The Salvation Army Employees' Pension Fund

Statement of Investment Principles

25 September 2025

Contents

1. Introduction

1.1 Purpose of this Statement

This Statement sets out the principles governing decisions about investment of the assets of The Salvation Army Employees' Pension Fund ("the Fund"). It has been prepared to comply with section 35 of the Pensions Act 1995 (as modified by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005.

The Statement must be reviewed every three years or whenever there is a significant change in investment policy.

1.2 Description of the Scheme

The Fund is a UK defined benefit arrangement, denominated in Sterling. The Fund was closed to new members from 31 December 2011. Future accrual of benefits and new additional voluntary contributions ("AVCs") ceased from 1 May 2023. The monies representing AVCs are managed separately by unit funds with the AVC investment manager (see section 3) and are used to provide money-purchase benefits.

An actuarial valuation is carried out every three years, the latest being completed as at 31 March 2024 ("the Valuation").

1.3 Investment Powers

The investment powers of the Trustees of the Fund are set out in rules 18 and 34 of the Fund Rules. This Statement is consistent with those powers. Neither the Statement nor the Rules restrict the Trustees' investment powers by requiring the consent of The Salvation Army to any investment.

The Investment Advisory Committee ("the IAC") of The Salvation Army advises the Trustees which have ultimate responsibility for the Fund.

1.4 Advice on this Statement

Written advice has been obtained from the IAC on the content of this Statement.

1.5 Consultation with the Employer

The Employer has been consulted on the content of this Statement.

1.6 Status of this Statement

The Statement was approved by the Trustees on 25 September 2025. The next planned review date is 25 September 2026.

It is reviewed by the Trustees annually.

2. Strategy – Defined benefit section

2.1 Investment objective

The Trustees aim to invest the assets of the Fund in the best interests of members and beneficiaries. The Trustees aim to generate sufficient return, with appropriate levels of risk and in line with the Ethical Code, having regard to the nature and term of the Fund's liabilities.

2.2 Permitted investments

The asset allocation strategy relating to investment type, allows the following asset classes.

Equities – being shares of companies listed on stock exchanges. These assets have potential for high returns but are considered more risky.

Bonds – typically being fixed or floating interest loans to government, local authorities or companies. These assets have potential for returns in excess of cash but with generally less risk than equities. The trustees keep credit quality under review.

The investment managers can purchase any new investments, as long as each manager does not breach the provisions of its investment manager agreement. Each investment manager will bring to the Trustees' attention, in writing, any proposed new category of investment which in its judgement has become suitable for the Fund before investing in that category.

Each investment manager will bring to the Trustees' attention any category of investment held by the Fund which in its judgement has become unsuitable for the Fund. The investment managers are not expected to bring to the Trustees' attention individual investments realized on purely investment grounds.

2.3 Balance of type of investment

The current investment strategy of wholly investing in fixed interest gilts and index-linked gilts that broadly match the interest and inflation sensitivity of the Fund's liabilities was implemented at the end of January 2023 following a significant improvement in the funding level.

Having considered the need to maintain funding whilst promoting fund growth, the Trustees have considered the funding requirements identified in the Valuation as at 31 March 2024 as shown below.

	Actuarial Valuation 31/03/2024
Value of Technical Provisions (£m)	166.3
Value of assets (£m)	199.5
Surplus (£m)	33.3*
Ongoing funding level	120%

*Rounding may introduce apparent discrepancies

The Technical Provisions and assets included £14.8m in relation to the AVC Section and the Technical Provisions included an expense reserve of £6.5m as at 31 March 2024.

2. Strategy – Defined benefit section (continued)

Following the results of the actuarial valuation as at 31 March 2024 an asset liability study was carried out which considered projections of funding levels at future dates. Strategies of liability matching assets both with and without part of the surplus invested in return seeking assets were included. The results of the study are currently being considered by the Trustees.

