Investment Policy

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1. Introduction

This paper sets out the investment policy of Kent Community Foundation (Kent Community Foundation) in accordance with good practice recommended by the Charity Commission. It will be subject to review annually by the Kent Community Foundation Investment Committee and the wider Kent Community Foundation Board of Trustees.

2. The Needs of the Charity and its Beneficiaries

Central to Kent Community Foundation's mission is the development of endowment funds, providing sustainable support for local communities in the long term. The Foundation aims to meet a balance between current needs and developing the endowment to meet the needs of future generations, whilst remembering that the needs of future generations should not be prioritised at the expense of current beneficiaries. Therefore, investments should achieve a suitable balance between capital growth and income.

3. Investment Objectives

The Foundation seeks to produce the best financial return within an acceptable level of risk, which is currently set at CPI+4% total return. The aim is to distribute c. 5% of fund value annually to cover both grant-making in the community and the contribution to Kent Community Foundation's own running costs, while maintaining the long-term value of the Foundation's endowment funds. The Foundation adopts a total return approach with the aim of optimising the return generated, regardless of whether this is obtained from dividends, interest or capital gain.

The Foundation regularly reviews the real value of its investment funds and may take action, including reducing the annual drawdown, if the long-term value of endowment of the Foundation is at risk. However, the Foundation takes a long-term view and recognises the context of its overall strategy to continually raise new funds to add to the overall endowment. In this regard, the Foundation treats its investment funds as expendable, rather than permanent, endowment.

4. Investment of Donations

Funds for flow-through grant-making and for staffing/supporting costs are normally retained in bank accounts to meet current needs. If rates of return are low, other arrangements may be considered in order to maximise income, so long as these do not adversely impact on cash-flow requirements.

Donations to endowment funds will be transferred at the earliest opportunity to Kent Community Foundation's Investment Managers for investment.

5. Powers of Investment

Under Clause 5.15 of the Kent Community Foundation's Articles of Association, the Trustees have wide powers to apply or invest the Foundation's monies as they shall in their absolute discretion think fit.

The Charity Commission has made a Scheme (17 October 2000) to widen the investment powers relating to permanent endowment, in order to allow a more flexible approach to the allocation of capital and income returns.

6. Assets

Investment Managers are expected to achieve a balance between capital growth and income with a progressive risk profile and need to retain sufficient liquidity to cover the annual drawdown to be arranged on a quarterly basis

The Foundation'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 the Foundation.

The Committee will agree a suitable asset allocation strategy and ensure that ranges for tactical asset allocation and benchmarks are regularly reviewed to be in line with the funds invested in. Investment Managers are expected to inform the committee when they believe the portfolio is outside of the agreed parameters.

The Investment Committee may consider and recommend direct investment in property. However, the decision to invest will fall outside the remit of the Investment Committee alone and will require confirmation by a quorum of members of the Board of Trustees. Where the Trustees invest in property, the property will be re-valued annually. This clause does not include investment in property portfolios by the Investment Managers as part of their agreed investment strategy.

7. Investment Objectives

Kent Community Foundation recognises its own role in contributing to positive environmental and social change in the community. It therefore follows that investing in companies that are responsible, as well as stable and profitable, is important to Kent Community Foundation's values and reputation, and can play an important part in meeting Kent Community Foundation's financial objectives. To this end Kent Community Foundation has instituted responsible investment objectives as part of its Investment Policy. This means that Kent Community Foundation will require companies engaged in certain activities to be excluded from its investment portfolios. Kent Community Foundation requires investment managers who work on its behalf to use best endeavours to apply measures to analyse key risks and engage with, and if necessary disinvest from, investee companies which exceed tolerable risk levels or are engaged in excluded activities.

Responsible Investment Criteria

a) General Exclusions

Kent Community Foundation will actively avoid or use best endeavours to minimise its exposure to areas considered by the trustees to be in conflict with Kent Community Foundation's objectives and values, specifically:

- Armaments: will not invest in companies involved in producing or providing core systems of controversial weapons (eg anti-personnel mines, cluster weapons, nuclear, chemical or biological weapon systems); will not invest in companies deriving more than 10% of revenues from military armaments
- Adult Entertainment: will not invest in companies deriving more than10% of revenues from production of adult entertainment

- Alcoholic beverages: will not invest in companies deriving more than 10% of revenues from manufacturing alcoholic beverages
- Tobacco and e-cigarettes : will not invest in companies deriving more than 10% of revenues from the production, distribution, retail and licensing of tobacco and e-cigarette 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

b) Environmental factors

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

- Net Zero Carbon: Kent Community Foundation will expect its Investment Managers 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: Kent Community Foundation wishes to avoid or limit investment exposure to companies whose processes or products involve high risk emissions or releases to land, water or air. Kent Community Foundation will work with Investment Managers 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

c) Social and governance

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

- Kent Community Foundation 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
- Kent Community Foundation 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
- Kent Community Foundation 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.

d) Impact Investment

Kent Community Foundation 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.

