Essex Community Foundation

Investment Policy

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Reviewed:	Finance & Investment Committee
Date:	February 2026
Exec Lead:	Director of Finance & Resources, Catherine Burton
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Approved at Board:	February 2026

Future Review

This policy will be reviewed by the Finance & Investment Committee and ratified by the Board of Trustees to ensure that it continues to meet our organisational needs as well as any changes in regulation or legislation. Any intermediate changes to the policy will be agreed with the Finance & Investment Committee.

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1. Introduction

1.1 Essex Community Foundation's (ECF) primary purpose is to support charitable organisations in Essex for the benefit of their communities. Our endowment funds must align with our wider vision, mission and values as a charitable organisation.

1.2 We inspire local philanthropic giving to grow our endowment fund, aiming to provide long-term financial resources for local communities.

1.3 Whilst our endowment funds are expendable, we are committed to their long-term preservation alongside maximising our grant-making capacity. To this end we operate with a degree of flexibility, responding to the context in which we operate as appropriate.

1.4 We manage other charitable funds that are not invested but held in Money Market Funds[1] - they do not form part of this Investment Policy.

1.5 A proportion of our investments are held separately through the Community First match funding programme, managed by CCLA. These funds operate under a separate governance structure, led by UKCF the membership body for community foundations. The investment approach seeks to preserve the inflation-linked value of these investments (i.e. the capital returns greater than the RPI).

1.6 A separate fixed interest portfolio provides liability matching by holding 3 years rolling cash withdrawal requirements and operational cash demands.

2. Purpose of Investments

2.1 Our Charity Objects can be summarised as the promotion of any charitable purpose for the benefit of communities in Essex and elsewhere, at the discretion of Trustees. Our investments support these Objects by:

a. Providing investment returns for grantmaking and other charitable activities.

b. Benefiting the community through the social and environmental impact of our investments. For example, by using our influence, through our investment managers, to encourage responsible business activities.

3. Investment objectives

3.1 To achieve a minimum total financial return on investments of **5.5%** per annum net of investment management fees to meet both grant-making and operating costs (c. 1.5%).

3.2 To maintain our minimum annual grantmaking commitments of **4%** of endowment and to enhance this commitment whenever possible[2], even if this requires us to make a capital reduction when returns are low.

[1] For example, Flowthrough funds that we re-grant on behalf of other funders, over a relatively short period of time and with a specific purpose attached to them.

[2] In May 2024 the Board agreed that trustees can increase the distribution level in times: a) where market value exceeds nominal value for 3 consecutive years or by 5% in any one year at the time of setting the grant rate b) or at times of unprecedented crisis e.g. a global pandemic, cost of living crisis etc

3.3 To have a long-term **aim to** preserve the nominal[3] value of donations to our endowment funds, considering market fluctuations and the needs of our communities through maximising total return from income and capital growth[4].

3.4 To maintain operating cash reserves in line with our Reserves Policy.

3.5 To avoid selling down assets in a downturn by providing for all cash withdrawal requirements on a 3-year rolling basis in a separate cash, gilt and fixed interest portfolio. This includes provision for both grantmaking and operational costs.

4. Governance

4.1 We are governed by our Articles of Association and the Trustee Act 2000. These grant us the authority to make and review appropriate investments. Our investment policy aligns with Charity Commission guidance (CC14) and acknowledges that we take non-financial factors into account to ensure that our investments align with our charitable purposes.

4.2 Our Board of Trustees has responsibility for our Investment Policy and for the appointment of our professional providers.

4.3 Trustees delegate oversight of our investments to a Finance & Investment committee (FIC) with clear terms of reference and members with relevant experience. Additional members are co-opted to provide specific expertise as required. FIC is serviced by a professionally qualified ECF employee.

4.4 We may seek the advice of specialist investment advisers from time to time to support the work of FIC.

4.5 Day-to-day management of our investments lies with our appointed investment managers.

5. Direct conflicts

5.1 We recognise the need to balance the financial effect of excluding companies from our investment portfolio with the wish to avoid investing in activities which directly conflict with our charitable purposes.

5.2 We will avoid investing in companies where more than 10% of the company's revenues come from:

a. Predatory lending: high interest doorstep lending, payday/pawnbroker.
b. Gambling: exclude companies with harmful or predatory practices.
c. Pornography.
d. Tobacco.
e. Alcohol.

[3] We define 'nominal' as the total value of all donations at the time they were received without taking into account any changes, such as inflation.
[4] We define long-term as greater than 5 years.

