Statement of Investment Principles

The Representative Body of the Church in Wales
Staff Retirement Benefit Scheme

August 2021

Contents

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles ("SIP")?

This SIP sets out the policy of the Trustees of the Representative Body of the Church in Wales (the "Trustees") on various matters governing decisions about the investments of the Representative Body of the Church in Wales Staff Retirement Benefit Scheme (the "Scheme").

1.2. Who has had input to the SIP?

This SIP has been formulated in consultation with Quantum Advisory ("Quantum"), and after consulting the Representative Body of the Church in Wales (the "Sponsoring Employer") as required by the Pensions Act 1995 (the "Act") and subsequent legislation. Quantum has the knowledge and experience required under Section 36(6) of the Act.

1.3. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 of the Act and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

The Scheme's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Scheme's Trust Deed.

1.4. Availability to members

A copy of this Statement is available online.

2. Investment objectives and strategy

2.1. Investment objective

The Scheme's assets are held in trust by the Trustees. The investment powers of the Trustees are set out in the Scheme's Trust Deed.

The Trustees, with the help of their advisers (Quantum Advisory) and in consultation with the Sponsoring Employer, set the current investment strategy following a consideration of their objectives and other related matters in 2020.

The Trustees noted the need to invest in assets in the best and sole interest of the members and beneficiaries and in a manner which helps ensure that the benefits promised to members are provided and that the powers of investment must be exercised in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

Over the long term, this requires that a rate of return is achieved which supports the long-term funding plan which has been discussed with the Sponsoring Employer. In the short term, it means managing the volatility of assets relative to the value of liabilities, which have bond-like characteristics.

The investment strategy is designed to achieve a return which is higher than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustees have considered the Sponsoring Employer's ability to support the Scheme in determining its investment objectives and strategy. The Trustees consider the nature of the employer covenant to be such that it allows a long-term view to be taken in setting the Scheme's investment objectives and strategy.

2.2. What is the investment strategy?

The investment strategy uses two key types of assets:

- **"return seeking assets"**: which target a rate of return in excess of the minimum risk return.
- **"matching assets":** these exhibit characteristics similar to those of the Scheme's liabilities. Typically, matching assets are low risk fixed income investments.

A strategic asset allocation was agreed by the Trustees in 2020. The strategy aims to deliver an appropriate mix of investments which support the Scheme's investment objectives.

The Trustees recognise that the assets of the Scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration.

Investment style

The Scheme's assets are invested in a pooled global equity fund and a pooled bond fund. The Trustees recognise that investment in derivative instruments may be made only in so far as they contribute to a reduction of risks or facilitate efficient portfolio management.

Investment manager

The Trustees have appointed EdenTree Investment Management ("EdenTree") to manage the investments of the Scheme. The relationship with the investment manager is open ended and is reviewed on a periodic basis.

Manager objectives and fund characteristics

The specific funds utilised by the Trustees and the performance objectives for the fund are as follows:

Asset class	Strategic asset allocation	Fund used	Description
Equity	60%	EdenTree Responsible & Sustainable Global Equity Fund (previously called the Amity International Fund)	To achieve long-term capital growth over five years or more with an income through a diversified portfolio of international (including the UK) companies. The Fund seeks to invest in a portfolio of companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.
Bonds	40%	EdenTree Responsible & Sustainable Short Dated Bond Fund (previously called the Amity Short Dated Corporate Bond Fund)	The Fund aims to preserve capital and generate a regular income payable quarterly. The Fund will aim to invest at least 80% in short dated government bonds and debt instruments issued by companies that the manager believes make a positive contribution to society and the environment through sustainable and socially responsible practices.

Rebalancing

The Trustees have set a tolerance range of +/- 5% for the Scheme's investments.

The allocation of the Scheme's assets will be reviewed periodically by the Trustees and will be rebalanced according to the strategic benchmark on an ad hoc basis, and when investing and disinvesting for cashflow purposes.

Cash flow management

Any investments and disinvestments, required for cash flow purposes, should be used to assist the Scheme in maintaining its strategic benchmark allocation within the core portfolio.

Investments are allocated to the most underweight fund. Disinvestments are made from the most overweight fund. This approach is reviewed on a periodic basis.

2.3. What did the Trustees consider in setting the Scheme's investment strategy?

In setting the strategy, the Trustees considered a variety of factors including, but not limited to:

- the investment objective;
- the Scheme's characteristics;

- the fees paid to the investment manager;
- the fact that, contributions payable to the Scheme currently exceed benefits payable;
- the risks and rewards of alternative asset classes and investment strategies;
- the expectation that, over the long-term, equities are likely to produce higher returns than bonds, but at the risk of short-term volatility or liquidity constraints;
- the need for appropriate diversification between different asset classes
- the difficulty for active managers to outperform stock markets, net of fees;
- the financial strength of the investment managers;
- the financial strength of the investment managers' custodian; and
- the strength of the Sponsoring Employer's covenant to support the Scheme.