2.4 Risk and expected return

Those assets with greatest expected return also have greater risk. However, these assets are also expected to provide long term returns in excess of UK salary growth and price inflation.

Gilts have the lowest expected return but the least risk, particularly when used to broadly match liability payments.

2.5 Realization of investments

As the Fund is closed to the future accrual of benefits, no future contributions are paid to the Fund, other than to make good any funding shortfalls revealed at future valuations.

However the majority of the Fund's investments are in assets that can be realized quickly so the Fund's liquidity requirement can still be met.

2.6 Mismatching risk

The agreed asset allocation strategy provides broad matching of the Fund's liabilities for changes in interest rates and inflation. Therefore the majority of interest rate and inflation risk has been removed with the surplus invested in the same way so as to hedge the Fund's funding level. In practice because the majority of the Fund's benefit increases are inflation-linked but capped and salary increases still apply some mismatching risk remains.

Matching could be improved by allowing for the full term structure of the liabilities, which is being considered as part of the asset liability study.

The overall asset allocation will be reviewed annually to allow for changes in the Fund's liability profile.

2.7 Concentration of risk

The current strategy invests solely in gilts. Therefore concentration risk associated with return seeking assets has been removed.

2. Strategy – Defined benefit section (continued)

2.8 Overall asset allocation

The strategy is implemented through two investment managers. A passive manager and an active manager (currently implemented on an execution only basis) as outlined below.

Asset category	Asset allocation (%)
Over 15 Year Fixed Interest Gilts	34
Under 15 Year Fixed Interest Gilts	18
Over 15 Year Index-Linked Gilts	32
Under 15 Year Index-Linked Gilts	16

Cash may be held by the active investment manager arising from its investment activity, but it is not expected to represent more than 5% of its asset allocation.

2.8.1 Active manager asset allocation

Asset category	Asset allocation (%)
Over 15 Year Fixed Interest Gilts	34
Under 15 Year Fixed Interest Gilts	18
Over 15 Year Index-Linked Gilts	32
Under 15 Year Index-Linked Gilts	16

The active manager is responsible for rebalancing its asset allocation. The timing and frequency is to be determined by the manager to ensure the benchmark objective is met.

2. Strategy – Defined benefit section (continued)

2.8.2 Passive manager asset allocation

Asset category	Fund name	Asset allocation (%)	Permitted Ranges (%)
Over 15 Year Fixed Interest Gilts	Over 15 Year Gilts Index Fund (AF)	34	32 - 36
Under 15 Year Fixed Interest Gilts	Under 15 Year Gilts Index Fund (JW)	18	16 - 20
Over 15 Year Index-Linked Gilts	Over 15 Year Index-Linked Gilts Index Fund (HC)	32	30 - 34
Under 15 Year Index-Linked Gilts	Under 15 Year Index-Linked Gilts Index Fund (NG)	16	14 - 18

The passive investment manager is responsible for rebalancing fund allocations and has been provided with fund allocation ranges within which the investments of the portfolio must be kept.

2.9 Financially material considerations

The Trustees expect the Investment Managers to have integrated financially material considerations including environmental, social and governance risk factors, (which include but are not limited to consideration of climate change risk), as part of their investment analysis and decision-making processes. This includes the selection, retention and realisation of investments as well as the upholding of rights and responsibilities by the Investment Managers to protect and enhance the value of their shareholdings on behalf of their clients.

The Trustees incorporate the consideration of environmental, social and corporate governance factors into the review and selection process of investment managers.

The Investment Adviser also regularly meets with the Investment Managers as part of the review process.

The current strategy is wholly invested in gilts therefore integration of financially material factors is less relevant.

2.10 Socially responsible investment

The Salvation Army maintains a Code of Ethical Practice (“the Code”) to ensure its funds are invested to reflect its ethical and moral stance. The Code is not intended to reflect the views of members and beneficiaries on non-financial matters.

