United Society for the Propagation of the Gospel Home Staff Pension Scheme

Statement of Investment Principles

March 2024

1 Introduction

1.1 This is the Statement of Investment Principles prepared by the Trustees of United Society for the Propagation of the Gospel Home Staff Pension Scheme (the Scheme). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2 In preparing this statement the Trustees have consulted the United Society ("Us", formerly the United Society for the Propagation of the Gospel), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.

1.5 The investment powers of the Trustees are set out in Clause 43 of the Definitive Trust Deed & Rules, dated 31 July 2003. This statement is consistent with those powers.

2 Choosing Investments

2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2 The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in Appendix 1 to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3 The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3 Investment Objectives

3.1 The Trustees' main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4 Kinds of investments to be held

4.1 The Scheme can invest in a wide range of asset classes including:

- Equities;
- Bonds;
- Cash;
- Property;
- Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
- Annuity policies.

4.2 Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3 The Trustees have no employer-related investments.

5 The balance between different kinds of investments

5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.

5.3 From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflow requirements or any other unexpected items.

5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6 Risks

6.1 The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

6.2 **Risk versus the liabilities** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

6.3 **Asset Allocation risk** The asset allocation as detailed in Appendix 1 to this Statement is reviewed periodically and alongside the liability profile of the Scheme. This is usually carried out following each actuarial valuation.

6.4 **Fund manager risk** The Trustees monitor each of the fund manager's performance on a regular basis. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

6.5 **Governance risk** Each fund manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.

6.6 **ESG/Climate risk** The Trustees have considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

6.7 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios (within the constraints given to them) and to spread assets across a number of individual shares and securities.

6.8 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees. Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis. The Trustees undertake frequent reviews of the internal controls and processes of each of the investment managers.

6.9 **Liquidity risk** The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

6.10 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

6.11 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

6.12 **Currency risk** The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7 Expected return on investments

7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4 Having established the investment strategy, the Trustees monitor the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

8 Realisation of investments

8.1 The Trustees have delegated the responsibility for buying and selling investments to the fund managers. The Trustees have considered the risk of liquidity as referred to above.

8.2 Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9 Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10 Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

10.1 Prior to appointing a fund manager, the Trustees discuss the fund manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

10.2 When appointing a fund manager, in addition to considering the fund manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3 The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustees monitor the fund managers' approach to ESG and climate related risks on an annual basis.

10.4 In the event that a fund manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The fund managers have been informed of this by the Trustees.

10.5 Fund manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the fund manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6 The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their fund management arrangements.

10.7 When considering the management of objectives for a fund manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the fund manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8 The Trustees expect fund managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the fund managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9 The Trustees monitor the performance of their fund managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.10 The Scheme invests exclusively in pooled funds. The fund manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the fund manager, they receive more and as values fall they receive less.

10.11 The Trustees believe that this fee structure enables the fund manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12 The Trustees ask the Scheme's investment consultant to assess if the fund management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13 The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments.

10.14 During the fund manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the fund manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with fund manager

10.15 For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the fund managers.

10.16 The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the fund managers, and the specific funds used, is assessed.

11 Agreement

11.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the fund managers, the Scheme Actuary and the Scheme Auditor upon request.

Appendix 1 Note on investment policy of the Scheme as at March 2024

Choosing investments

The Trustees have appointed Legal and General Assurance (Pensions Management) Limited ("LGIM") to carry out the day-to-day investment of the Scheme's assets. LGIM is authorised and regulated by the Financial Conduct Authority.

The fee arrangements with LGIM are set out in the Trustees' Fund Manager Fee Arrangement Summary document.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham is remunerated on a time cost basis.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The Scheme has a strategic asset allocation as set out in the table below. The Trustees recognise that the asset allocation will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. They also recognise that the balance between growth and protection assets is expected to change over time as the Scheme's liability profile matures, with the allocation moving towards a greater weighting to protection assets.

Asset Class	Allocation
Equities (half GBP hedged)	65%
Leveraged LDI	35%
Cash	0%
Total	**100%**

The Scheme's allocation to LDI is not rebalanced over time (unless a re-leveraging or de-leveraging event occurs, as discussed below, or until the Trustees subsequently review the allocations, which will happen periodically).

The Scheme may from time to time hold funds in cash with LGIM and in the event that the leveraged LDI funds distribute excess collateral as a result of re-leveraging, the proceeds will be invested in a cash fund with LGIM. In the event that a leveraged LDI fund requires additional collateral (de-leveraging), any cash held with LGIM would be used first; next call would be the LGIM equity funds (in line with the benchmark). The leveraged LDI funds themselves are the final recapitalization source on the priority list.

