

### Statement Regarding DC Governance

#### Background

Governance requirements apply to 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;
- net returns of the investment options;
- trustee knowledge and understanding; and
- the constitution of the trustee board.

This is the Trustee's 2025 annual report covering the period from 1 January 2025 to 31 December 2025. This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation, and associated Statutory Guidance. 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 [Baptist Pension Scheme \(broadstone.co.uk\)](https://broadstone.co.uk) as well as from the Baptist Pension Scheme website: [DC Governance - Baptist Pensions](#).

In 2019 the Scheme was authorised by the Pensions Regulator ("TPR") as a Master Trust arrangement. By maintaining Master Trust authorisation, the Scheme 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 December 2025 Statement of Investment Principles ("SIP"), which is shown as **Appendix C**. The changes implemented in this revised statement reflect the closure of the DB Section, as well as the investment strategy changes within the default lifestyle strategy which were implemented in June 2025.

#### Default arrangements

The Scheme is used as a Qualifying Scheme for auto-enrolment. Within the Scheme 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") – 93% of the Scheme's membership uses the Default Fund.

Members who were within five years of their target retirement date prior to an investment strategy change to a new default fund in 2019 remained in the legacy lifestyle default called the Lump Sum Lifestyle Fund. Approximately 2% of members remain in this fund and it is closed to new members.

Three other funds are also classified as legacy default arrangements for some members following past investment changes, where members' self-select funds were transferred in the absence of the members expressing an alternative choice. These are:

- the L&G Global Equity Market Weights (30:70) Index Fund, switched from the L&G Global Equity Market Weights (50:50) Index Fund in May 2019;
- the L&G Diversified Fund, switched from the L&G Dynamic Diversified Fund in January 2022; and
- the L&G Low Carbon Transition UK Equity Index Fund, switched from the BMO Responsible UK Income Fund in April 2022.

In all cases the Trustee was advised that the previous funds were no longer suitable for members. The Trustee believes these three legacy default funds are appropriate default arrangements for the members who were transferred into them at the time, but they will not be considered as default arrangements for the rest of the Scheme's membership. None of these legacy default arrangements have any lifestyle 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 default arrangements. Details of the objectives and the Trustee's policies regarding the default arrangements can be found in the Statement of Investment Principles. The Scheme's latest SIP, dated December 2025, covering the default arrangements is attached to this statement.

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

- an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and
- a main Default Fund 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 main Default Fund option is to generate returns significantly above inflation whilst members are some distance from retirement, and then to switch automatically and gradually to lower risk investments as retirement approaches.

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

- the best interests of all members and beneficiaries;
- the profile of the membership and what this is likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification within the Default Fund 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 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.

A formal strategy and performance review takes place at least every three years. The strategy was last reviewed by the Investment Committee, along with the Trustee's investment advisor on 5 March 2024 and the recommendations ratified at the Trustee Board meeting on 13 March 2024. The Trustee implemented the following investment strategy changes within the default lifestyle strategy:

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

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

### Asset allocation of the Default Fund

We have provided further details in the table below of the underlying asset allocation for a member aged 25, 45, 55 and 65 in the Default Fund, rounded to full percentage points. We have provided this information in line with statutory guidance.

