Statement of Investment Principles

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

September 2020

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.

2. Investment objectives and strategy

2.1. Investment objective

The Trustees, with the help of their previous advisers (Barnett Waddingham) and in consultation with the Sponsoring Employer, set the current investment strategy following a consideration of their objectives and other related matters in 2010.

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.

2.2. What is the investment strategy?

The Trustees' long-term investment strategy has been set with reference to a multi-asset fund, which looks to target "equity like" returns but with reduced volatility by means of diversification and tactical asset allocation.

Investment style

The Scheme's assets are invested in one multi-asset Fund.

Investment managers

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 fund utilised by the Trustees and the performance objectives for the fund is as follows:

Asset class	Fund used	Description
Multi Asset Allocation	EdenTree Higher Income Fund	The Fund aims to provide an above average and growing level of income together with capital growth over the longer term. The manager will seek to achieve the investment objective by investing in a mix of equities, fixed interest securities and such other investments that they consider suitable.

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.

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

In setting the strategy, the Trustees considered:

- the investment objective;
- the Scheme's characteristics;
- the Annual Management Charges (AMC);
- 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 and property 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, especially equity markets;
- 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 the following investment risks:

- 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.

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 perform 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 Scheme's assets are held in a pooled fund, which can be realised easily if the Trustees so require.

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. To date, the Trustees have not established any restrictions on the appointed investment managers but may consider this in future.

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.

5.2.3. Non-financial matters

The Trustees consider non-financial factors (where members have been forthcoming with their views), however the Trustees do not employ a formal policy in relation to this when selecting, retaining and realising investments.

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 managers 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 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 obtain an annual statement from the investment manager setting out all the costs of the investments of the Scheme.

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

The Scheme's advisers are remunerated on a fixed fee basis where possible and, where that is not possible, on a time-cost fee basis, with budgets agreed for projects in advance. The Scheme's advisers do not receive commission.

The investment managers are remunerated on a fee that is calculated as a fixed percentage of the total Scheme's funds it holds under management. This structure has been chosen to align the fund managers' interests with those of the Scheme. In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets. The Trustees can obtain annual statements from the investment managers setting out all the costs of the investment of the Scheme.

5.5. Do the Trustees take any investment decisions of 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:

Trustees	Investment manager
Set structures and processes for carrying out their role. Select and monitor planned asset allocation.	Operates within the terms of the written contracts. Selects individual investments with regard to their suitability and diversification.

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.	Advises Trustees on the suitability of its benchmark. **Investment adviser** 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).

5.6. 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.

5.7. 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.

5.8. 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. Investment managers are 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 each quarter. Managers are 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 will 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.

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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