



## **Access – The Foundation for Social Investment “Access”**

### **Investment Policy Statement**

Adopted on 18 April 2018

By the Board of Trustees (“Board”) of Access

#### **I. Introduction**

This Investment Policy Statement (“IPS”) governs the management of Access's investment assets (the “Portfolio”). The IPS will remain effective until modified by the Board (on advice from the Endowment Investment Committee (“EIC”)) and should be reviewed on an annual basis.

#### **II. Investment Objectives & Constraints**

The primary objective of the Portfolio is to invest the Access endowment using a “total impact” approach, achieving both financial and social impact, as mandated by the original grant agreement with the Cabinet Office.

Access's direct impact goals are to increase access to capital for UK charities and social enterprises to enable them to be more financially resilient, self-reliant and ultimately achieve greater social impact. Access has therefore determined that the social impact of its investment portfolio is as important as the financial return.

##### **a) Financial Objectives**

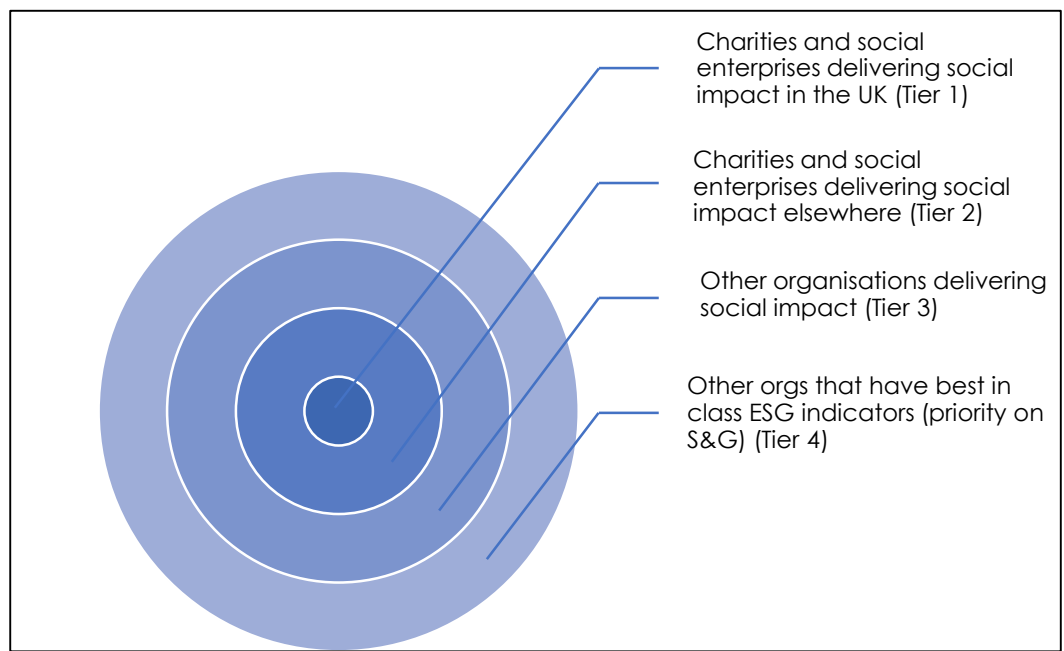
- The expected financial return from the Portfolio is at least £8M over the life of the endowment (10 years). This represents a total (income and capital) Time Weighted Return (TWR) of between 2.5% and 3.5% per annum.
- Investments will have a liquidity profile that is appropriate for the time horizon. The portfolio will be completely spent down by 2026, and there are significant cash flow requirements in advance of this date. The Portfolio will be invested predominantly in fixed income investments and will be diversified across sectors, geographies, credit quality, issuers, maturity, etc. to reduce risk.

##### **b) Social Impact Objectives**

- Investments will be chosen that fit within the “Bulls Eye” approach developed by Access (shown below).

- Tier 1 investments are invested in fixed income investments relating to charities and social enterprises delivering social impact in the UK. Tier 2 investments are in charities and social enterprises delivering social impact outside of the UK. Tier 3 investments are in other organisations that aim to deliver social impact. Tier 4 investments are in other organisations/ companies which are deemed to have best in class ESG (Environmental, Social and Governance) qualities (with a special emphasis on S and G aspects).
- The Manager should seek to maximise exposure to Tier 1 investments subject to other investment considerations, including availability, risk (diversification, reputation, liquidity etc.) and return.