| Asset Class                   | Allocation (%)<br>at Age 25 | Allocation (%)<br>at Age 45 | Allocation (%)<br>at Age 55 | Allocation (%)<br>at Age 65 |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Cash</b>                   | <b>0.8%</b>                 | <b>0.8%</b>                 | <b>0.7%</b>                 | <b>11.0%</b>                |
| <b>Bonds</b>                  | <b>12.0%</b>                | <b>12.0%</b>                | <b>32.1%</b>                | <b>65.4%</b>                |
| Gilts                         | 0.3%                        | 0.3%                        | 0.3%                        | 19.9%                       |
| Index-Linked Gilts            | 0.5%                        | 0.5%                        | 0.5%                        | 0.7%                        |
| Corporate Bonds               | 11.2%                       | 11.2%                       | 31.2%                       | 44.9%                       |
| Other Bonds                   | 0.0%                        | 0.0%                        | 0.0%                        | 0.0%                        |
| <b>Listed Equities</b>        | <b>84.8%</b>                | <b>84.8%</b>                | <b>64.8%</b>                | <b>20.3%</b>                |
| UK Equities                   | 3.9%                        | 3.9%                        | 3.3%                        | 2.2%                        |
| Developed Equities            | 79.3%                       | 79.3%                       | 60.0%                       | 16.2%                       |
| Emerging Market Equities      | 1.5%                        | 1.5%                        | 1.5%                        | 1.9%                        |
| <b>Private Equity</b>         | <b>0.4%</b>                 | <b>0.4%</b>                 | <b>0.4%</b>                 | <b>0.5%</b>                 |
| <b>Infrastructure</b>         | <b>0.0%</b>                 | <b>0.0%</b>                 | <b>0.0%</b>                 | <b>0.0%</b>                 |
| <b>Property / Real Estate</b> | <b>1.5%</b>                 | <b>1.5%</b>                 | <b>1.5%</b>                 | <b>2.0%</b>                 |
| <b>Private Debt / Credit</b>  | <b>0.6%</b>                 | <b>0.6%</b>                 | <b>0.6%</b>                 | <b>0.8%</b>                 |
| <b>Other</b>                  | <b>0.0%</b>                 | <b>0.0%</b>                 | <b>0.0%</b>                 | <b>0.0%</b>                 |
| <b>TOTAL</b>                  | <b>100.0%</b>               | <b>100.0%</b>               | <b>100%</b>                 | <b>100%</b>                 |

Source: L&G, as at 31 December 2025. Due to rounding, the figures may not sum to 100%.

In relation to the legacy default arrangements the asset allocations are as follows (rounded to full percentage points):

**L&G Global Equity Market Weights (30:70) Index Fund** – Listed equities 100%

**L&G Low Carbon Transition UK Equity Fund – Listed equities 100%****L&G Diversified Fund –**

Cash – 1%  
 Bonds – 40%  
 Listed equities – 51%  
 Private equity – 1%  
 Property/real estate – 5%  
 Private debt/credit – 2%

**Lump Sum Target Lifestyle Fund –**

Cash – 50%  
 Bonds – 30%  
 Listed equities – 17%  
 Property/real estate – 2%  
 Private debt/credit – 1%

The above L&G funds are all single asset funds, and the asset allocation does not change by reference to the period to the member's target retirement age.

All the members in the Lump Sum Target Lifestyle Fund are already past their target retirement age and, subject to the investment manager having the discretion to vary the composition of the Dynamic Diversified Fund that makes up 34% of the overall fund, the asset allocation will remain largely the same.

**Requirement for processing core financial transactions**

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

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 Scheme were processed promptly and accurately during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers between different investments within the Scheme, and payments to members/beneficiaries. In particular:

- the Governance and Risk Committee review the administrator's AAF 01/20 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 Scheme;
- 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 Trustee can monitor compliance with statutory and regulatory guidelines.
- details of the usage of *Engage*, the member access website.
- a summary of any investment decisions effected by the members.
- a bank account reconciliation identifying any 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.

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.

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.

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 Scheme. 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 funds used by the Scheme are not subject to any performance related charges imposed by the investment fund managers.

The stated charges exclude any costs associated with the management and administration as these are met by the Scheme from the employers' expense contributions.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

### **Default arrangements**

The main default arrangement is the Ethical Default Lifestyle Fund ("the Default Fund"). The Default Fund 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 0.15% to 0.16% p.a.

For the legacy default Lump Sum Target Lifestyle Fund the level of charges and transaction costs vary depending on how close members are to their target retirement date and in which funds they are invested, noting however that all members now past their target retirement date. The charges over the period covered by this statement for members at retirement are 0.22% p.a..

For the other legacy default arrangements, the charges over the period amounted to 0.20% p.a. for the L&G Global Equity Market Weights (30:70) Index Fund, 0.25% for the L&G Diversified Fund, and 0.06% for the L&G Low Carbon Transition UK Equity Fund.

For the period covered by this statement the member borne charges for all the default arrangements 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 is listed in **Appendix A**.