The Investment Managers have been provided with a copy of the Code.

In addition to the considerations stated in section 2.9, the Trustees have delegated to the active investment manager the responsibility for taking ethical considerations into account in relation to investments when assessing the financial potential and suitability of the investments. The investment manager is expected to ensure all investments are in compliance with the Code.

It is accepted that overseas investments, particularly those held within collective investment funds are more difficult to monitor, but the IAC requires the investment manager to monitor these to avoid significant investments in excluded activities. The investment manager is required to confirm its compliance with the Code in its quarterly reporting.

The current strategy is wholly invested in gilts therefore it complies with the Code.

2.11 Stewardship

The Trustees expect any ownership rights (including voting rights and engagement activities with issuers of debt and equity and other relevant persons about matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact, corporate governance and other relevant matters) to be exercised by the Investment Managers in order to safeguard sustainable returns in the long term.

The Trustees monitor any engagement and voting activity of the Investment Managers through regular reporting and an annual review.

The Trustees provide a copy of this Statement to the Investment Managers and expect them to comply with it.

2.12 Investment manager arrangements

2.12.1 Active manager

The Trustees have signed an Investment Manager Agreement ("IMA") with the active investment manager, which defines the active manager's performance objective. The IMA binds the active manager to manage the portfolio in line with the Code.

The Code covers financially material considerations including, but not limited to, environmental, social and governance considerations in the selection, retention and realisation of investments.

The terms of the IMA align the active manager's investment strategy and decisions with the Trustees' policies on the kinds of investments to be held, the balance between different kinds of investment, risks, expected return and realisation of investments. The IMA does not explicitly cover financially material considerations including, but not limited to, environmental, social and governance considerations in the selection, retention and realisation of investments, as these are expected to form part of the active manager's process in aiming to meet the performance objective and comply with the Code.

The active manager is remunerated by the payment of an annual management charge, which is quoted as a percentage of assets under management. Hence the active manager is incentivised (and obliged) to align its investment strategy and decisions with the Trustees' policies above.

Where applicable, this arrangement incentivises the active manager to make decisions based on assessments about the performance of an issuer of debt or equity, and to engage with issuers of debt or equity in order to improve their performance, so that the active manager is more likely to meet its performance objective.

Where applicable, the IMA also obliges the active manager to exercise voting rights attaching to the investments having due regard to the UK Stewardship Code.

2.12.2 Passive manager

The Trustees have signed agreements with the passive investment manager, which define the passive manager's performance objective.

The terms of the agreements align the passive manager's investment strategy and decisions with the Trustees' policies on the kinds of investment to be held, the balance between different kinds of investment, risks, expected return and realisation of investments. Due to its passive nature, the manager has limited scope to apply financially material considerations including, but not limited to, environmental, social and governance considerations in the selection, retention and realisation of investments. Where applicable, the Trustees expect enhancement of shareholder value for these considerations to be carried out via engagement and voting.

The passive manager is remunerated by the payment of annual management charges, which are quoted as a percentage of assets under management (subject to minimum annual charges). Hence the passive manager is incentivised (and obliged) to align its investment strategy and decision with the Trustees' policies above.

Where applicable, payment of the annual management charges, and monitoring of the passive manager's engagement and voting activities, incentivise the passive manager to engage with issuers of equity in order to improve their performance.

2.12.3 Monitoring

The Trustees monitor each Investment Manager's asset allocation and performance against its benchmarks and objectives on a quarterly basis, to evaluate whether the performance has been in line with the Trustees' policies on the kinds of investment to be held, the balance between different kinds of investment, risks, expected return and realisation of investments.

The Trustees monitor how financially material considerations including, but not limited to, environmental, social and governance considerations have been taken into account through the receipt of reports on the exercise rights that have been delegated to the Investment Managers. Where applicable, these include how the Investment Managers have voted and engaged with the companies in which they invest. This information is included in the Scheme's annual Implementation Statement. The active manager confirms its compliance with the Code in its quarterly reporting.