2.4. What risks were considered and how are they managed?

In order to achieve their objectives, the Trustees recognised the need to invest in both risky and safer assets. The Trustees identified a number of investment risks, which included, but were not limited to:

- the risk of a deterioration in the funding level;
- the risk that investment returns in general will not achieve expectations;
- the risk that the investment manager will not achieve the expected rate of return;
- the risk that the value of liabilities will increase due to unknown factors such as increased inflation and/or life expectancy;
- the risk of mis-match between the value of Scheme assets and liabilities;
- the risk of a shortfall in the liquid assets held by the Scheme relative to its immediate liabilities;
- the risk that the performance of any single investment within the Scheme assets may disproportionately affect the ability of the Scheme to meet its overall investment objectives;
- the risk of misappropriation, unauthorised use or mis-delivery of Scheme assets;
- the ways in which risks are to be measured and managed; and
- the risk that ESG factors; including climate change; could adversely impact the value of the Scheme's assets if this is not given due consideration and/or is misunderstood.

The Trustees recognise these different types of risk and seek to minimise them as far as possible; by regular monitoring of investment performance; by a deliberate policy of diversification; by taking into account the timing of future payments; and by the pursuit of returns from the fund as a whole which exceed that which is currently believed to be required. The Trustees also recognise that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Trustees are cognisant of the need to balance the level of risk adopted by the Scheme's investment strategy against the strength of the Sponsoring Employer's covenant. The Trustees monitor the strength of the covenant on a periodic basis and amend the level of risk within the investment strategy accordingly.

Given the complex and correlated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review.

3. Additional Voluntary Contributions (AVCs)

Members are able to supplement their DB pension accrual by paying AVCs.

The AVC and deferred annuity investments are currently invested with OneFamily.

The Trustees periodically review the suitability and performance of these investments to ensure they remain appropriate to the members' needs. The relationship with the AVC provider is open ended and is reviewed on a periodic basis.

4. Appointment of investment managers

4.1. How many investment managers are there?

The Trustees have decided to appoint EdenTree as the Scheme's investment manager and OneFamily for the AVC arrangements.

4.2. What formal agreements are there with the investment manager?

The Trustees select investment managers and funds which are appropriate to implement the investment strategy.

The Trustees have signed policy documents, agreements and application forms as appropriate with EdenTree.

The Trustees hold policy documents with OneFamily for the AVC section.

The Trustees keep the appointment of all investment managers and AVC providers under review and will seek to replace any managers, or funds, which no longer remain appropriate to implement the Scheme's investment strategy.

4.3. What are the investment manager's responsibilities?

The investment manager is responsible for the day-to-day investment management of the investments and is responsible for appointing custodians if required.

The manager is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

4.4. Custodian and administrator

The custodian provides safekeeping for all the Scheme's assets and performs the relevant administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

EdenTree has appointed a third party, the Bank of New York Mellon (BNY Mellon), for the safe custody of assets held within the policies.

4.5. What is the Trustees' policy on investment in the Sponsoring Employer?

The Trustees do not hold any direct investment in the Sponsoring Employer.

5. Other matters

5.1. What is the Trustees' policy on the realisation of investments?

The investment manager has discretion over the timing of realisation of investments within the pooled vehicles held by the Scheme and in considerations relating to the liquidity of investments.

Where the Scheme experiences negative cashflow, the Trustee and their advisers will decide on the amount of cash required for benefit payments and other outgoings and will inform the investment manager of any liquidity requirements.

In the absence of any strong conviction concerning the future movement of markets, assets will be disinvested as per the rebalancing procedure previously identified; taking into consideration the costs and risks associated with any rebalancing.

5.2. What is the Trustees' policy on Financially material considerations, non-financial matters and stewardship policies?

5.2.1. Financially material considerations

The Trustees acknowledge the potential impact upon the Scheme's investments (both in terms of risk and return) arising from financially material matters. The Trustees define these as including, but not limited to, ESG factors (including climate change).

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring the existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the evaluation of ESG factors. The Trustees also periodically consider publicly available ESG related publications pertaining to the incumbent investment manager.

The Trustees also consider ESG factors when determining future investment strategy decisions.

During 2020, the Trustees reviewed how ESG could be integrated more explicitly into the Scheme's investment strategy and have switched to funds with an ESG focus as a result of this review. These funds exclude sectors/companies that do not meet the ESG threshold criteria of the investment manager.

5.2.2. Stewardship

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Scheme's investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring the existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the stewardship of their investments.

