Our new Investment Policy – A roadmap to doing good with 100% of our assets

(4 minute read)

Published: 30 September 2020

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It is an extraordinary privilege to have responsibility for an endowment of circa £140m. with almost complete freedom as to its application and disbursement.

I joined John Ellerman Foundation from the commercial world in 2016, my first role within the sector. I vividly remember my first Board Meeting, and the pleasure of observing our Board approve over £700,000 in grants to good causes. Making grants is the most tangible way in which we seek to make the best use of the funds we have been entrusted with. However, this aspect of our work represents approximately 5% of our Net Worth in each year, and it gradually dawned on me that in some sense the tail is wagging the dog. Or that there is a risk that, while we seek to do good in the world with the 5% that we spend each year, the impact of the 95% that we don't spend may dwarf the impact of the amount we do. At the very least, it becomes obvious that the 95% should not act in a way that is in opposition to the good we seek to do, or to our underlying charitable purpose.

Our endowment is unencumbered by legal obligations to achieve future goals, such as paying out pensions to customers 40 years hence. This means we can choose to take on certain sorts of risks in the way that we invest the endowment. These risks may turn out to represent long-term opportunities that allow us to enhance the impact we achieve through our grantmaking. This is not a new idea in the sector, but I am lucky to be working at a time when these ideas are achieving prominence, driven in large part by the climate emergency, but also by a recognition that poorly directed commercial activity can cause social harm and through that, economic damage and/or increased risk that affects the value of investments.

Like many of our peers, we have been thinking deeply about these issues. To this end, we have developed a new Investment Policy that seeks to ensure that our investment activities are aligned with our charitable purpose. This has been, or rather continues to be, a highly instructive and worthwhile process. A key element in this has been the recognition that it is not necessary (or even optimal) to try to develop an Investment Policy as a finished article, beautifully polished and fit for all purposes over all times. This is an endeavour in which perfection is most definitely the enemy of the good and/or the achievable. As we come to recognise that we don't have all the answers, it is more important to establish a framework that sets a direction of travel, and includes feedback mechanisms for assessing progress and adapting policy as and if investment outcomes and performance fall short.

Our current position builds on our own thinking and practice over the last several years, as well as learning from our peers. Our new Policy recognises that our endowment is invested in the real world, and that there is a risk that investment decisions made on our behalf may be linked to corporate strategies or products which are poorly aligned with our own aim and values. However, within the Policy, we have tried to harness the energy within the trust and foundation sector right now to use the leverage we have as asset owners to improve the investment world's approach to environmental, social and governance (ESG) issues. Our Policy outlines how we will work with our fund managers to enhance their investment decisions, their approach to ESG and how they exercise their power in their engagement with the corporate world on our behalf. This is a learning process for us, but also for the investment management sector. However, there is growing evidence that this focus not only has the economic benefit of reducing investment risk, but also of generating improved financial returns, and so this motivates us to keep going. We can do well by doing good.

Our Policy includes much that we have learned through the experience of our peers and of networks that we are involved in, including the Charities Responsible Investment Network ("CRIN"), which is supported by ShareAction, the Association of Charitable Foundations and their Stronger Foundations report on Investments and the Funder Commitment on Climate Change, which we signed up to in December 2019. We are so grateful to colleagues that have shared their expertise as we drafted this Policy.

Ultimately, we have worked to produce a new Policy that we felt was appropriate for our position and in the context of the current sector-wide backdrop, with the built-in intention to review and revise as circumstances change. Just the process of reviewing and agreeing such a key document generated the critical discussions which served to focus our minds on what matters to us. A very worthwhile process in itself, and one which will develop and, like a good wine, hopefully improve with time.