5.3 We may include investments in our portfolio that help combat unfair lending practices. For example, investing in commercial providers that actively focus on helping underserved groups or in specialised providers that specifically target and support underserved groups.

5.4 We recognise the threat the climate crisis presents to the communities of Essex over the medium to long term. To that end:

a. We have set a target of 100% of the total portfolio to be invested in "climate sustainable assets" by 2030.
b. We aim for our investments to be carbon net zero by 2050.
c. We are a signatory to the Funder Commitment on Climate Change.

5.5 We will include investments in our portfolio that provide solutions to the climate crisis, for example companies with plans to meet the Paris Climate Change Agreement and in renewable energy and other net zero transition solutions.

5.6 And on climate, we will avoid investing in:

a. Companies where more than 5% of the company's revenues come from the extraction of energy coal or tar sands.
b. Companies where more than 10% of the company's revenues come from the extraction of oil and gas.
c. Energy generation, extractive and utilities sector companies that are consistently not demonstrating the aligning of their activities with the goals of the Paris Climate Change Agreement.

6. Stewardship and Environmental, Social and Governance (ESG) factors

6.1 Investment managers must have clear responsible investment practices and demonstrate that they have a consistent and comprehensive approach to stewardship and ESG in all relevant asset classes.

6.2 We guide and expect our investment managers to pay attention not only to the products and services provided by the underlying companies held in our portfolios, but also to their own responsible business practices.

6.3 We rely on our investment managers for advice on investing responsibly, for detailed information on the practice of individual companies and for engagement with companies on ESG criteria on our behalf considering these factors in alignment with our work.

6.4 We expect our investment managers to undertake stewardship and engagement activities and to provide regular reporting to us on them.

6.5 All appointed managers must be signed up to the UN Principles for Responsible Investment (PRI).

7. Reputational risks

7.1 Should our Trustees deem that any investments are likely to cause us reputational risks or may be considered contentious and contravene the wishes of some of our donors and grant partners, then we will inform our fund managers and they will be excluded. We will exclude

all companies deriving revenue from producing landmines, cluster bombs, chemical/biological weapons and/or nuclear weapons.

8. Investment Risks

8.1 We will take an appropriate view of risk, with a medium to high outlook[5]. As a long-term investor we accept that there will be fluctuation and volatility in the underlying value of holdings over time. We accept this risk to generate appropriate returns to support our grantmaking.

8.2 We seek to control risk through diversification across managers and asset classes.

8.3 In the pursuit of our investment objectives, Trustees expect each appointed investment manager to have considered the suitability of investments both in isolation and in the context of the overall portfolios managed.

8.4 FIC will work with each manager to identify an investment benchmark and an industry comparator. We will also agree our tolerance to risk. The managers will determine the asset allocation required to meet our overall investment objective and risk appetite.

9. Investment approach and donors

9.1 Our donors' individual named endowment funds are invested between our investment managers on an aggregated pooled basis[6] so that the individual funds benefit from the shared growth and diversification. All investment returns, either capital or income, will be unitised and apportioned to the individual named funds.

9.2 **In exceptional circumstances e.g. a significant donation,** we may consider a request from a donor for a different or a specific investment model or manager for example to reflect their personal ethical beliefs, which may result in changes to our investment objective and approach.

9.3 Trustees will consider these requests to accord with a donor wishes but reserve the right to decline them if they do not meet our charitable purpose and/or charge an additional fee to provide the oversight and governance of such an arrangement. Portfolio 2 (which has additional restrictions on animal testing) was established in this way.

10. Other Assets

10.1 We may, from time to time manage other assets **e.g. land or property,** in line with this policy and specific donor requirements.

11. Transparency

[5] ARC (Asset Risk Consultants) look at the historic volatility of a portfolio, based on the three year standard deviation of the excess return over cash. They then compare this to the historic volatility of UK equities. This enables them to say that a portfolio has a relative risk of say 70% of UK equities and to look at returns for all charities with a similar level of risk. The ARC Steady Growth Universe is a bucket of charities who all have 60 to 80% of the risk relative to UK equities.
[6] Pooled funds are funds in a combined portfolio from many individual donors that are aggregated for the purposes of collective benefit.

11.1 This policy will be published on our website. Detailed information on our appointed managers, holdings, and investment fees are published each year in our Annual Report and Financial Statements, also available on our website.

11.2 We will report annually and publish our progress under the Funder Commitment to Climate Change.

12. Professional Providers

12.1 We will only work with investment managers that can meet the restrictions and principles set out within this Policy.

12.2 The investment managers are appointed through an open tender process and are formally reviewed every five years.