The Trustee is also required to separately disclose 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, our advisers 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:

| Fund name                                                                                      | Transaction costs |
|------------------------------------------------------------------------------------------------|-------------------|
| <b>Baptist Ethical Growth Fund (part of the Default Fund)</b>                                  | <b>0.09%</b>      |
| <b>Baptist Ethical Diversified Fund (part of the Default Fund)</b>                             | <b>0.08%</b>      |
| <b>Baptist At Retirement Fund (part of the Default Fund)</b>                                   | <b>0.06%</b>      |
| <b>L&amp;G Cash Fund<sup>2</sup></b>                                                           | <b>0.07%</b>      |
| <b>L&amp;G Dynamic Diversified Fund<sup>2</sup></b>                                            | <b>0.07%</b>      |
| <b>L&amp;G Diversified Fund<sup>1</sup></b>                                                    | <b>0.04%</b>      |
| <b>L&amp;G AAA-AA-A Corporate Bond All Stocks Fund<sup>2</sup></b>                             | <b>0.00%</b>      |
| <b>L&amp;G All Stocks Index-Linked Gilt Fund<sup>2</sup></b>                                   | <b>0.10%</b>      |
| <b>L&amp;G All Stocks Fixed-Interest Gilt Fund<sup>2</sup></b>                                 | <b>0.00%</b>      |
| <b>L&amp;G Over 5 Year Index-linked Gilt Fund</b>                                              | <b>0.12%</b>      |
| <b>L&amp;G Global Equity Market Weights (30:70) Index 75% Currency Hedged Fund<sup>1</sup></b> | <b>0.04%</b>      |
| <b>L&amp;G Ethical Global Equity Fund</b>                                                      | <b>0.01%</b>      |
| <b>Columbia Threadneedle Responsible Global Equity Fund</b>                                    | <b>0.09%</b>      |
| <b>L&amp;G Low Carbon Transition UK Equity Fund<sup>1</sup></b>                                | <b>0.00%</b>      |

| Fund name                                    | Transaction costs |
|----------------------------------------------|-------------------|
| Newton Real Return Fund                      | 0.08%             |
| L&G World Emerging Markets Equity Index Fund | 0.00%             |

<sup>1</sup>legacy default for former self-select funds

<sup>2</sup>legacy default for former Lump Sum Target Lifestyle Fund

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 Default Fund, are included in **Appendix B**. Consideration of the statutory guidance has been taken into account in the production of these examples.

### Illustration of charges and transaction costs

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out in **Appendix B** illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

- the "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are based on those provided by the managers.
- The illustration is shown for the Default Fund as well as two funds from the Scheme's self-select fund range. The self-select funds shown in the illustration are:
  - The fund with the highest annual member borne charges – this is the Newton Real Return Fund.
  - The fund with the lowest annual member borne charges – this is the L&G Low Carbon Transition UK Equity Fund.

Details of these illustrations can be found in **Appendix B**.

### Investment returns

A summary of the return on each fund over the Scheme year from 1 January 2025 to 31 December 2025, net of investment charges and transaction costs is set out below:

