

Ethical and Responsible Investment Policy

Our goal is to achieve our investment strategy objectives by **considering environmental, social and corporate governance factors**. We strive to be a leader in the charity sector and this policy will help drive this forward.

We are guided in all our decisions and actions by our organisational values and strategic principles. This Ethical and Responsible Investment Policy forms part of our wider Ethical Policy. Our Ethical Policy requires us to:

“... behave and make decisions in an ethical and socially responsible manner that protects our beneficiaries, demonstrates our integrity and values, and inspires public trust and confidence”.

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1. Introduction

This Policy forms part of the wider **Cash and Investment Policy**. Our Cash and Investment Policy sets out the main objectives for our investment portfolio, which are to:

- Maintain reserves in accordance with the Reserves Policy.
- Provide funding for major investments.
- Fund any short-term operating deficits; and
- Produce a reasonable overall return, whilst preserving our charity’s reserves in real terms over the medium to long term (i.e. seven to ten years).

Investing funds exposes charities to certain risks. If these are not effectively managed, they can affect the charity itself and the public’s trust and confidence. The principal risks are:

a/ Significant financial loss due to poor investment decisions, market conditions or counterparty failure: this can be mitigated by having expert investment managers with an appropriate risk management mandate and a sufficiently diversified investment portfolio.

b/ Loss through fraud or theft: Mitigated by strong governance and good financial controls, both internally and at our investment managers.

c/ **Damage to our reputation or the achievement of our objects** arising from investments that are either inimical to our charity's objects, or that alienate our beneficiaries and supporters.

d/ **The impact of not managing climate related risks**

This policy is the principal way we manage the third and fourth risk generated by our investment activities.

We are prepared to **accept the possibility of lower returns** in order to implement the above policies. We will implement this policy in a pragmatic manner to optimise returns and our investment managers will be guided by this policy in terms of the specific timing of the sale or purchase of individual holdings.

The policy only applies to equities and corporate bonds. Government bonds and commodities are excluded from this policy.

2. **.Who does this policy apply to?**

This policy applies to all internal stakeholders (i.e. **staff, trustees and advisors**) who are involved in planning or authorising investment of our charity's funds and **forms part of the mandate for our external investment managers.**

3. **Charity Commission guidance (CC14)**

Charity law allows trustees to invest the charity's funds in any asset that is specifically intended to maintain and increase its value and/or produce a financial return. **Trustees are permitted to invest ethically by taking their charity's purpose and values into account**, even if a particular investment might provide a lower return than an alternative. This may be in the charity's best interests if it reflects the charity's values and charitable purposes.

Charity law permits the Trustees to adopt an ethical and responsible investment approach which avoids certain investments:

- A particular investment **conflicts directly with the purposes** of the charity;
- The charity **might lose supporters or beneficiaries** if it does not invest ethically;
- There is **no significant financial detriment**; or
- The charity has clear and compelling **reasons, supported by evidence**, about why your charity should follow a particular responsible investment approach.

In addition, the Charity Commission have updated their guidance following the **Butler-Sloss** ruling. Their approach is summarised as follows:

... the Commission is unlikely to have concerns about your investment decisions or policy if you can show you have:

- Complied with your trustee duties and your governing document
- Considered and balanced relevant factors
- Taken advice unless you have good reason not to
- Reached a reasonable decision.

Trustees should evaluate the impact of their investment decisions and balance the **risk of lower returns against the risk of alienating support or damaging reputation**. Excluding significant categories of investment will reduce returns and increase risks.

Different rules apply to **permanent endowment** or investments that are subject to a duty to invest. Our charity currently does not own any such assets. If we receive such assets, they will be invested in accordance with the legal and regulatory requirements that apply to them.

4. Ethical and Responsible Investment Principles

We wish for our ethical and responsible investment approach to be led by our organisational values/strategic principles and supported by evidence. We wish to maximise return from investments over the long term whilst operating within an appropriate risk and ethical framework. We will not make investments that are **inimical to our charity's objectives**, and we will protect our charity's reputation by being a **socially responsible investor**.