Diagram: "Bull's Eye" Investment approach



### c) Constraints

- No investments will be made without consideration of the attendant risk and return, particularly within the context of the total portfolio.
- No investments are permitted in equities, convertible bonds, equity-linked notes or perpetual bonds.
- Investments must be appropriate given the time horizon and cash flow requirements.
- Investments must have a demonstrable social impact, as defined by the bull's eye model.

### III. **Spending & Liquidity Requirements**

The Portfolio is managed on a total return basis, which combines returns generated from income and capital gains.

An expected maximum of 10-15% of the initial value of the portfolio will be withdrawn on an annual basis to fund Access's spending. This is in addition to investment management fees. A detailed cash flow schedule for the life of the Portfolio will be provided to the Manager on a regular basis (at least annually) to support investment management.

The Portfolio's liquidity should match the cash flow requirements. The majority of the investments in any funds (rather than direct securities) should be realisable within one month. All investments should be realisable by December 2026.

### IV. **Permitted Investments**

The management of the Portfolio has been delegated to an external portfolio investment manager ("The Manager"). The Manager is mandated to make investment decisions based on the following criteria:

- a) The Portfolio will be invested predominantly in fixed income investments in accordance with the time horizon and the cash flow requirements.
- b) The Portfolio may be invested in unlisted or unquoted investments, where they meet the financial and social impact requirements and they fall within the agreed liquidity and risk profile. The Manager must report the exposure to such assets clearly and separately to the EIC on a quarterly basis for the EIC to review and agree with the Manager whether further exposure should be allowed.
- c) The Portfolio may be invested in subordinated debt, where it meets the financial and social impact requirements and falls within the agreed liquidity and risk profile. The Manager must report the exposure to such assets clearly and separately to the EIC on a quarterly basis for the EIC to review and agree with the Manager whether further exposure should be allowed.
- d) Investment in fixed-income funds is permitted (in Tier 4) but only as a stop-gap while more appropriate (Tier 1-3) investments are identified.
- e) The Manager has approval to invest in its own funds to a maximum of 10% of the total portfolio (excluding any cash amounts). If the Manager wishes to exceed this percentage, they should seek permission from Access. Before investing the manager must demonstrate to the EIC that the investment is competitive relative to similar third-party funds on an after all fees risk-adjusted basis and in terms of social impact.
- f) The credit rating of all direct investments should be BBB- or above, or non-rated. The risk profile of funds should be considered ahead of investment.
- g) No limit on the maximum level of investment in one particular bond or fund has been set, nor has the minimum number of bonds or funds to be held. The EIC will review this on a regular basis based on the Manager's assessment of risk/return and liquidity.

## V. **Benchmarking**

The risk and return characteristics of the Portfolio are evaluated relative to the following benchmarks on a monthly basis:

- FTSE UK Gilts Up to 5yr (TR)
- IBOXX GBP Corporates 0-5yr (TR)
- LIBOR

## VI. **Environmental, Social and Governance (ESG) Policy Statement**

The ESG approach and stewardship activities of the Manager will be evaluated as part of the initial hiring process, and on an ongoing annual basis.

The Manager will consider the ESG approach of any third party managers and ESG attributes of the individual securities as part of the selection process and share this analysis with the EIC. Specifically, Tier 4 investments will be deemed to have best in class ESG (Environmental, Social and Governance) qualities (with a special emphasis on S and G aspects).

In addition, the ESG attributes of each investment in the portfolio will be monitored on an ongoing basis by the Manager and reviewed by the EIC quarterly and the Board annually.

Any reputational risk issues should be flagged immediately by the Manager to the EIC and Management.

## VII. **Roles and Responsibilities**

### a) Board of Trustees ("Board")

The Board is responsible for the governance, strategy and oversight of the endowment. The Board authorises the investment strategy of the Portfolio, as defined in the IPS. The Board has responsibility for reviewing the IPS on an annual basis. Changes to the IPS will be recommended by the EIC and authorised by the Board. The Board devolves quarterly oversight of the appointed Manager to the EIC. The EIC will report fully to the Board on an annual basis. The Board retains the authority to hire/fire the Manager under the advice of the EIC.