The Trustees monitor weighted average carbon intensity of the Fund's investment portfolios at least annually and require the investment managers to regularly report on this. The Trustees have set a target of net zero GHGs no later than 2050, and monitor progress against this.

The Trustees also triennially review the Investment Managers' service and fee terms against those available in the market.

The Trustees recognize that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Investment Managers.

The duration of each Investment Manager's appointment will depend on the level of service, stewardship activity and investment performance including the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate or remove a fund on short-term performance grounds.

2.13 Benchmark and performance objective

This section outlines the benchmark and performance objective for the Fund and each investment manager.

2.13.1 Benchmark

The benchmark for the overall fund and for each of the managers is a composite index which comprises

- 34.0% FTSE A UK Conventional Gilts Over 15 Years Index
- 18.0% FTSE A UK Conventional Gilts Under 15 Years Index
- 32.0% FTSE A UK Index-Linked Gilts Over 15 Years Index
- 16.0% FTSE A UK Index-Linked Gilts Under 15 Years Index

2.13.2 Performance objectives

The active manager's performance objective is to match its benchmark, gross of fees, measured over rolling three year periods.

The passive manager's performance objective is for each fund to match its benchmark, gross of fees, measured over rolling three year periods.

2.14 Other investment restrictions

- The assets of the Fund must consist predominantly of investments that are traded on regulated markets
- Investment in derivative instruments, if permitted, may be used only in so far as they contribute to a reduction of risk or they facilitate efficient portfolio management

2.15 Manager restrictions

The Trustees' agreements with the investment managers contain relevant restrictions on the way the portfolio is managed. The purpose of the restrictions is to limit the risks from each individual investment and prevent unsuitable investment activity. The investment managers are expected to comply with these restrictions.

3. Strategy – AVC (defined contribution) section

3.1 Investment objective

The Trustees aim to provide a range of investments that are suitable for meeting members' needs for retirement provision. This includes consideration of issues such as level of member understanding and simplicity of overall design.

3.2 Range of investment funds

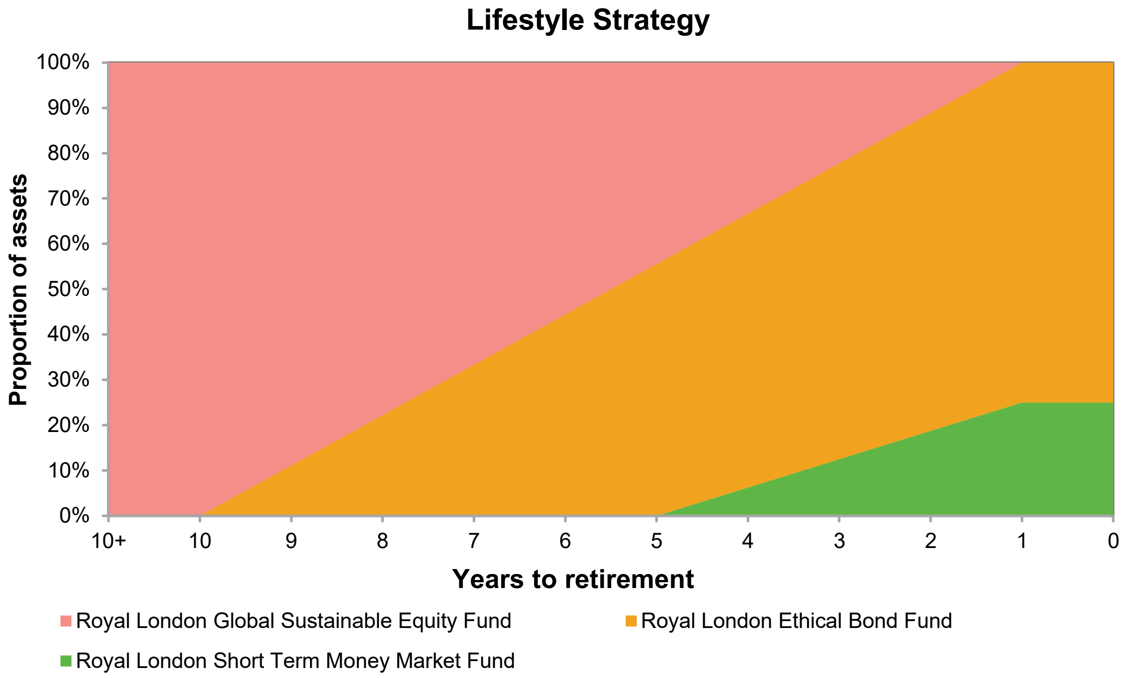
The following investment options are offered to members.

