

Benefact Trust Limited as the sole Corporate Trustee of the Expendable Endowment Fund **Statement of Investment Principles**

To be read in conjunction with the Discretionary Investment Management Agreements

1. Introduction

- a. This Statement of Investment Principles (“SIP”) is made by Benefact Trust Limited (“BTL”), a company limited by guarantee and incorporated in England and Wales (registered company number 01043742) and registered charity (charity number 263960) acting in its capacity as sole Corporate Trustee of the charitable trust, the Expendable Endowment Fund (“EEF”), and governed by a Confirmatory Declaration of Trust (charity registration number 263960-1).
- b. This Statement sets out the approach of the Corporate Trustee to the management of the assets of the EEF. BTL, in its capacity as Corporate Trustee, has set up an Investment Committee for the EEF to which the Corporate Trustee has delegated certain decision-making and oversight of investment matters. The Investment Committee (“IC”) will review this SIP from time to time, and at least annually and, where required under the Terms of Reference, recommend any revisions to the Corporate Trustee.
- c. Before agreeing the SIP, the IC consulted with the Investment Managers to ensure the contents are appropriate to the circumstances of BTL as Corporate Trustee. The ultimate power and responsibility for deciding investment policy lies with the Corporate Trustee.
- d. The Corporate Trustee has had regard to the requirements of the Trustee Act and Charity Commission Guidance concerning investments of charitable funds and will consider these requirements on any review of the SIP or any change to investment policy. The Corporate Trustee will refer to the SIP where necessary to ensure that its powers of investment are exercised to give effect to the principles set out herein.

2. Scope of Powers

The Investment Managers have been appointed under the terms of their respective Investment Management Agreements to carry out all the day to day functions relating to the management of the EEF’s investment portfolio on terms and conditions deemed appropriate by the Corporate Trustee. The selection of investments is at the discretion of the Investment Managers, who will: -

- a. manage on a discretionary basis portfolio of suitable assets, and
- b. ensure the appropriate diversification and suitability of the EEF’s investments.

3. Objectives

The Corporate Trustee’s principal obligation is to promote and protect the interests of the EEF to advance the charitable purposes of BTL for the public benefit.

The investment objectives of EEF are to: -

- a. maximise long term investment returns; and
- b. generate returns irrespective of whether they are derived from capital or income.
The EEF has no specified income requirement.

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4. Attitude to Risk

The Corporate Trustee can tolerate a degree of volatility in the value of the EEF, provided always that such volatility does not interfere with the EEF's grant making commitments to BTL.

In seeking long term investment returns, through diversified portfolios of predominantly equities, along with fixed income securities, alternatives and cash, the acceptable risk profile which has been adopted is **equity only / high. (Rathbones: Level 6)**

Investment performance, as referred to in Paragraph 6 below, will be measured by reference to a global index and a long term, CPI related, benchmark.

5. Types of Investments and Restrictions

i) Types

The IC will review the appropriateness of the investment strategy, Strategic Asset Allocation and permitted investments, from time to time and at least annually.

The IC may recommend to the Investment Managers that a specific balance of investments is maintained. Should the need arise, ad hoc communication between the Investment Managers and the Chair of the IC is encouraged.

The Corporate Trustee permits investment in equities, fixed income securities and alternatives quoted on all leading stock exchanges. In addition, the Corporate Trustee permits investment in:

- a. In-house funds managed by the Investment Managers
- b. New Issues and Placings
- c. Partly paid securities
- d. Warrants
- e. Units in unregulated collective investment schemes
- f. 'Alternative Investments' including Property Funds, including REITs, Infrastructure Funds, Absolute Return and Hedge Funds, Private Equity Funds and 'Impact' Investments

Investment, **requiring consent of the IC, may** be permitted in:

- a. Traded options
- b. Futures
- c. Options for futures
- d. Property (Direct)
- e. Investments not readily realisable
- f. Derivative instruments and investments

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Direct investment in securities issued by any member of Ecclesiastical Insurance Group plc is **not permitted**, without the prior consent of the Corporate Trustee.

