

# Kent Reliance Community Foundation

## Investment Policy

### 1. Introduction

- 1.1. This paper sets out the investment policy of the Kent Reliance Community Foundation (KRCF) which is in accordance with the good practice recommended by the Charity Commission.
- 1.2. The purpose of this investment policy (the Policy) is to set out the framework to enable investment decisions to be made which manage KRCF's resources effectively and ensure the Trustees meet their governance responsibilities and their duty to exercise their powers in the best interests of KRCF and its beneficiaries.
- 1.3. This Policy is an internal document for the trustees of KRCF (the Trustees) and their advisors that will be used to guide its internal decisions regarding investments and the terms of any investment mandates agreed with third parties.
- 1.4. The matters in this policy are in addition to the Trustees' duties under the Charities Act 2011 and Trustee Act 2000 and other relevant legislation (where applicable).

### 2. Background

- 2.1. KRCF is a company limited by guarantee whose directors are also its charity trustees and which was registered with the Charity Commission as a charity on 15th February 2024 with registered Charity Number 1207037. It was established following the winding up of the Kent Reliance Provident Society (the Society) following which, the Society's assets (including cash and shares in OSB GROUP PLC (the OSBG Shares) have been transferred to KRCF.
- 2.2. KRCF's object as set out in its Articles of Association (the Articles) is, for the public benefit, to further any purpose which is exclusively charitable under the law of England and Wales.

### 3. KRCFs Powers of Investment

- 3.1. The Trustees have wide powers<sup>1</sup> to deposit or invest funds and employ a professional fund-manager in the same manner and subject to the same conditions as trustees are permitted to do so by the Trustee Act 2000.
- 3.2. As well as complying with the Articles, the Trustees must abide by applicable legislation, including the Trustee Act 2000 and the rules on eligible investments outlined in UK tax legislation. The Trustees must also give due consideration to the guidance issued by the Charity Commission in exercising their powers. In particular, relevant law and guidance sets out that the Trustees must:
  - use their skills and knowledge in a way that is reasonable in the circumstances ('the duty of care'). For example, a trustee with investment experience should draw on their skills and knowledge of investments when making decisions;

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<sup>1</sup> KRCF's Articles of Association clause 4.1(J)

- consider how suitable any investment is for KRCF, both in terms of:
  - the investment type or class (e.g. shares), and
  - the particular investment within that type or class (e.g. shares in a specific bank);
  - consider the need to diversify investments (e.g. owning shares in a number of different companies) and whether it is appropriate to diversify investments in the circumstances (e.g. taking into account what the effect of diversifying investments will have on the value of the portfolio or on other consequences);
  - take advice from someone experienced in investment matters where they consider they need it; and
  - review investments (and their investment manager) from time to time, changing them if necessary.
- 3.3. If the Trustees can demonstrate that they have considered the relevant issues, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions, or for adopting a particular policy.

## **4. The needs of the KRCF, its investment objectives and risks**

### KRCF requirements

- 4.1. KRCF wishes to achieve its purpose by making grants annually over the long term now and in perpetuity, in accordance with its Grant Making Policy.
- 4.2. KRCF will make grants:
- from the income it receives on its investments net of its costs, and
  - from the Retained Amount specified in section 6 below.
- 4.3. KRCF has not set a minimum income threshold which it expects to receive from its investments. This is likely to evolve as KRCF develops its grant making policy.
- 4.4. KRCF does not intend to make grants from the capital value of the assets it invests in accordance with this investment policy, although there is no prohibition on it doing so.

### Investment objectives

- 4.5. KRCF's investment objectives are:
- to invest its assets to achieve a suitable balance between income generation to pay its costs, overheads and to make grants to beneficiaries both now and in the future;
  - capital growth to maintain the long-term real value of its assets (less the Retained Amount); and
  - to achieve the best financial return within an acceptable level of risk.

### Risks

- 4.6. As a grant-making charity, the Trustees are able to maintain flexibility in managing KRCF's expenditure. While investment returns are relied upon to fund charitable activity, the Trustees will not make charitable commitments based on forecasted income. Further, all charitable commitments will be made using free, unencumbered cash in the KRCF's bank account.

