



Access – The Foundation for Social Investment “Access” Investment Policy Statement – Capital Preservation Funds

Revised on 25th May 2022 (*Originally Adopted 25th November 2020*)

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

I. Introduction

This Investment Policy Statement (“IPS”) governs the management of Access’s Capital Preservation Funds (the “Funds”). 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.

Access may have one or more funds which are to be managed with a particular emphasis on capital preservation. Each fund that the Board designates as a Capital Preservation Fund will be governed by this IPS unless the Board specifically decides otherwise.

Managing a fund for capital preservation means that the Board is of the view that the funds should be only be placed on deposit with suitable banks and that it is not appropriate to invest these funds partly or fully in a bond portfolio or other financial products.

As at the date of adoption of this update there are two Funds which have been designated as Capital Preservation Funds:

1. The £10m Local Access Dormant Accounts Fund; and
2. The £30m Covid 19 Recovery Dormant Accounts Fund

II. Investment Objectives & Constraints

The primary investment objective is to invest each Fund using a “total impact” approach, achieving both financial and social impact, in line with how Access invests its expendable endowment (governed by a separate IPS).

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 portfolio is as important as the financial return.

a) Financial Objectives

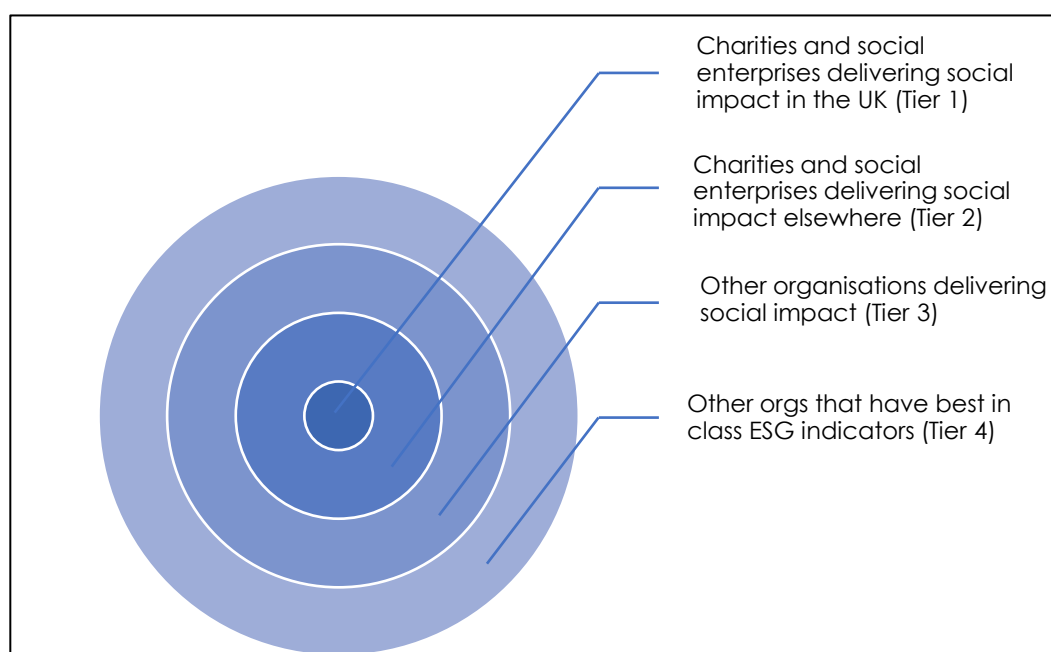
- The objective of the investment is to preserve the capital of each Fund prior to expenditure. A financial return in line with the appropriate deposit rates will be targeted over the period that the capital is invested.

- Investments will have a liquidity profile that is appropriate for the time horizon. Each Fund will be invested in short and/or medium-term deposit accounts or cash equivalents.

b) Social Impact Objectives

- The capital will be held with banks that best align with the “Bulls Eye” approach developed by Access (shown below), subject to the opportunity set and consideration of other risk factors.
- Tier 1 investments are invested in 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.
- On a best efforts basis, capital is deposited with banks which lend to organisations within the 4 tiers of the Bulls Eye.

Diagram: “Bull’s Eye” Investment approach



c) Constraints

- Deposits/cash equivalents must be appropriate given the time horizon and cash flow requirements.
- Banks supporting charities, social enterprises and other community organisations will be favoured.

III. Spending & Liquidity Requirements

A detailed cash flow schedule for the life of each Fund will be prepared and periodically reviewed by the Director of Programmes and the Director of Finance and Operations to support cash flow management.

Each Fund's liquidity should match the cash flow requirements and all investments should be realisable by December 2026.

IV. Permitted Investments

The Fund is managed by Access directly and invested based on the following criteria:

- a) The capital will be placed with suitable banks. A suitable bank is defined as a bank with strong credit worthiness which lends predominantly to charities and social enterprises. This is subject to availability and will be assessed on an ongoing basis.
- b) The spending profile of the Fund will be taken into account when determining the term of the deposits or cash equivalents. However, it is anticipated that the capital will be invested across a range of short to medium-term notice accounts.

V. Benchmarking

The performance of the Fund is sense checked against the appropriate Libor rates.

VI. Roles and Responsibilities

- a) Board of Trustees ("Board")

The Board is responsible for the governance, strategy and oversight of the Fund Funds. The Board authorises the investment strategy of the Fund, 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 to the EIC. The EIC will report fully to the Board on an annual basis.

- 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 as defined in the IPS, together with Access Management. It has the authority to recommend periodic revisions to the IPS to the Board.

- c) Access Management ("Management")

Management is the primary point of contact with the banks and is responsible for the management and monitoring of the Funds.

VII. **Risk Management**

a) Diversification

On a best efforts basis the exposures should be diversified, while acknowledging the constraints of the opportunity set.

b) Liquidity

The Management monitors and manages each Fund on an ongoing basis to ensure that cash flow requirements can be met.

c) Reputational

The Management monitors for reputational risk and will report to the EIC if there are notable developments.

VIII. **Reporting**

The Management will review the bank statements on a regular basis (monthly or quarterly). The EIC will receive an update on a quarterly basis and the financial performance of the deposits will be included as part of the regular Board reporting.

IX. **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 the capital, 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.