The investment benchmarks and objectives for LGIM are given below:

Fund	Benchmark	Objective
Ethical Global Equity Index Fund	FTSE4Good Developed Index	Track the performance of the benchmark to within +/-0.5% pa for two years out of three
Ethical Global Equity Index Fund – GBP Hedged	FTSE4Good Developed Index – GBP Hedged	Track the performance of the benchmark to within +/-0.5% pa for two years out of three
Matching Core (Leveraged LDI)	Gilt and Swap composite index	Protect against changes in real and nominal interest rates
Sterling Liquidity	Sterling Overnight Index Average	Provide capital stability, liquidity and diversification while providing a competitive level of return.

The performance of LGIM is monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long term performance.

Investment of new money

New money is normally invested to rebalance the overall asset allocation toward its overall benchmark. Given that the Scheme's allocation to LDI is not rebalanced over time, new money would normally be invested in equities (in line with benchmark).

Realisation of investments

The Scheme's cash flow requirements are expected to be met by the Scheme. This will typically be done in a manner which moves the overall asset allocation in line with the long term asset allocation. Given that the Scheme's allocation to LDI is not rebalanced over time, disinvestments would normally be taken from equities (in line with benchmark). In addition, the Trustees make use of LGIM's Notional Income Service to provide a monthly income stream from the Scheme's assets.

Appendix 2 Note on financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

Policy on Financially material considerations

The Trustees believe that Environmental, Social and Governance ("ESG") factors (including but not limited to climate change) are financially material – that is, they have the potential to impact the value of the Scheme's investments over the length of time until the benefits can be bought out with an insurer. This is expected to be at least 5 years from the date of this Statement of Investment Principles. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes.

The Trustees have elected to invest the Scheme's assets through pooled funds. The Trustees have a policy to only invest in pooled funds meeting certain ethical criteria where this is possible, as detailed below (Policy for taking into account non-financial matters). Each of the Scheme's fund managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk and funds with specific ethical criteria will apply these. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the fund managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the fund managers.

Realisation of investments: The Trustees will request information from the fund managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of their investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;

- As part of ongoing monitoring of the Scheme's fund managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's fund managers take account of ESG issues; and

- The Trustees will request that all of the Scheme's fund managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Equities

The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's passive equities over the Trustees' intended time horizon. The Trustees have decided that the passive equity portfolio held with LGIM should be managed using an "ethical" approach that excludes investments in certain areas as well as investments below a certain ESG factor based score. The current specific exclusions are for producers of tobacco, weapons and coal. Nuclear power generators must meet specific health & safety indicators.

The Trustees accept that fund managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. The Trustees therefore require that the fund manager takes into account ESG considerations by engaging with companies and by exercising voting rights. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Liability Driven Investments

The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's Liability Driven Investment strategy, given its sole purpose is to provide a hedge against the Scheme's exposure to movements in nominal interest rates and inflation.

Policy on non-financially material considerations

The Trustees aim to invest the Scheme's assets in line with the Church of England's guidance. This prohibits direct investment in companies where over 25% of turnover comes from Tobacco, Gambling, Alcohol, Weekly Collected Home Credit or Human Embryonic Cloning. Also, no company may be held where over 10% of turnover comes from Arms or where over 3% of turnover comes from pornography.

The Church of England's guidance has a similar policy for holdings of pooled funds. No funds can be held which have more than 25% of its total holdings in companies which breach the individual company criteria.

The Trustees recognise that the "ethical" approach adopted by LGIM in relation to the Scheme's passive equity portfolio may not always be consistent with the Church of England's guidance. The Trustees are comfortable that the process for incorporating ethical issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future qualify of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the fund managers on the Trustees' behalf. In doing so, the Trustees expect that the fund managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the fund managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant where needed.

Fund managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant as necessary, monitor and review the information provided by the fund managers. Where possible and appropriate, the Trustees will engage with their fund managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their fund managers they provide their fund managers with a benchmark they expect the fund managers to either follow or outperform. The fund manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their fund managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their fund managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should a fund manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's fund managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the fund manager recommendations they make are free from conflict of interest.

The Trustees expect all fund managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the fund manager and conflicts of interest between the Trustees/fund manager and the investee companies.

In selecting and reviewing their fund managers, where appropriate, the Trustees will consider fund managers' policies on engagement and how these policies have been implemented.