| Net of Fees Returns                                                        | Used in Default Fund? | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) |
|----------------------------------------------------------------------------|-----------------------|------------|------------------|------------------|
| <b>L&amp;G AAA-AA-A All Stocks Corporate Bond Fund</b>                     | No                    | 6.2        | 4.8              | -1.7             |
| <b>L&amp;G All Stocks Fixed Interest Gilt Fund</b>                         | No                    | 4.9        | 1.8              | -5.4             |
| <b>L&amp;G All Stocks Index-Linked Gilt Fund</b>                           | No                    | 1.1        | -1.9             | -8.3             |
| <b>L&amp;G Baptist Ethical Growth Fund</b>                                 | Yes                   | 13.2       | 14.4             | 10.6             |
| <b>L&amp;G Baptist Ethical Diversified Fund*</b>                           | Yes                   | 9.0        | 8.3              | 3.4              |
| <b>L&amp;G Baptist At Retirement Fund</b>                                  | Yes                   | 6.9        | 5.4              | 1.3              |
| <b>L&amp;G Cash Fund</b>                                                   | No                    | 4.3        | 4.7              | 3.0              |
| <b>L&amp;G Dynamic Diversified Fund</b>                                    | No                    | 12.6       | 8.3              | 4.7              |
| <b>L&amp;G Diversified Fund*</b>                                           | No                    | 11.4       | 8.6              | 4.8              |
| <b>L&amp;G Ethical Global Equity Fund</b>                                  | No                    | 15.7       | 17.6             | 13.7             |
| <b>Columbia Threadneedle Responsible Global Equity Fund</b>                | No                    | 3.3        | 8.2              | 5.8              |
| <b>L&amp;G Low Carbon Transition UK Equity Fund*</b>                       | No                    | 25.4       | 14.6             | n/a              |
| <b>L&amp;G Global Equity Mixed Weights (30:70) Index Fund (GBP Hedged)</b> | No                    | 20.0       | 17.7             | 12.0             |
| <b>L&amp;G Newton Real Return Fund</b>                                     | No                    | 12.1       | 6.8              | 3.9              |
| <b>L&amp;G Over 5 Year Index-Linked Gilt Fund</b>                          | No                    | 0.5        | -3.1             | -10.3            |
| <b>L&amp;G World Emerging Markets Equity Fund</b>                          | No                    | 15.7       | 10.4             | 4.6              |

Source: L&G. Fund performance is net of fees and based on daily midday unit prices. \*Inception date is 15 December 2021.

| Default Fund<br>Net of Fees Returns<br>(Age as at 31 December 2025) | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) |
|---------------------------------------------------------------------|------------|------------------|------------------|
| <b>45 or younger</b>                                                | 13.2       | 14.4             | 10.6             |
| <b>55</b>                                                           | 11.5       | 12.6             | 9.2              |
| <b>65</b>                                                           | 6.9        | 5.4              | 1.3              |

Source: L&G. Fund performance is net of fees and based on returns provided for white-label funds used by the Scheme.

## Value for members

The Trustee is required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members, compared to other options available in the market. Following the buy-out of the DB liabilities during 2024, the DC Plan had less than £100 million of assets as at 31 December 2024 and is therefore subject to the Detailed Value for Members Assessment requirements introduced by The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Regulations 2021.

An independent assessment was completed in May 2026 in line with the Statutory Guidance.

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 Scheme compares to other options available in the market.

The Trustee's assessment included:

- A comparison of the charges imposed on members' funds
- A review of the performance of the investment funds (after charges) in the context of its investment objectives
- The quality of the governance and administration arrangements in place

The Trustee is satisfied that the charges imposed on members' funds are competitive, relative to those available from comparable DC pension arrangements. Furthermore, apart from at age 65, the past investment performance compares favourably with those of other arrangements available in the market at ages 45 and 55. At age 65, the members are invested wholly in the At Retirement Fund, which the Trustee has recognised has not performed satisfactorily. The recent investment strategy review has resulted in some changes to that fund with the expectation of improved outcomes. The Trustee is satisfied that the Scheme's governance and administration policies are in accordance with good practice and appropriate for the arrangements in place.

Overall, the Trustee is able to confirm that in its opinion the Scheme provides value for members.

## Governance

The Trustee Board is made up of people either appointed by the Baptist Union of Great Britain ("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.

For member-nominated appointments, the profile is distributed to all members, inviting suitable nominations. There is an interview process to determine suitability. Appointment by election is then 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 2025.