- 4.7. A key risk to the long-term sustainability of KRCF is inflation. The assets should be invested to mitigate this risk over the long term and KRCF is willing to accept some capital volatility to achieve this.
- 4.8. The Trustees understand that a concentration of shares in a single entity poses some risks but that this risk is unavoidable in the short term as a result of the way in which KRCF will receive the OSBG shares. To mitigate concentration risk KRCF will work towards a more diversified portfolio of shareholdings and where appropriate by consulting with one or more professional Investment Managers (IMs), who may or may not be discretionary investment managers.
- 4.9. In summary the Main Criteria, as required by the Financial Conduct Authority, are:

<b>Objective</b>	A 'Balanced Return' to achieve a suitable balance between: <ul style="list-style-type: none"> <li>• income generation to pay its costs, overheads and make grants to beneficiaries both now and in the future, and</li> <li>• capital growth to main the long-term real value of KRCF's assets (less the Retained Amount).</li> </ul>
<b>Risk</b>	A balanced level of Risk is acceptable to achieve the Objective and maintain the long-term real value of KRCF's assets.
<b>Time Horizon</b>	In perpetuity (10 years plus). Investments will be managed so as to take into account the interests of future as well as current beneficiaries.

## 5. The source of KRCF's assets to be invested

- 5.1. It is not expected that KRCF will receive any donations or assets in the future other than the assets from the Society as set out in section 2.2 above.
- 5.2. To diversify its investments KRCF may, over time sell the OSBG shares it receives balancing its wish to diversify its investments and achieve an appropriate price for the sale of those shares.
- 5.3. The net proceeds from the sale of the shares will be transferred to KRCFs selected investment manager (IM) for investment in its chosen investment fund at the earliest reasonable opportunity.

## 6. Reserves

KRCF will retain at least £350,000 (or such other amount as determined by the Trustees from time to time) in a cash deposit account as reserves to cover the anticipated costs of KRCF and grants it is planning to make in the next 12 months.

## 7. Investment of and Diversification of Assets

- 7.1. KRCF's IM will invest the funds it receives from KRCF in KRCF's chosen Investment Fund as instructed by the Trustees in accordance with this Policy, KRCF's Investment Objectives and the investment strategy proposed by the IM and as agreed by the Trustees.

- 7.2. Where the Trustees decide to delegate investment powers to an IM on a discretionary basis the Trustees will have regard to the Charity Commission's guidance on investments.
- 7.3. KRCF's assets can be invested widely and should be diversified by asset class. Asset classes can include cash, bonds, UK and overseas equities, property, hedge funds, structured products, private equity, commodities and any other asset class deemed suitable for KRCF by its Trustees.
- 7.4. KRCF will not invest directly in property, but IMs may do so by investment in property portfolios as part of the agreed investment strategy.

## 8. Responsible Investment Criteria

- 8.1. KRCF recognises its own role in contributing to positive environmental and social change. It therefore wishes to invest in companies that are responsible, as well as stable and profitable. This is important to KRCF's values and reputation and can play an important part in meeting KRCF's financial objectives.
- 8.2. KRCF has therefore established Responsible Investment Criteria (as defined below) as part of its Investment Policy. This means that KRCF may require companies engaged in certain activities to be excluded from its investment portfolios. KRCF may require IM(s) who work on its behalf to apply measures to analyse key risks and engage with, and if necessary, disinvest from, investee companies which do not meet the Responsible Investment Criteria.
- 8.3. The Responsible Investment Criteria are:

### General Exclusions

KRCF will actively avoid or minimise its exposure to areas considered by the Trustees to be in conflict with KRCF's objectives and values, specifically KRCF:

- **Armaments:** will not invest in companies involved in producing or providing core systems of controversial weapons (e.g. anti-personnel mines, cluster weapons, nuclear, chemical or biological weapon systems) and will not invest in companies deriving revenues from military armaments
- **Adult Entertainment:** will not invest in companies deriving revenues from production of adult entertainment
- **Alcoholic beverages:** will not invest in companies deriving more than 10% of revenues from manufacturing alcoholic beverages
- **Tobacco:** will not invest in companies involved in the production of tobacco products
- **Gambling:** will not invest in companies deriving more than 10% of revenues from owning or operating gambling establishments or online gambling enterprises.
- **Predatory lending:** will not invest in companies engaged in predatory lending

### Environmental factors

KRCF supports and wishes to contribute to the Paris Climate Agreement and the objective of net zero carbon. KRCF wishes to align its investments with its environmental policy objectives, specifically KRCF:

- **Fossil fuels:** will not invest in companies deriving more than 10% of revenue from exploration for and extraction of tar sands and thermal coal and will not

invest in other companies deriving revenue from exploration for and extraction of fossil fuels, including oil and gas, unless they have a clear and credible plan to transition to net zero.

