Stroke Association

Ethical and Responsible Investment Policy

This policy is intended to guide the investment decisions taken on behalf of our charity.

It applies to everyone involved in planning or authorising investments of our charity's funds.

Contents

Policy index	
Document	Ethical and Responsible Investment Policy
Date	June 2021
Author (responsible for updates)	CEO / Associate Director of Legal and Governance
Approver	Board of Trustees
Date for review	June 2023
Equality impact assessment	N

Stroke Association

1. Introduction

We are guided in all our decisions and actions by our organisational values and strategic principles. This Ethical and Responsible Investment Policy forms part of our wider Ethical Policy. Our **Ethical Policy** requires us to:

> "**behave and make decisions in an ethical and socially responsible manner that protects our beneficiaries, demonstrates our integrity and values, and inspires public trust and confidence".**

This Policy also forms part of the wider **Cash and Investment Policy**. Our **Cash and Investment Policy** sets out the main objectives for our investment portfolio, which are to:

- Maintain reserves in accordance with the Reserves Policy;
- Provide funding for major investments;
- Fund any short-term operating deficits; and
- Produce a reasonable overall return, whilst preserving our charity's reserves in real terms over the medium to long term (i.e. seven to ten years).

Investing funds exposes charities to certain risks. If these are not effectively managed, they can affect the charity itself and the public's trust and confidence. The principal risks are:

a/ Significant financial loss due to poor investment decisions, market conditions or counter party failure: Mitigated by having expert investment managers with an appropriate risk management mandate and a sufficiently diversified investment portfolio.

b/ Loss through fraud or theft: Mitigated by strong governance and good financial controls, both internally and at our investment managers.

c/ Damage to our reputation or the achievement of our objects arising from investments that are either inimical to our charity's objects, or that alienate our beneficiaries and supporters.

This policy is the principal way we manage this third risk generated by our investment activities.

2. Who does this policy apply to?

This policy applies to **all staff, trustees and advisors** who are involved in planning or authorising investment of our charity's funds **and forms part of the mandate for our external investment managers**.

3. Charity Commission guidance (CC14)

Charity law allows trustees to invest the charity's funds in any asset that is specifically intended to maintain and increase its value and/or produce a financial return.

Trustees are permitted to invest ethically by taking their charity's purpose and values into account, even if a particular investment might provide a lower return than an alternative. This may be in the charity's best interests if it reflects the charity's values and charitable purposes.

Charity law permits the Trustees to adopt an ethical and responsible investment approach which avoids certain investments:

- A particular investment conflicts directly with the purposes of the charity;
- The charity might lose supporters or beneficiaries if it does not invest ethically;
- There is no significant financial detriment; or
- The charity has clear and compelling reasons, supported by evidence, about why your charity should follow a particular responsible investment approach.

Trustees should evaluate the impact of their investment decisions and balance the risk of lower returns against the risk of alienating support or damaging reputation.

Different rules apply to permanent endowment or investments that are subject to a duty to invest. Our charity currently does not own any such assets. If we receive such assets, they will be invested in accordance with the legal and regulatory requirements that apply to them.

4. Ethical and Responsible Investment Principles

Summary

We wish for our ethical and responsible investment approach to be led by our organisational values/strategic principles and supported by evidence. We wish to maximise return from investments over the long term whilst operating within an appropriate risk framework. We will not make investments that are inimical to our charity's objects and we will protect our charity's reputation by being a socially responsible investor.

Our decisions and actions are informed by five principles:

1/ No investments in organisations inimical to our charity's objects: Our charity will not invest in any organisation whose principal products or services can be clearly evidenced to significantly increase the risk of stroke or lead to poor stroke outcomes.

2/ Avoid investments that undermine public health initiatives we support: Our charity supports and promotes public health initiatives designed to help reduce

stroke risk factors, including tobacco control, excess consumption of alcohol and salt, poor diet, and living with poor air quality. Occasionally, organisations seek to undermine or frustrate UK or international public health initiatives that aim to reduce stroke risk factors or improve stroke outcomes. Where evidence suggests that it is appropriate to do so, Trustees will avoid investments in such organisations.

3/ Consider investments in organisations that have a positive impact on stroke outcomes: Our charity will consider investing in organisations, programmes or projects whose principal activities have a significant chance of improving stroke outcomes.

4/ Favour organisations with a positive track-record and/or strategy on ESG: We believe that our charity's reputation and ability to achieve our mission is enhanced by being a responsible investor. We believe that long-term risk and returns are enhanced by favouring investments in organisations that publish their Environmental, Social and Governance (ESG) improvement strategy and performance, and demonstrate a positive attitude to ESG matters. We expect our investment managers to act as stewards of our investments, actively engaging and voting to promote strong corporate governance and manage ESG risks. No individual ESG factors are prioritised, but we will favour organisations that specifically act to reduce stroke risk in society or their workforce.

5/ Manage reputational risk: Our charity will seek to avoid investing in organisations that might be regarded by beneficiaries, supporters, and other stakeholders as unsuitable for a health-promoting charity reliant on public support. Examples include high stakes gambling or high interest money lending; or companies with a reputation for poor ESG compliance. Such investments risk damaging our ability to raise funds or engage with beneficiaries and other stakeholders vital to our mission. We will ensure that our corporate partnerships and our ethical investment decisions are aligned.

5. Implementation and Monitoring

Trustees instruct our investment managers to act in line with our organisational values and our desire to be a responsible investor and to prefer investments in organisations that have an open and transparent approach to improving their ESG performance.

As ESG investment performance measurement tools become more widely adopted, we ask our investment managers to benchmark and track our portfolio's ESG performance and report this to the charity's Investment Committee every 6 months. This will be reported to the Board of Trustees annually and, when established, included in our Annual Report and Financial Statements.

Investment managers are instructed not to invest in companies whose principal activities promote tobacco or alcohol consumption. They are also instructed to avoid where possible collective investment vehicles that invest in tobacco or

alcohol. Tobacco smoking and excess alcohol consumption have strong, well evidenced links to increased stroke risk.

Our charity is prepared to accept the possibility of lower returns to avoid such investments.

We will implement this policy in a pragmatic manner to optimise returns and we will be guided by our investment managers in terms of the specific timing of the sale or purchase of individual holdings.

6. Review and Delegations

Trustees are responsible for setting this policy and reviewing it at least every 2 years as part of the review of our Cash and Investment Policy.

As part of that review trustees will be briefed on any new evidence that may lead to exclusions under principles 1 or 2, or may lead to proposals to revise the policy. Decisions under principles 1, 2 and 3 are trustee decisions. Decisions related to principles 4 and 5 are delegated to our investment managers, following consultation with the Investment Committee.