| Trustee Director    | Appointed by | Date of Original Appointment |
|---------------------|--------------|------------------------------|
| CM Pensions Limited | BUGB         | 1 June 2019                  |

| <b>Trustee Director</b> | <b>Appointed by</b>      | <b>Date of Original Appointment</b>                         |
|-------------------------|--------------------------|-------------------------------------------------------------|
| <b>(Moderator)</b>      |                          |                                                             |
| <b>Jenny Drake</b>      | <b>BUGB</b>              | <b>15 March 2016</b><br><b>(resigned 11 September 2025)</b> |
| <b>Paul Holland</b>     | <b>BUGB</b>              | <b>19 September 2025</b>                                    |
| <b>Tony Pike</b>        | <b>BUGB</b>              | <b>15 March 2016</b>                                        |
| <b>Paul Chilcott</b>    | <b>BUGB</b>              | <b>18 September 2019</b>                                    |
| <b>Stuart Glen</b>      | <b>Member nomination</b> | <b>5 March 2020</b><br><b>(term ended March 2026)</b>       |
| <b>Andrew Clarke</b>    | <b>Member nominated</b>  | <b>11 March 2026</b>                                        |
| <b>Rev Ken Stuart</b>   | <b>Member nomination</b> | <b>9 March 2020</b><br><b>(resigned 17 June 2025)</b>       |
| <b>Hilary Mason</b>     | <b>Member nomination</b> | <b>17 June 2025</b>                                         |

In March 2026, Steven Kaney left the position of Pensions Manager and has been replaced by Amy Green and Helen Lukies.

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.

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 Engage 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 <http://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.

If any member would like to get in touch with the Trustee or provide any feedback on the Scheme, please contact the Pensions Managers, Amy Green and Helen Lukies.

## Knowledge and understanding

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.

In addition, trustees of schemes that are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Scheme (Climate Change Governance and Reporting) Regulations 2021 must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

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. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustee Directors' relevant knowledge and understanding is monitored throughout the year. Training and support from advisers are 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 (any new members are required to 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 May 2026 to identify any skills gaps on the Trustee Board and develop an on-going, structured training programme. The Trustee experience matrix was also updated in 2025 to aid in the appointment of new Directors.

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);
- 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 Managers, 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.

Specific training during 2025 on Scheme related issues is listed below.

- Understanding the M&G Total Return Credit Fund including ESG – IC meeting January 2025
- The Government Pension Investment Review – IC meeting June 2025
- Introduction to the Pensions Bill – June 2025
- Investment Beliefs – September 2025
- Interpreting investment performance statistics – September 2025
- Understanding 'key scheme documents' – September 2025
- Pensions Bill 2025 – September 2025
- Guided Retirement – September 2025
- Inheritance Tax and pension funds – September 2025
- Administration issues including Dashboards – December 2025

### **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 ongoing supervision from the Pensions Regulator.

### **Engagement with members**

During the reporting period we continued to work towards a significant improvement in communicating and inviting feedback from our members. We have:

- encouraged the use of Engage to access Scheme documentation, up to date fund values and to contact the Administrator;
- requested feedback from members contacting the Administrator for their views on the experience;
- members receive an annual benefit statement which sign-posts them to where they can find this Statement to understand the default strategy, the returns on investment, the charges/transaction costs and how these represent value for members.



**Date**

17 June 2026

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

## Statement Regarding DC Governance (continued)

### Appendix A – 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 2025:

| Fund Name                                            | Ongoing Charge (p.a.) |
|------------------------------------------------------|-----------------------|
| Columbia Threadneedle Responsible Global Equity      | 0.75%                 |
| L&G AAA-AA-A Corporate Bond All Stocks <sup>2</sup>  | 0.12%                 |
| L&G All Stocks Fixed-Interest Gilt <sup>2</sup>      | 0.08%                 |
| L&G All Stocks Index-Linked Gilt <sup>2</sup>        | 0.08%                 |
| L&G Cash <sup>2</sup>                                | 0.10%                 |
| L&G Diversified <sup>1</sup>                         | 0.25%                 |
| L&G Dynamic Diversified <sup>2</sup>                 | 0.45%                 |
| L&G Ethical Global Equity                            | 0.12%                 |
| L&G Global Equity 30:70 Currency Hedged <sup>1</sup> | 0.20%                 |
| L&G Over 5 Year Index-linked Gilt                    | 0.08%                 |
| L&G World Emerging Markets Equity Index              | 0.45%                 |
| Newton Real Return                                   | 0.85%                 |
| L&G Low Carbon Transition UK Equity <sup>1</sup>     | 0.06%                 |

Source: L&G.