Fund option	Fund description
Global Sustainable Equity	To deliver capital growth by investing at least 80% in shares of global companies and up to 20% in cash or equivalents. Investment will be limited to companies that mitigate environmental and social challenges and provide a net benefit to society.
UK Equity Income	To achieve a combination of income and some capital growth by investing mainly in UK higher yielding and other equities as well as convertible stocks.
Sustainable Leaders Trust	To provide capital growth from a diverse portfolio of equities, mainly in the United Kingdom and in any economic sector. Investment will be limited to companies that mitigate environmental and social challenges and provide a net benefit to society.
Corporate Bond	To maximise investment return (predominantly income with some capital growth) over the medium to long term from a portfolio of fixed interest securities.
Ethical Bond	To maximise investment return (predominantly income with some capital growth) over the medium to long term from a portfolio of fixed interest securities, which meet predefined ethical criteria.
UK Government Bond	To maximise total investment return (income and capital growth) over the medium to long term from investing mainly in UK government bonds. Sterling corporate bonds may also be held.
Short Term Money Market	To achieve stability of principal and to provide an income in line with money market rates by investing wholly in money markets.

3. Strategy – AVC (defined contribution) section (continued)

3.3 Default option

The default option is the lifestyle strategy set out below.



The lifestyle strategy has been implemented to address the needs for long term growth and the protection of retirement benefits as members approach retirement. The Trustees recognize that while legislative changes introduced in 2015 allow the whole of a member's DC benefits to be taken in cash, members still need to provide for income in retirement and hence the strategy targets 75% bonds and 25% cash at one year before retirement.

The suitability of the default option is reviewed on an annual basis.

3.4 Policy for maintaining funding

By investing in funds in line with members' selections the AVC section, in effect, matches the assets to liabilities such that this section will maintain 100% funding at all times.

3.5 Policy for choosing investments

Individual investment choices are made in accordance with the wishes of members. If a member does not express their wishes, the lifestyle strategy is implemented by default.

3.6 Financially material considerations and stewardship

The AVC Section is subject to the same policies regarding financially material considerations and stewardship as outlined in sections 2.9 and 2.11 of this Statement. In addition the Trustees have selected the Default Option and fund range to include sustainable and ethical funds.

3.7 Risk and expected return

The long term returns on equities are expected to provide a return higher than inflation and salary growth; however the risk experienced will be far greater than that of cash. Equities can experience short term losses but they are expected to produce growth over the longer term. The long term returns on the bond and cash options are expected to be lower than returns of the equity options. However, bond funds are expected to broadly match the price of annuities, giving some protection against annuity price movement. Money market funds provide protection against short-term changes in capital values, and would be appropriate for members wishing to protect part of their retirement benefits to provide a cash lump sum.

3.8 Socially responsible investment

The Salvation Army maintains a Code of Ethical Practice, which is applied to the assets invested by The Army in connection with its charitable work and defined benefit pension arrangements. In these areas The Army bears the investment risk. For a defined contribution arrangement, such as the AVC section, it is appreciated that the investment risk is borne by the member. The Trustees have therefore provided a selection of mainstream funds with no ethical screen, in addition to the sustainable default option and ethical equity and bond funds.