The use of stock-lending is **not permitted**, without the prior consent of the Corporate Trustee.

ii) Strategic Asset Allocation (“SAA”)

The assets of the EEF can be invested widely, diversified by asset class and security. Permitted asset classes include equities, fixed income securities, and alternatives.

The IC is responsible for agreeing a suitable asset allocation strategy with the Investment Managers, which is set and reviewed annually to ensure it is achieving BTL’s overall investment objective.

The SAA will be reviewed annually. On 31st December 2023 the SAA is to be:

77.5% to Global Equities, or other permitted assets
22.5% to Fixed Income, invested into the EdenTree Responsible and Sustainable Short Dated Bond Fund

It is noted that due to market movements the precise SAA levels may fluctuate.

iii) Concentration

No individual security within either of the portfolios managed by the Investment Managers will represent 5% or more of the total value of that portfolio without notification to the Corporate Trustee, through the IC.

No pooled fund within either of the portfolios, excluding the EdenTree Responsible and Sustainable Short Dated Bond Fund, managed by the Investment Managers will represent 10% or more of the total value of that portfolio without notification to the Corporate Trustee, through the IC.

iv) Liquidity

The Corporate Trustee does not anticipate needing to make any significant capital withdrawals from the EEF's portfolio in the short term. However, consistent with the asset classes included with the EEF’s Strategic Asset Allocation, the Corporate Trustee expects the majority of the assets held on its behalf by the Investment Managers to be readily realisable without any adverse valuation impact.

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v) Currency

The base currency of the investment portfolio is Sterling. Investments may be made in non-sterling assets. Currency hedging is permitted for short-term risk management only with prior permission of the IC.

vi) Cash

The EEF's cash balances must be deposited with a list of approved banks, with a minimum credit rating of A (being the Long-Term Deposit Rating). The list of banks will be approved by the IC.

vii) Responsible & Sustainable Investment Policy ("RSIP")

The Corporate Trustee's principal obligation is to promote and protect the interests of the EEF to advance the charitable purposes of BTL for the public benefit. The Corporate Trustee considers that the objectives of the EEF are best achieved in seeking to maximise investment returns commensurate with the SIP. However, within the terms of the overall SIP, the Corporate Trustee has adopted the following RSIP, mindful of the Charity Commission's guidance on social investment and public benefit.

The Corporate Trustee has adopted as part of the investment policy a screened approach to responsible and sustainable investment across three disciplines:

- **Absence of Harm:**
 - The 'absence of harm' screen excludes companies whose activities may be inconsistent with the wider values of BTL or its beneficiaries. This means that EEF will not invest in companies that are wholly or mainly involved in the manufacture or production of:
 - alcohol,
 - gambling,
 - pornographic and violent material,
 - strategic weapons (including indiscriminate weaponry),
 - tobacco, and
 - fossil fuel exploration and production and thermal coal.
 - 'Wholly or mainly' is taken to mean no more than 5% in the manufacture, production, distribution or sale. The only exception will be in the case of indiscriminate weaponry where a 'nil exposure' approach is taken. A proprietary Oppressive Regimes screen will also be applied in respect of identifying country human rights risk.
 - The Investment Managers may request an exception to the Absence of Harm criteria which have an associated 5% threshold. The Investment Managers must make the case as to why the investment continues to be suitable under the policy, and the investment must not exceed 10% of the stated threshold criteria. Pre-trade approval must be secured by the

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Investment Manager with the IC. Approval can be secured via e-mail, written correspondence or via the provision of relevant meeting minutes.

- Environment, Social and Governance (“ESG”):
 - An ESG portfolio risk overlay approach will be applied that considers how companies manage environment, social and governance (ESG) risk in the areas of business ethics, community, corporate governance, employment and labour, environment and climate change and human rights. This will ensure that companies manage and oversee their responsibilities and impacts, and in some circumstances can act as a brake on investment if they appear not to meet the desired standards.
- Positive Impact:
 - A discretionary thematic strand will be applied that seeks to have a positive impact. EEF will look positively on investment in the areas of education, health and wellbeing, social infrastructure and sustainable solutions where there is also a compelling investment case.

