Investment and Treasury Management and Reserves Policy

Approved May 2023

Introduction

Corra Foundation Trustees have a duty to manage the investment portfolio in the best interests of the organisation and in line with the legal duties conferred on Charity Trustees by the Charity and Trustee Investment (Scotland) Act 2005. Trustees operate in a manner consistent with the charity's purpose, act with care and diligence and manage any conflicts of interest that arise, appropriately.

The Trustees have also reviewed OSCR's guidance on charity investments to ensure full compliance not only with established legal requirements but also recommended good practice.

Reserves Policy

The Reserves approach is reviewed each year to ensure that the Trustees are satisfied that adequate reserves are in place. Corra's reserve policy, to which management ensures ongoing compliance, is to have a cash-backed reserve of six months of operating costs.

Treasury Management

Cash held by Corra falls into three main categories:

- Cash held on behalf of Corra's delivery partners which include the Scottish Government and other grant funders. Funding for multi-year projects are usually held over the course of two to five financial years. These include Corra's contingent liabilities which are held off-balance sheet.
- Cash held for operational cashflow requirements within the financial year.
- Cash reserves which equate to six months of operating costs per Corra's Reserves Policy.

Total cash held is to be invested in low risk, interest bearing cash deposits with Corra's bankers, currently Santander PLC.

Some funds held on behalf of partners need kept separate from Corra funds. These funds should be held in a separate low-risk, interest bearing cash deposit account, as far as is reasonably practicable.

Investment Management

Investment powers

Corra's power to invest is also governed by the Charity and Trustee Investment (Scotland) Act 2005. This confers a general power of investment and requires the Trustees to *invest in a diversified range of suitable instruments.* The Trustees aim through the foundation's investment managers, to ensure a diverse portfolio in order to manage investment risk in compliance with the 2005 Act.

Portfolio objectives

The primary financial objective of the portfolio is to provide funds for Corra's ongoing operations and grant-making activity. This is achieved through a mixture of low risk short-term and higher risk long-term investments.

- ***The long-term investments***, currently held with Sarasin & Partners and Cazenove Capital, primarily aim to provide a source of relatively predictable and stable dividend income in support of medium to long term budgetary needs, at least maintaining the portfolio's real (inflation adjusted) purchasing power after investment management expenses over the period.

  As a secondary objective the long-term investments serve as a reserve of capital that may be drawn upon, for example in the event of an unanticipated shortfall in Corra's other income, an urgent need for unplanned expenditure or a change in Corra's overall strategy. This could necessitate the substantial liquidation of the portfolio, at relatively short notice. However, it does not require capital volatility in the long-term portfolio to be limited to such an extent which would compromise the primary financial objective. The portfolio is expected to generate such returns as are consistent with this limited appetite for volatility.

Portfolio structure and management arrangements

The Finance and Investment Committee makes recommendations to the Board of Trustees on the appointment of investment managers. The appointed investment managers in pursuit of the agreed portfolio objectives, use their expertise and discretion in line with Corra's ethical and responsible investment approach, in both asset allocation and stock selection.

The Trustees therefore do not intend to specify asset allocation targets or parameters. However, the Finance and Investment Committee will seek to maintain a clear understanding of the investment managers' strategy, positioning and performance by meeting periodically with the investment managers in addition to reviewing quarterly investment reports. This is in order to be confident that the *overall asset blend* remains consistent with Corra portfolio objectives.

Based on Corra's strategy, information received from the investment managers as well as publicly available information on the global economic outlook, the Trustees may make decisions on the investment portfolio.

Performance targets and comparators

The long-term target is to achieve an average annual total return, net of costs, that exceeds UK consumer price inflation by 4.5% after costs.

The Trustees recognise that this is a long-term target that can only be assessed fully over the course of a business cycle, which may be five years or more. Over shorter time periods, performance will be measured against market indices and peer group comparators.

Within total return, Corra values an attractive regular income stream that is consistent (in absolute terms) from year to year and which can be expected to grow over time to maintain its real spending power. However, the total return target takes priority and the Trustees do not wish to impose any short-term income target which might damage the long-term sustainability of returns.

Ethical and responsible investing

Reference is made to Corra's Ethical Policy, which notes that Corra will not invest in or seek income from companies whose activities are inconsistent with those of Corra or creates harm or discrimination to the people and communities Corra seeks to support. The Finance and Investment Committee has delegated powers for investment matters and will advise the Board on ethical and responsible investing.

Corra recognises climate change as a high-level risk to our investments. We are committed to proactively addressing the risks and opportunities of a transition to a post carbon economy in our investment strategy and its implementation, recognising that our decisions can contribute to this transition being achieved.

Professional Advice and Trustee Training

The Board will seek independent professional advice from our auditors and other professionals where it is deemed to be necessary for sound decision making on any issues arising.

Members of the Finance and Investment Committee are each encouraged to attend annual charity investment seminars at least once a year, to keep their knowledge up to date on any new legislation or other developments which may have an impact on the foundation's investment portfolio now or in the future.

Financial Reporting on Investment Activity

Transparency and accountability in the reporting of the foundation's financial activities is a legal requirement, this includes reporting on investment activity.

The Charities Statement of Recommended Practice (SORP) has specific requirements for the Trustees' annual report in relation to investments, where the charity has an income of £500k or more.

Corra is fully compliant with SORP requirements in its annual report and financial statements.

Investment Risk Management

Corra actively manages all strategic, operational, financial, investment or other risks arising in the process of fulfilling its charitable objectives. A risk register is maintained which makes specific reference to investment risk and methods for managing or mitigating this risk.

Investment Drawdown

As part of the annual budget process, a monthly cashflow forecast is completed. If the forecast shows a need for a drawdown from the investment portfolio, a timeline is recommended to the Finance and Investment Committee for consideration and then to the Trustees for approval. Currently, this should not exceed £2m per annum.

If approved, the investment managers are notified of Corra's intentions so they can plan effectively towards this, currently, any drawdown is split 50/50 between each investment manager.

During the financial year, the cashflow statement is updated monthly to show the most recent information Corra has on planned income and expenditure. If it is deemed that a further drawdown (in addition to that agreed during the budget) is required, then the same approval process is followed.