<sup>1</sup> legacy default for former self-select funds

<sup>2</sup> 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 Dynamic Diversified Fund which remains only due to its inclusion in the legacy default, the Target Lump Sum Lifestyle Fund.

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

| White-labelled fund             | Underlying funds                                    | Weighting | Ongoing charges (p.a.) |
|---------------------------------|-----------------------------------------------------|-----------|------------------------|
| <b>Ethical Growth Fund</b>      | L&G ESG Paris Aligned World Equity Index Fund       | 70%       | <b>0.159%</b>          |
|                                 | L&G Diversified Fund                                | 30%       |                        |
| <b>Ethical Diversified Fund</b> | L&G ESG Paris Aligned World Equity Index Fund       | 30%       | <b>0.149%</b>          |
|                                 | L&G Diversified Fund                                | 30%       |                        |
|                                 | M&G Sustainable Total Return Credit Investment Fund | 40%       |                        |
| <b>At Retirement Fund</b>       | L&G Diversified Fund                                | 40%       | <b>0.159%</b>          |
|                                 | L&G Cash Fund                                       | 30%       |                        |
|                                 | M&G Sustainable Total Return Credit Investment Fund | 30%       |                        |

Source: L&G.

## Statement Regarding DC Governance (continued)

### Appendix B – Illustration of impact of costs on member funds

The illustration is shown for the main default arrangement (the Ethical Default Lifestyle Fund), as well as two funds from the Scheme's self-select fund range. The self-select funds shown in the illustration are those:

- with the highest annual member borne costs – this is the Newton Real Return Fund
- with the lowest annual member borne costs – this is the L&G Low Carbon Transition UK Equity Fund

**Illustration of impact of costs on the Ethical Default Lifestyle Fund, the default arrangement, in which approximately 93% of members are invested.**

| Projected pension pot in today's money |                           |                                    |
|----------------------------------------|---------------------------|------------------------------------|
| Current age: 50                        | Target retirement age: 65 | Initial pension pot: £40,000       |
| Ethical Default Lifestyle Fund         |                           |                                    |
| Age                                    | Before charges            | After all charges + costs deducted |
| 50                                     | £40,000                   | £40,000                            |
| 55                                     | £68,441                   | £67,788                            |
| 58                                     | £85,780                   | £84,562                            |
| 60                                     | £97,082                   | £95,424                            |
| 62                                     | £108,364                  | £106,219                           |
| 64                                     | £115,800                  | £113,115                           |
| 65                                     | £121,674                  | £118,705                           |

  

| Projected pension pot in today's money |                           |                                    |
|----------------------------------------|---------------------------|------------------------------------|
| Current age: 25                        | Target retirement age: 65 | Initial pension pot: Nil           |
| Ethical Default Lifestyle Fund         |                           |                                    |
| Age                                    | Before charges            | After all charges + costs deducted |
| 25                                     | £0                        | £0                                 |
| 35                                     | £49,317                   | £48,717                            |
| 45                                     | £113,150                  | £110,227                           |
| 50                                     | £156,427                  | £151,332                           |
| 55                                     | £202,931                  | £194,936                           |
| 58                                     | £229,117                  | £219,174                           |
| 60                                     | £245,212                  | £233,934                           |
| 62                                     | £260,862                  | £248,200                           |
| 64                                     | £276,973                  | £262,839                           |
| 65                                     | £285,205                  | £270,302                           |

*Important note: The figures stated in these projections 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.*