Role of Investment Managers

Kent Community Foundation uses and relies on professional investment management firms to invest its endowments. Kent Community Foundation expects the IMs it works with to respect and apply its investment criteria and to:

- Support the Principles of Responsible Investment and preferably to be signatories
- 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
- To have an engagement policy which includes regular, preferably at 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

Kent Community Foundation will regularly review this Responsible Investment Policy and revise in response to developments in understanding of key risk factors and monitoring and reporting methodologies.

Investment Managers are expected to inform the committee if any pooled funds Kent Community Foundation are invested in fall outside of these investment objectives.

8. Investment Managers

The Kent Community Foundation Investment Committee will undertake a selection process and recommend to the Board of Trustees the appointment of professional Investment Managers to manage the investment portfolio (excluding any property) on a discretionary basis, subject to the supervision of the Kent Community Foundation Investment Committee. The Investment Committee will review the Investment Managers appointment every 3-5 years.

Once appointed, the Investment Managers will submit a quarterly written report and valuation of the funds and attend a regular meeting with the Investment Committee if required.

In respect of segregated portfolios, the Investment Managers shall not depart from the Trustees' investment policy without the express prior written approval of at least two Trustees who are members of the Investment Committee. When invested in unitised Funds, Investment Managers must inform the Investment Committee of any policy changes which result in a departure from Kent Community Foundation's investment policy as soon as possible, ideally before any such changes take effect.

Where practical, the Foundation will mitigate risk by spreading investments across more than one Investment Manager.

9. Investment Performance

The Investment Committee will review performance against appropriate benchmarks agreed by The Committee. These will be subject to review from time to time.

The Investment Committee will require reports from the Investment Managers on a quarterly basis and will review as a committee the performance of the investment portfolio (excluding any property) on a six-monthly basis.

Quarterly reports must include:

- income
- capital gain / loss
- total return vs target
- % of total return derived from income

10. Alternative arrangements

The Board may consider alternative investment arrangements for a particular funding programme or substantial donation, especially where such an arrangement is a pre-condition of the funding or donation.

11. Gifts of Shares

From time to time, donors offer gifts of shares to Kent Community Foundation.

In the first instance, the Foundation will invite the donor to sell the shares on behalf of the charity, clearly documenting the charitable intention of the sale in line with Kent Community Foundation's documented process for receiving the proceeds of shares.

The donor may wish to donate shares directly to charity (and not the proceeds of their sale), which may be a decision made by the donor for tax purposes, deriving from their own privately sourced financial advice. If this is the case, shares can be donated via ShareGift.

ShareGift (Registered Charity no. 1052686) provides a charitable, free solution. Shares can be transferred to ShareGift at no cost to the shareholder, and sold to benefit registered charities. (Information on how to donate via ShareGift can be found in their website https://www.sharegift.org/)

If neither donating the proceeds of shares to Kent Community Foundation, nor donating via ShareGift is possible, Kent Community Foundation can accept any gift of shares so long as, in line with HMRC guidance on qualifying investments, they are:

- Shares or securities which are listed on any recognised stock exchange. This includes London and any recognised overseas stock exchange.
- Units in an Authorised Unit Trust (AUT).

Acceptance of any other shares will require the approval of the Kent Community Foundation Investment Committee, and/or the full Board if the committee deem necessary. The trustees must consider the ethical and reputational implications of accepting shares which are not in alignment with Kent Community Foundation's stated policy and carry out a risk assessment to justify such action.

Shares donated to the Foundation will normally be sold at the earliest opportunity. Where appropriate, listed shares may be transferred directly to any segregated Kent Community Foundation Investment portfolios to be managed as part of the Foundation's endowments.

There may be exceptional circumstances when the Foundation does not want to sell the shares immediately e.g. a donor may want to give shares in a new company so the Foundation can benefit from dividends from the outset. However, the Foundation will exercise considerable caution if accepting shares in newly formed companies with no history of trading and no audited accounts, particularly if not listed in the UK. In these circumstances, the following precautions will apply:

- If the Foundation is gifted shares in listed companies without a solid history of trading and audited accounts to support their share price, the shares will be valued in our balance sheet at a nominal value e.g. face value of the shares
- HMRC will be informed of any such gift of shares, the name and address of the donor and of the charity's intention to include them in the balance sheet at a nominal value, with no other comment
- Before accepting any such shares, the Foundation will inform the donor of this policy and the intended actions including how the shares will valued in the Charity's accounts

12. Social Investment

The Foundation makes loans to social enterprises from time-to-time. However, this is managed under Kent Community Foundation Programmes and does not affect the Foundation's Investments which are treated separately for the time being.

13. Review

The effectiveness of this policy and associated arrangements will be reviewed annually by the Investment Committee and approved by the Board of Trustees.

Investment Policy	
Status	Approved
Author(s)	Head of Finance and Governance
Approved by	Board of Trustees
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Due to be reviewed	November 2027