### b) Endowment Investment Committee ("EIC")

The EIC is a sub-committee of the Board and is governed by its terms of reference. The terms of reference are included as Addendum 1 to the IPS. The EIC oversees the execution of the agreed investment strategy by the Manager as defined in the IPS, together with Management. It has the authority to recommend periodic revisions to the IPS to the Board. The EIC reviews quarterly Manager reports.

c) Access Management (“Management”)

Management oversees the implementation of the investment strategy by the Manager. Management is the primary point of contact for the Manager and is responsible for the day to day operational aspects of monitoring the Portfolio.

d) Appointed Portfolio Manager (“Manager”)

The Board has delegated to the Manager full authority to manage the Portfolio in accordance with the IPS. This includes full decision-making powers relating to the sale and purchase of investments, (including full due diligence on risk/return and social impact), social impact reporting versus Tiers and full reporting on risk and return (including benchmarking) and impact/ESG. The Manager is contracted by Access and receives a management fee for its services.

## VIII. **Risk Management**

a) Diversification

The portfolio should be diversified by issuer, maturity, credit quality, sector and geography as far as the opportunity set of assets allows.

b) Currency Hedging Policy

The base currency of the Portfolio is in GBP. Investments should be predominantly denominated in GBP. All direct non-GBP investments are to be hedged to GBP by The Manager. Exposure in underlying funds may or may not be hedged and should be assessed as part of the investment decision at the point of investment. Any exposure to foreign currency should be monitored on an ongoing basis by the Manager and reported quarterly to the EIC.

c) Liquidity

The Manager monitors and manages the portfolio to ensure that Access' cash flow requirements can be met (asset/liability matching). The majority of investments are purchased with the intention to hold to maturity, therefore day to day liquidity is of secondary importance. The Manager will monitor liquidity on an ongoing basis and provide an updated liquidity schedule on a quarterly basis.

d) Rebalancing

The manager will evaluate the portfolio exposures on an ongoing basis and rebalance as required to maintain the appropriate level of risk/return and liquidity.

e) Risk Monitoring

The Manager should report on risk (at the individual security level and on an aggregated portfolio basis) to the EIC on a quarterly basis. Risk measures should include, but are not limited to:

- ESG, reputational and impact
- Diversification (issuer, geographical, sector etc.)
- Liquidity
- Credit Quality
- Currency exposure

## IX. **Reporting**

Regular reports from the Manager should be shared with Management and the EIC (monthly and quarterly). The Management reviews the reports on a monthly basis. The EIC formally meets and reviews the reports on a quarterly basis. The Board reviews the reports on an annual basis. The format and content of the reports will be agreed with the Manager by the EIC and Management.

On an annual basis, the EIC will also review the Manager's reporting against relevant responsible investment reporting frameworks (e.g. PRI) as appropriate.

## X. **Conflict of Interest Policy**

See Addendum 2.

## ADDENDUM 1



### Access – The Foundation for Social Investment

#### INVESTMENT COMMITTEE TERMS OF REFERENCE

Agreed by the Access Board of Trustees on 16 September 2016

---

#### **Constitution**

- The Investment Committee is constituted as a sub-committee of the Access Board.
- The committee's terms of reference may be amended at any time by the Board.
- The committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board.

#### **Authority**

The committee is authorised

- to seek any information it requires from any employees of the organisation in order to perform its duties
- to obtain, at the organisation's expense, outside legal or other professional advice on any matter within its terms of reference.