The voting and engagement for each fund is managed by the investment manager.

Representatives of the Scheme's investment manager are requested to attend Trustees' meetings periodically, in order to present on their stewardship policies, including their implementation. The Trustees will continue to ensure that the stewardship policies of the Scheme's investment manager are embedded in their investment processes.

5.2.3. Non-financial matters

The Trustees do not consider non-financial factors and do not employ a formal policy in relation to this when selecting, retaining and realising investments. However, where members have been forthcoming with their views, the Trustees may consider these when setting the investment strategy.

5.3. How are various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum is remunerated on a fixed fee or time-cost fee basis, with budgets agreed in advance for ad hoc project work whenever possible.

The Scheme invests in pooled funds. The Trustees note that the investment strategy and decisions of the fund manager cannot be tailored to the Trustees' policies and the managers are not remunerated directly on this basis. However, the Trustees set the investment strategy for the Scheme and select appropriate managers and funds to implement the strategy.

The Trustees do not directly incentivise the investment manager to engage with the issuers of debt or equity to improve their performance. The Trustees do, however, expect the investment manager to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment manager's engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustees consider the fees and charges associated with each investment before investing.

The investment manager is remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management. This structure has been chosen to align the fund manager's interests with those of the Scheme.

In addition, the fund manager pays commissions to third parties on many trades they undertake in the management of the assets. The Trustees are able to obtain an annual statement from the investment manager setting out all the costs of the investments of the Scheme.

5.4. Do the Trustees take any investment decisions on their own?

The Trustees are responsible for the investments of the Scheme's assets. They take some decisions themselves and delegate others.

When deciding which decisions to make themselves, and which to delegate, the Trustees take into account whether they have the appropriate training and expertise in order to make an informed decision.

The Trustees have established the following decision making structure.

<table>
<tr><th>Trustees</th><th>Investment manager</th></tr>
<tr><td rowspan="3">Set structures and processes for carrying out their role.
Select and monitor planned asset allocation.
Select direct investments (see below).
Select investment advisers and fund managers.
Agree structure for implementing investment strategy.
Monitor investment advisers and fund managers.
Monitor direct investments.
Make ongoing decisions relevant to the operational principles of this Statement.</td><td>Operates within the terms of the written contracts.
Selects individual investments with regard to their suitability and diversification.
Advises Trustees on the suitability of its benchmark.</td></tr>
<tr><th>Investment adviser</th></tr>
<tr><td>Advise on all aspects of the investment of the Scheme's assets, including implementation (when requested).
Advise on this Statement (when requested).
Provide required training (when requested).</td></tr>
</table>

5.5. Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract (e.g. units in pooled vehicle) and those where a product is purchased directly (e.g. the purchase of an insurance policy). The latter are known as direct investments.

The Trustees’ policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether to make any new direct investments or terminate any direct investments, the Trustees will obtain written advice from the Scheme’s investment adviser. If the Trustees believe that an investment is no longer suitable for the Scheme, they will withdraw the assets from the arrangement deemed to be unsuitable and select a suitable alternative.

The written advice will consider suitability of the investments, the need for diversification and the principles contained in this SIP. The adviser will have the knowledge and experience required under Section 36(6) of the Pensions Act to provide this advice.

5.6. Conflicts of interest

The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustees' meeting and document these in the minutes.

The Trustees are aware of the potential conflicts of interest that exist within the investment management industry and take this into consideration when taking investment decisions. The investment manager reports on conflicts of interest to the Trustees at least annually.

5.7. Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment manager. The investment manager is expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

6. Review

6.1. How often are investments reviewed?

Strategy reviews for the Scheme are undertaken periodically. Typically, a review will occur alongside triennial actuarial valuations; but more frequent reviews can occur in light of a material change of circumstances. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed periodically. The investment manager is reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the investment strategy for the Scheme.

6.2. How do the Trustees monitor portfolio turnover and costs?

The Trustees have delegated the selection of holdings to the appointed investment manager. The Trustees receive an annual report from the investment manager setting out portfolio turnover and the associated costs.

The Trustees have not set a specific portfolio turnover target for the investment manager and recognise that portfolio turnover and costs may vary with market conditions. The investment manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

The Trustees may compare the annual turnover and associated costs for each fund with previous years to ensure the investment manager's process and philosophy remain consistent.

6.3. How often is this SIP reviewed?

The Trustees will review this SIP periodically and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and practical experience of, financial matters, and to have the appropriate knowledge and experience of the management of pension scheme investments; and consulting with the Sponsoring Employer.

....	....
Signature	Name

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Date

For and on behalf of the Trustees of the Representative Body of the Church in Wales Staff Retirement Benefit Scheme