EEF seeks via its fund managers to exhibit high standards of stewardship and, through its Fund Managers, seek to engage proactively on ESG issues including, for instance, climate change, human and labour rights (including Modern Slavery), business ethics and corporate governance. EEF will seek via its Fund Managers to:

- Monitor the overall carbon profile and intensity of companies for instance by requesting periodic portfolio carbon footprints and, through its Fund Managers, engage with the highest emitters, and urge the setting of science-based targets aligned with the Paris Agreement.
- Seek opportunities to invest in areas that are leading the transition to a low carbon economy, where these also meet robust investment criteria.
- Support and encourage collaborative engagement and involvement in key sustainability initiatives and, through its Fund Managers, support the principles set out in the UK Stewardship Code.
- Support active ownership and, through its Fund Managers, undertake informed corporate governance proxy voting across all global markets, seeking to reflect corporate governance best practice in each country. BTL will ensure that its investment portfolios are actively voted in accordance with its Fund Manager’s published Corporate Governance Policies and will delegate its global proxy voting to the Manager, who in turn will publish a full report of global proxy voting action taken on a quarterly basis.

This RSIP was adopted on 30 October 2023 and will be reviewed periodically by the Corporate Trustee.

6. Performance Monitoring and Reporting Requirements

The Investment Managers will provide valuation and quarterly performance reviews against the following benchmarks:

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Investment performance of the Global Equity portfolios will be measured by:

100% Global Equities: MSCI ACWI

The long-term benchmark is:

CPI + 3.5% per annum over a rolling five-year period.

The IC will meet at least half-yearly with its Investment Adviser to review and monitor investment performance and asset allocation of the portfolios. In addition, representatives of the Investment Managers will be invited to attend at least one meeting annually to present. Minutes of these meetings will be circulated to the Corporate Trustee, as will a summary of the investment reports provided by the Investment Adviser and Investment Managers. If any investment decisions have been taken at an IC meeting, or, for example, the asset allocation has been altered, this will be drawn to the attention of the Corporate Trustee at its next meeting.

7. Investment Manager Monitoring

The appointment of the Investment Managers will be reviewed annually by the IC based on the results of their monitoring of performance and investment process. In addition, the IC will review the Investment Managers' compliance with the requirements of the Trustee Act, Charity Commission Guidance concerning diversification and suitability and adherence to the EEF's EIP requirements. The Investment Managers have been provided with a copy of the SIP and the IC will monitor the way in which the Investment Managers give effect to the policies set out in it.

8. Investment Managers / Adviser

The following Investment Managers have been appointed:

- a. EdenTree Investment Management: and
- b. Rathbone Investment Management Limited

An independent Investment Adviser has been appointed to assist the Corporate Trustee with the on-going monitoring and review of the appointed Investment Managers.

9. Custodians

At the date of this review, the Corporate Trustee has appointed the following Custodian in respect of the assets forming part of its portfolio held with EdenTree Investment Management:

- a. The Bank of New York Mellon (London Branch) as set out in the Custodian Agreement.

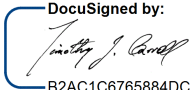
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In respect of the assets forming part of its portfolio held with Rathbone Investment Management, the Corporate Trustee delegates the selection and appointment of the Custodian to the Investment Manager. At the date of this review, the Investment Manager has appointed the following Custodian:

- b.** Rathbone Nominees Limited, Rathbones' own nominee company for UK equities, funds and sterling denominated bonds, and Bank of New York for overseas stocks.

Assets held by Custodians on behalf of the EEF are reconciled on a regular monthly basis and presented formally to the IC at least once a year.

Reviewed by the Investment Committee: 6 September 2023

Signed: 
(Chair of the Investment Committee)

Approved by the Corporate Trustee:

Signed: 
(Director of the Corporate Trustee)

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