#### **Membership**

- The committee shall be appointed by the Board and shall consist of not less than three members.
- The chairman of the committee shall be appointed by the Board.
- The majority of members of the committee shall be Access trustees, at least one of whom shall have recent and relevant financial and investment experience.
- Appointments to the committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the member still meets the criteria for membership of the committee.
- The committee shall have power to appoint or invite external members or advisors

#### **Duties**

Subject to the powers and duties of the Board, the Investment Committee will perform the following duties:

1. Consideration of the investment strategy and policies

- From time to time the Investment Committee will consider whether the agreed upon investment strategy and policies are still appropriate for the needs of Access. If necessary, the committee will recommend revisions to the investment strategy to the Board.
  - If approved by the Board, the committee will oversee the implementation of these revisions.
2. Overseeing the execution of the agreed investment strategy
- Oversee the process for monitoring the asset manager(s) appointed with discretionary authority to invest Access' assets.
  - This will include reviewing quarterly reports, looking at the financial performance of the portfolio, the social impact the portfolio is generating and the proportion of the portfolio invested within the Bull's eye.
  - The committee will also consider whether the portfolio is meeting the liquidity needs of the organisation.
  - The committee will consider the underlying risk of the portfolio, especially towards the latter part of the life of the portfolio where a higher proportion of the portfolio may be invested in charity bonds and other more risky assets.
  - The committee will oversee the selection process for asset manager(s) and will recommend selected manager(s) to the board for appointment.
  - The committee will consider the performance of the asset manager(s) and ensure that their investment choices are in line with agreed strategy. The committee will recommend and oversee any re-tendering process if required.
3. Carry out other duties as may be determined from time to time by the Board

### **Attendance and Frequency of Meetings**

The quorum necessary for the committee shall be at least two Access Trustees. Only members of the committee have the right to attend committee meetings. However, other individuals such as the CEO, finance and operations manager, other trustees and members of staff may be invited to attend all or part of any meeting as and when appropriate. At the request of the committee a representative from Access' appointed asset manager may attend meetings, and not less than annually. Meetings shall be held at least three times a year.

### **Minutes of meetings**

An Access employee (likely to be the finance and operations assistant) shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance. The Board will be regularly informed of the activity of the committee, usually at the board meeting following the committee meeting. The minutes of the committee will be available upon request.

### **Reporting Procedures**

The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.



## ADDENDUM 2:



### Access - the Foundation for Social Investment

## CONFLICTS OF INTEREST POLICY FOR THE ENDOWMENT INVESTMENT COMMITTEE

Approved by the EIC on 18 October 2017 (adapted from the Access Conflicts of Interest policy)

---

### 1. Introduction

- 1.1. This policy outlines the rules, principles and procedure for managing conflicts of interests for members of Access's Endowment Investment Committee. It is consistent with, and should be managed in conjunction with, the policy for managing conflicts of interest for the Access Board of Trustees.
- 1.2. The EIC is a sub-Committee of the Access Board. Its remit and responsibilities are outlined in the Committee's Terms of Reference.
- 1.3. Acting properly where there is a conflict of interest is of critical importance to the Access Board given the source of funds, the reputational consequences, and the various corporate and personal responsibilities and obligations in place.
- 1.4. Conflicts of interest can also inhibit free discussion, result in decisions that are not in the interest of the foundation and give the impression that the foundation has acted improperly.
- 1.5. According to the [Charity Commission Guidance](#), a conflict of interest is any situation in which a trustee's personal interests or loyalties, or those of a Connected Person could, or could be seen to, prevent the trustee from making a decision only in the best interests of the charity. Given the role which the EIC plays in Access's governance this definition is considered relevant for its work even though it includes representatives who are not Trustees of Access.
- 1.6. In this context a Connected Person means a person with whom the EIC member shares a common interest such that he or she may reasonably be regarded as benefiting directly or indirectly from any material benefit received by that person. This could mean being a member of the EIC member's family or household or a person or body who is a business associate of the EIC member. For the avoidance of doubt, it does not include a company with which the EIC member's only connection is an interest consisting of no more than one per cent of the voting rights.

## **2. Identifying a conflict of interest**

**2.1.** Conflicts of interest could arise in one of two circumstances:

**2.1.1.** Benefits to EIC members: There is a potential financial or measurable benefit directly to a EIC member, or indirectly through a connected person; or

**2.1.2.** Conflicts of loyalty: An EIC member's duty may compete with a duty or loyalty they owe to another organisation or person.