Our decisions and actions are informed by **five principles**:

1/ No investments in organisations inimical to our charity's objects: Our charity will not invest in any organisation whose principal products or services can be clearly evidenced to significantly increase the risk of stroke or lead to poor stroke outcomes.

2/ Avoid investments that undermine public health initiatives we support: Our charity supports and promotes public health initiatives designed to help reduce stroke risk factors, including tobacco control, excess consumption of

alcohol and salt, poor diet, and living with poor air quality. Occasionally, organisations seek to undermine or frustrate UK or international public health initiatives that aim to reduce stroke risk factors or improve stroke outcomes. Where evidence suggests that it is appropriate to do so, Trustees will avoid investments in such organisations.

3/ Consider investments in organisations that have a positive impact on stroke outcomes: Our charity will consider investing in organisations, programmes or projects whose principal activities have a significant chance of improving stroke outcomes.

4/ Favour organisations with a positive track-record and/or strategy on ESG: We believe that our charity's reputation and ability to achieve our mission is enhanced by being a responsible investor. We believe that long-term risk and returns are enhanced by favouring investments in organisations that publish their Environmental, Social and Governance (ESG) improvement strategy and performance and demonstrate a positive attitude to ESG matters. We expect our investment managers to act as stewards of our investments, actively engaging and voting to promote strong corporate governance and manage ESG risks. No individual ESG factors are prioritised, but we will favour organisations that specifically act to reduce stroke risk in society or their workforce.

5/ Manage reputational risk: Our charity will seek to avoid investing in organisations that might be regarded by beneficiaries, supporters, and other stakeholders as unsuitable for a health-promoting charity reliant on public support. We will ensure that our corporate partnerships and our ethical investment decisions are aligned.

5. Expanded Exclusion Policy

Investment managers are instructed **not to invest** in companies involved in the below activities. The Charity Commission Guidelines gives three examples of valid restrictions on what we invest in. These are:

1. Avoiding investments that **conflict with our objects** (in our policy these are Tobacco, Alcohol, High Fat Salt Sugar (HFSS) foods and Fossil Fuel Extraction)
2. Avoiding Investments that would **reduce support for our charity or harm our reputation.**
3. Avoiding investments in companies with **poor ESG practices.**

5.1 Exclusions

Exclusions would include equity and corporate investments in the following sectors:

5.1.1. Tobacco

- Generates more than 10% of its total revenue from tobacco production
- Strong and evidenced link to increased stroke risk

5.1.2. Alcohol

- Generates more than 10% of its total revenue from alcohol production
- Strong and evidenced link to increased stroke risk

5.1.3. Fossil Fuel Extraction and Sale

- Generates more than 10% of its total revenue from fossil fuel extraction and sale: crude oil, coal, natural gas, or heavy oils
- Strong and evidenced link to increased stroke risk and managing climate related risks¹

5.1.4. High Fat Salt Sugar Foods

- Generates more than 10% of its total revenue from the sale or production of High Fat Salt Sugar Foods, known as HFSS
- Strong and evidenced link to increased stroke risk through work of the Obesity Health Alliance²

¹ <https://www.ncvo.org.uk/news-and-insights/news-index/fuelling-positive-change-ncvo-launches-campaign-to-encourage-divestment-in-the-voluntary-sector/>
<https://www.health.org.uk/publications/long-reads/health-and-climate-change-complex-problems-with-co-benefits>

² <https://obesityhealthalliance.org.uk/wp-content/uploads/2017/10/OHA-briefing-paper-Costs-of-Obesity-.pdf>

5.1.5. High Stakes Gambling

- Generates more than 10% of its total revenue from high stakes gambling operations
- Manage reputational risk

5.1.6. Adult Entertainment

- Generates more than 10% of its total revenue from adult entertainment such as pornography and sex work.
- Manage reputational risk

5.1.7. Controversial Weapons

- Any tie to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons and / or non-detectable fragments
- Manage reputational risk

5.1.8. Predatory Lending

- Generates more than 10% of its total revenue from predatory lending
- Manage reputational risk

For 5.1.5 to 5.1.8, which are primarily ethical exclusions, the Butler Sloss judgement states that:

(7) In considering the financial effect of making or excluding certain investments, the trustees can take into account the risk **of losing support from donors and damage to the reputation** of the charity generally and **in particular among its beneficiaries**.