### Notes on lifestyle 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.

### Illustration of impact of costs on the highest charging and lowest charging funds.

| Projected pension pot in today's money |                         |                                    |                                          |                                    |
|----------------------------------------|-------------------------|------------------------------------|------------------------------------------|------------------------------------|
| Current age: 25                        |                         | Target retirement age: 65          |                                          | Initial pension pot: Nil           |
|                                        | Newton Real Return Fund |                                    | L&G Low Carbon Transition UK Equity Fund |                                    |
| Age                                    | Before charges          | After all charges + costs deducted | Before charges                           | After all charges + costs deducted |
| 25                                     | £0                      | £0                                 | £0                                       | £0                                 |
| 35                                     | £44,658                 | £42,657                            | £49,317                                  | £49,180                            |
| 45                                     | £91,738                 | £83,438                            | £113,150                                 | £112,475                           |
| 50                                     | £120,168                | £106,810                           | £156,427                                 | £155,247                           |
| 55                                     | £150,740                | £130,837                           | £207,615                                 | £205,704                           |
| 58                                     | £170,178                | £145,575                           | £242,716                                 | £240,231                           |
| 60                                     | £183,616                | £155,537                           | £268,160                                 | £265,227                           |
| 62                                     | £197,450                | £165,610                           | £295,371                                 | £291,930                           |
| 64                                     | £211,691                | £175,795                           | £324,472                                 | £320,457                           |
| 65                                     | £218,968                | £180,929                           | £339,773                                 | £335,444                           |

### Assumptions

- A starting pot of £40,000 for the “average member” and nil for the “younger member”. This former is based on the average fund value invested in the Default Fund. Initial Qualifying Earnings of £30,000.
- Contributions from the Employee and Employer totalling 14% 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.
- 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 (as set out in the SMPI member statements) before the application of charges:

| Fund Name                    | Assumed rate of growth before charges (p.a.) |
|------------------------------|----------------------------------------------|
| L&G Ethical Growth Fund      | 6.0%                                         |
| L&G Ethical Diversified Fund | 4.0%                                         |

|                                                     |      |
|-----------------------------------------------------|------|
| <b>L&amp;G At Retirement Fund</b>                   | 4.0% |
| <b>L&amp;G Low Carbon Transition UK Equity Fund</b> | 6.0% |
| <b>Newton Real Return</b>                           | 4.0% |

## Statement Regarding DC Governance (continued)

### Appendix C

#### Statement of Investment Principles December 2025

##### 1. Introduction

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

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

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

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

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

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

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

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

##### 2. Investment objectives

The Trustee’s primary objectives for the Scheme are to provide members with access to: an appropriate range of investment options, reflecting the membership profile of the Scheme and the variety of ways that members can draw their benefits in retirement; and

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

##### 3. Investment strategy

The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be

invested into the main default option, which is managed as a “lifestyle” strategy (i.e. it automatically combines investments in proportions that vary according to the time to retirement age).

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

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

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

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

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

### **3.1. The DC Plan’s main default arrangement**

#### **3.1.1. The Ethical Default Lifestyle strategy**

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

### **3.2. Other default arrangements**

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

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

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

#### **3.2.1. The Lump Sum Lifestyle strategy**

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

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

### **3.2.2.The L&G Diversified Fund**

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

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

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

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

### **3.2.4.The L&G Low Carbon Transition UK Equity Index Fund**

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

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

#### 4. Considerations in setting the investment arrangements

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

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

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

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

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

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

## **5. Illiquid Investments**

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

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

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

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

## **6. Implementation of the investment arrangements**

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

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

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

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

## **7. Incentivisation of Investment Manager**

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

The Trustee's policy is to evaluate each of its investment managers by considering performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of

risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

## **8. Portfolio Turnover Costs**

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

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

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

## **9. Realisation of Investments**

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

## **10. Consideration of financially material and non-financial matters**

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

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

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

## **11. Conflicts of Interest**

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

## **12. Voting and engagement**

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

The Trustee has delegated to its Investment Managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity,

stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

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

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

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

### 1. Trustee

The Trustee is responsible in respect of investment matters for:

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

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

### 2. Platform provider

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

- providing access to a range of funds managed by various investment managers; and

- providing the Trustee with regular information concerning the management and performance of the assets.

### **3. Investment managers**

The investment managers will be responsible for:

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

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

### **4. Investment adviser**

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

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

### **5. Fee structures**

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

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

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

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

## **6. Performance assessment**

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

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

## **7. Working with the Scheme's employers**

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

## Appendix 2: Policy towards risk

### 1. Approach to managing and monitoring investment risks

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

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

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

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

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

### 1. Stewardship priorities

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

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

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

### 2. Manager selection and monitoring

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

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

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

### 3. Annual responsible investment review

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

### 4. Ongoing cycle of manager engagement

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

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