### Benefits to EIC members

**2.2.** The most common situations in which conflicts of interest can occur include:

**2.2.1.** Direct financial gain or benefit to EIC members

**2.2.2.** EIC members as directors or employees of the foundation or of a subsidiary trading company

**2.2.3.** Sale of land of charity to an EIC member

**2.2.4.** Use of an EIC member's property by the foundation

**2.2.5.** Indirect financial gain or benefit to an EIC member (e.g. through employing s spouse or other close relative)

**2.2.6.** Non-financial gain

**2.3.** In charity law, trustees cannot receive any benefit from their charity in return for any service they provide to the charity unless they have express legal authority to do so.

### Conflicts of loyalty

**2.4.** Conflicts of loyalty arise because, although the EIC member does not stand to gain from the benefit, their decision making could be influenced by his or her other interests.

**2.5.** Examples could include, a conflict with a EIC member's loyalty to:

**2.5.1.** Another organisation, such as their employer

**2.5.2.** Another charity of which they are a trustee

**2.5.3.** A member of their family

**2.5.4.** Another connected person or organisation.

## **3. Process for managing conflicts of interest**

**3.1.** Each EIC member is required to complete a Conflict of Interest Form.

**3.2.** Conflicts relating to the EIC member or to Connected Persons (as defined in 1.6 above) are required to be disclosed. At a minimum, EIC members should list on the Conflict of Interest Form, all organisations on which each EIC member or any Connected Person is an employee, officer (including directorship), member, shareholder, charity trustee, volunteer or paid consultant.

**3.3.** The Conflict of Interest Form should be completed on at least an annual basis for review by the Chair and resolution by the Access Board.

- 3.4.** The Forms will be collated into the foundation's Register of Interests which will be reviewed annually by the Chair.
- 3.5.** EIC members are obliged to notify the Chair of any newly-arising interests throughout the year. Any such changes should be added to the register of interests.
- 3.6.** At the beginning of any EIC meeting, members will be asked to declare any conflict of interest relevant to items to be discussed. Any such conflicts will be minuted and dealt with in accordance with the identified grade of conflicts set out below and in line with Article 10 of the Articles of Association of Access.
- 3.7.** If an EIC member is uncertain whether or not he or she is conflicted, he or she should err on the side of openness, declaring the issue and discussing it with either the Chair of the EIC, or the Chair or CEO of Access, as appropriate.
- 3.8.** The following four levels of response to be used to grade identified conflicts of loyalty are broadly in line with Charity Commission guidance, i.e.:
- 3.8.1.** Minor conflicts – the EIC member registers and declares the interest, the EIC member may contribute to the discussion and may vote if two non-conflicted EIC members (as appointed by the EIC) authorise the conflicted EIC member to participate fully in the particular decision;
  - 3.8.2.** Larger conflicts – the EIC member registers and declares the interest, the EIC member may contribute to the discussion but may not vote, if two non-conflicted EIC members (as appointed by the EIC) authorise the conflicted EIC member to do so;
  - 3.8.3.** Serious conflicts – the EIC member registers and declares the interest and must withdraw from the decision making process (i.e. leave the meeting, not participate in relevant discussions or see any relevant papers)
  - 3.8.4.** Major conflicts – the EIC member resigns.
- 3.9.** Generally, EIC members should not participate in any decisions where they stand to gain, whether directly as an individual or indirectly through a Connected Person.
- 3.10.** Should other EIC members perceive there to be a conflict relating to an EIC member who has not declared the interest themselves, then they should raise the issue with either the Chair of the EIC, or the Chair or CEO of Access, as appropriate.
- 3.11.** Once an interest is declared, two non-conflicted members of the Committee (as appointed by the EIC) will make a judgement on the level of conflict. The course of action to be followed will also depend on the particular decision and the relevant circumstances.
- 3.12.** The written record should show the nature of the conflict, the EIC member(s) who were affected, whether any conflicts were declared in advance, an outline of the discussion, whether anyone withdrew from the discussion, how the EIC members took the decision .

- 3.13.** Access must also include details of payments and other details to EIC members and Connected Persons and to say under what legal authority the payments or benefits have been made, together with the reason for them.
- 3.14.** In the interests of transparency, Access will make this conflicts of interest policy publicly available.