(8) However, trustees need to be careful in relation to making decisions as to investments on purely moral grounds, recognising that among the charity's supporters and beneficiaries **there may be differing legitimate moral views on certain issues**.

We believe that these ethical judgements on any investment in categories 5.1.5 to 5.1.8 are widely carried within British society and amongst our supporters and beneficiaries. We consider these exclusions to be indirectly inimical through well-founded belief of the Trustees that investments in these areas **would harm the charity's reputation** for responsible investment and engagement. Whilst the

trustees do not know to what extent such a loss of reputation would result in actual financial damage to the charity's income, the advice from our investment advisors is that the exclusion of categories 5.1.5 to 5.18. is unlikely to make any material difference to the return from our investments. Accordingly, they can be excluded on the basis that the exclusions do not lead to significant financial detriment.

6. Responsible Investment/Engagement:

Trustees will **formally review** the Investment Managers Responsible Investment reports on an **annual basis** and share views with all stakeholders. This will also incorporate a review of progress on broader ESG metrics/data.

Waverton example reports and approach to ESG:

Integrated Approach to ESG



6.1. KEY CHANGES FROM PREVIOUS POLICY

6.1.1. Net Zero Target

Over the next 12 months the charity will engage with our investment manager to set a Net Zero target for the charities portfolio ideally targeting **Net Zero alignment by 2045** using the SBTi framework³. Trustees will monitor the carbon intensity of the portfolio over time relative to a relevant benchmark. This will be in line with the **Carbon Reduction Plan**, under the auspices of the Audit and Risk Committee.

Carbon Intensity measures the carbon efficiency of a company as total carbon emissions normalized by total sales. At a portfolio level, carbon intensity is the ratio of portfolio carbon emissions normalized by the investor's claims on sales.

6.1.2. Exclusions:

HFSS, High Stakes Gambling, Adult Entertainment, Controversial Weapons, and Predatory Lending.

6.1.3. Healthcare Innovation:

The Investment Committee will engage with the investment manager to examine **prudent opportunities in healthcare innovation** that would support our organisational goals and objective.

7. Governance

Trustees **instruct our investment managers to act in line with our organisational values and our desire to be a responsible investor** and to prefer investments in organisations that have an open and transparent approach to improving their ESG performance.

As ESG investment performance measurement tools become more widely adopted, we ask our investment managers to **benchmark and track our portfolio's ESG performance** and report this to the charity's Investment Committee every 6 months. This will be reported to the Board of Trustees annually and, when established, included in our Annual Report and Financial Statements.

³ SBTi – Science Based Targets initiative <https://sciencebasedtargets.org/>

Trustees are responsible for setting this policy and **reviewing it at least every 2 years** alongside the review of our Cash and Investment Policy. As part of that review trustees will be briefed on any **new evidence** that may lead to exclusions under principles 1 or 2 or may lead to proposals to revise the policy. Decisions under principles 1, 2 and 3 are trustee decisions. Decisions related to principles 4 and 5 are delegated to our investment managers, following consultation with the Investment Committee.

- We further propose an **annual review by a small sub-group of trustees and executives on sustainability** to look at adherence to the policy and the monitoring of progress.

This group's mandate would be to report to the **board on the impact of sustainability measures on our net zero and financial goals**. The committee would consist of:

Chief Executive Officer, ED Finance, one member of the Investment Committee, two other trustees not on the Investment Committee.