3.9 Asset manager arrangement

The Trustees make a range of active pooled funds available to members. The suitability of the range of pooled funds is reviewed annually to ensure it meets the investment objective.

As pooled funds are used, there is limited scope for the Trustees to incentivise the AVC section investment manager to align its investment strategy and decisions with the Trustees' policies. Instead, pooled funds with appropriate investment strategies are selected.

The AVC section investment manager is remunerated by the payment of annual management charges, which are quoted as a percentage of assets under management. Hence it is incentivised to make decisions based on assessments about the performance of an issuer of debt or equity, and to engage with issuers of debt or equity in order to improve their performance, so that the pooled funds are more likely to meet their performance objectives.

The AVC section investment manager is subject to the monitoring methods described in section 2.12.3 of this Statement.

4. Governance

4.1 Allocation of responsibilities

The Trustees are responsible for the investment of the Fund assets. The Trustees take some decisions and delegate others. When deciding which decisions to take and which to delegate, the Trustees have taken into account whether they have appropriate training and expertise. The Trustees have established the following structure.

4.2 Trustees

- Set structures and processes for carrying out their role
- Select and monitor the asset allocation strategy
- Appoint the investment manager(s)
- Make ongoing decisions relevant to the operational principles of the Fund
- Ensure compliance with legal requirements
- Assess the level of training they require and take appropriate action

4.3 Investment Advisor

- Monitors investment performance
- Monitors investment manager activity
- Advises on asset allocation and the need for rebalancing between investment managers
- Advises on the suitability of the types of investments
- Advises on suitable benchmarks and performance objectives
- Every 12 months considers whether or not each investment manager:
  - has the appropriate knowledge and experience
  - is carrying out its work competently
  - has provided sufficient diversification
  - has given regard to the suitability of investments
  - has been exercising its powers of investment in accordance with this Statement
- Reviews independently produced quarterly reports to assist in monitoring the performance of the Investment Managers
- Arranges for suitable advice on this Statement
- Reports annually on the weighted average carbon intensity of the Fund's assets and progress against its net zero target

4.4 Defined benefit investment managers

The following points apply to the passive investment manager and the active investment manager.

- Manages the day-to-day investments of the Fund
- Operates with regard to the Ethical Code
- Operates within the terms of this Statement and written agreements
- Ensures that suitable internal operating procedures are in place
- Ensures it acts in the investors best interests with regards to voting and engagement with companies taking into account financially material considerations
- Should inform the Trustees of
  - any breach of this Statement
  - any serious breach of internal operating policies
  - any material change in the knowledge and experience of those involved in managing Fund assets
- Will supply sufficient information each quarter to facilitate the review of its activity, including
  - a full valuation of assets
  - a transaction report
  - a cash reconciliation
  - a report of the strategy followed during the quarter
  - the rationale behind past and future strategy
  - a report on its ethical screening process and activity, where relevant
  - weighted average carbon intensity of its portfolio
- Will supply the following, in order to allow the Investment Advisor to carry out its annual review
  - evidence of its knowledge and experience for managing the investments of the Fund
  - details of its approach to making decisions about the suitability and diversification of the investment delegated to it
  - details of operating procedures used by the investment manager and controls over the individuals making investment decisions for the Fund
  - details of its voting and engagement policies and activities, where relevant

4. Governance (continued)

4.5 AVC investment manager(s)

- Manages the day-to-day investments of the range of funds
- Operates with regard to each fund's stated ethical considerations where appropriate
- Operates within the terms of this Statement and written agreements
- Ensures that suitable internal operating procedures are in place
- Will supply performance information as requested each quarter
- Will supply details of its voting and engagement policies and activities
- Will supply weighted average carbon intensity of the fund range

4.6 Custodian

- Provides safekeeping for the Fund's assets
- Provides administrative duties, such as the collection of dividends and dealing with corporate actions

5. Implementation

5.1 Trustees

The Trustees of The Salvation Army Employees' Pension Fund are the following individuals.