- **Net Zero Carbon:** will expect its IMs to have policies and strategies in place to achieve net zero carbon across their asset holdings by 2050, and in particular to engage with companies to encourage positive policies in this respect and if necessary to disinvest where progress is unsatisfactory.
- **Negative environmental impact:** wishes to avoid or limit investment exposure to companies whose processes or products involve high risk emissions or releases to land, water or air. KRCF will work with IMs who are applying appropriate monitoring and screening in this respect, and will expect IMs to engage with companies involved in high-risk activity and to disinvest if environmental behaviours are not improved

#### Social and governance

KRCF recognises the importance of good corporate governance and social responsibility and seeks to invest in companies which demonstrate these values, specifically KRCF:

- will expect its IMs to employ systems to assess the social and governance risks at play in investee companies (e.g. Sustainalytics) and to use these tools to avoid highest risk companies, and to identify companies with which to engage to promote improved corporate behaviours
- wishes to avoid investment in companies which pose a high risk in terms of poor employment practices or failing to uphold standards of human rights among employees and other stakeholders both within its own operations and its supply chain
- wishes to avoid investment in companies which pose high risks in terms of corporate governance, regulatory or legal shortcomings, or questionable business ethics such as corruption, anti-competitive, mis-selling etc.

#### Impact Investment

KRCF is not at this stage an “impact investor” (i.e. actively seeking to invest in enterprises achieving positive social or environmental impact) but it will encourage its IMs wherever possible within the objectives of the overall Investment Policy to seek stocks which demonstrate a net positive influence.

8.4. KRCF expects its IMs to respect and apply its investment criteria and to:

- Support, and preferably be a signatory to, the Principles of Responsible Investment<sup>2</sup>
- Apply and monitor ESG ratings across their investing universe
- Engage with investee companies to promote and encourage responsible corporate behaviour with respect to environmental, social and governance matters
- Apply tools to measure the carbon impact of their portfolios and track progress in carbon emissions reduction

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<sup>2</sup> <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

- To have an engagement policy which includes regular, preferably at a minimum quarterly, reporting on engagement; disclosure of shareholder votes participated in and how votes were cast; an escalation policy for companies falling short on ESG factors which includes divestment, and disclosure of escalation interventions taken or participated in.

## **9. Investment Managers**

- 9.1. The Trustees shall have responsibility for approving the appointment of one or more IMs, and the terms and conditions applicable to the appointment.
- 9.2. The Trustees have undertaken a selection process for the appointment of a professional IM to manage the investment portfolio on a discretionary basis, subject to the supervision of the Trustees. Following that selection process the Trustees have selected CCLA Investment Management Limited as its chosen Investment Manager and the COIF Charities Ethical Investment Fund as its chosen investment fund.
- 9.3. The Trustees will review the IM's appointment every 3 years and shall reserve the right to terminate the arrangement with them according to the agreed terms and conditions of the appointment.
- 9.4. Once appointed, the IM will submit a quarterly written report and valuation of the funds and attend meetings with the Trustees as required.
- 9.5. The IM shall act in KRCFs best interests and not depart from this Investment Policy without the express prior written approval of the Trustees.

## **10. Investment Performance and Reporting**

- 10.1. The Trustees will require reports from the IM on a quarterly basis and will review the performance of the investment portfolio on an annual basis. Quarterly reports must include:
  - income
  - capital gain / loss
  - total return vs target
  - % of total return derived from income
  - Risk
  - Asset allocation against investment objectives, including the Responsible Investment Criteria
- 10.2. The Trustees will agree with the IMs appropriate benchmarks against which to review performance, which might include investment targets or other outcomes.
- 10.3. The Trustees shall review these benchmarks and targets at least annually.
- 10.4. The Trustees shall include in KRCF's annual report a summary of KRCF's investment policy and an explanation of how the investments have performed during the year.

## **11. Review**

This Policy will be subject to a review at least 12 months from the date of last approval. This Policy will be reviewed more frequently as necessary in the event of an amendment to either the regulatory requirements or KRCFs internal requirements.

**Date of policy:** 15 April 2025  
**Date approved:** 20 May 2025  
**Date of next review:** May 2026