- Mr Daniel Wills (Chair)
- Mr Kevin Basson
- Ms Gill Bedford
- Mr Arran Gray
- Mr John McCaughren
- Mrs Pamela Murdoch
- Mrs Rosalyn Rudran
- Mr Lloyd Watkins

Mrs Susan Griffin is scheduled to join as Trustee from 2026.

5.2 Investment advisor

The investment advisor is the IAC.

5.3 Investment Managers

The investment managers for each section and underlying portfolios of the Fund are outlined in this section.

5.3.1 Active investment manager

The Trustees have appointed Sarasin & Partners LLP to manage the active proportion of the main portfolio in accordance with this Statement, written agreements and the Ethical Code. Sarasin is regulated by the Financial Conduct Authority ("FCA"). Following the implementation of the all gilts strategy the active investment manager has been instructed by the Trustees to invest passively on an execution only basis.

5.3.2 Passive investment manager

The Trustees have appointed Legal & General Investment Management ("LGIM") to manage the passive proportion of the main portfolio in accordance with this Statement, written agreements and the Ethical Code. LGIM is regulated by the FCA.

5.3.3 AVC investment manager

The Trustees have appointed Royal London Asset Management Limited ("RLAM") as the AVC investment manager to manage the AVC section in accordance with this Statement. RLAM is the investment manager for Royal London Unit Trust Managers and RLUM. RLAM is regulated by the FCA.

5. Implementation (continued)

5.4 Custodians

The Bank of New York Mellon is the custodian used by Sarasin & Partners LLP, which acts itself as custodian but then delegates this function.

Citibank, N.A., (London Branch) is the custodian used by LGIM.

HSBC Bank Plc, HSBC Securities Services is the custodian used by RLAM.

5.5 Investment manager fees

The investment managers are remunerated as follows.

5.5.1 LGIM

Fund	Annual management charge (%)			
	First £5m	Next £5m	Next £20m	Above £30m
Over 15 Year Gilts Index Fund (AF)	0.100	0.075	0.050	0.030
Under 15 Year Gilts Index Fund (JW)	0.100	0.075	0.050	0.030
Over 15 Year Index-Linked Gilts Index Fund (HC)	0.100	0.075	0.050	0.030
Under 15 Year Index-Linked Gilts Index Fund (NG)	0.100	0.075	0.050	0.030

5.5.2 Sarasin & Partners LLP

The annual management charge (AMC) is 0.10% per annum.

5.6 AVC Section benchmark and fees - RLAM

The funds selected for the AVC section together with fees and benchmark details are shown below.

Asset class	Fund name	ISIN	Fee* (%pa)	Benchmark
Global equities	Royal London Global Sustainable Equity Fund	GB00BL6V0581	0.72	MSCI All Countries World (Net) Index
UK equities	Royal London UK Equity Income Fund	GB00B8Y4ZB91	0.72	FTSE All Share Index
Ethical UK equities	Royal London Sustainable Leaders Trust	GB00B7SGTR82	0.50**	FTSE All Share Index
Corporate bonds	Royal London Corporate Bond Fund	GB00B87FJ401	0.56	Markit iBoxx Sterling Non-Gilts All Maturities Index
Ethical bonds	Royal London Ethical Bond Fund	GB00BJ4KSX76	0.55	Markit iBoxx Sterling Non-Gilts All Maturities Index
Government bonds	Royal London UK Government Bond Fund	GB00B881TW52	0.30	FTSE A All Stocks Gilts Index
Cash	Royal London Short Term Money Market Fund	GB00B8XYYQ86	0.10	SONIA

**Fund Management Fee which includes all fees and expenses other than transaction costs*
***AMC*