INVESTMENT POLICY– TRUST FOR LONDON

1. Objectives of the Trustee of Trust for London

The Trustee is required to preserve the capital value of its permanently endowed investments in real terms whilst maximising the amount available to its beneficiaries without taking undue risks to enable it to produce a financial return to support it's grant programme.

The Trust is made up of three funds. The Central Fund which aims to tackle poverty and inequality, the City Church Fund for the advancement of religion and the Trust for London Common Investment Fund, established to pool the investment assets of the other two funds.

For the permanently endowed investment assets, the Trust is authorised by the Charity Commission to pursue a total return approach to investment. The Trust is therefore able to focus on investments, which are expected to meet the Trust's stated investment objectives over the long term. The permanent endowment will typically be invested in a well-diversified investment portfolio that should, over time, produce a positive performance enabling the Trust to achieve an overall total return, rather than in investments which will give the "right" balance between capital and income returns under the standard Charity Commission rules for permanent endowments. The Trustee seeks to be even-handed as between present and future beneficiaries. These are mainly held within the Common Investment Fund.

The Trust also has expendably endowed investment assets within the Central Fund. These assets can be invested through structures that may or may not produce a financial return but which, if not, must directly further the Central Fund's own charitable purposes (ie it must have a significant impact on poverty and inequality).

The Central and City Church Funds also hold certain permanently endowed investments assets and also cash and near cash assets to meet grant commitments.

The Board retains the Trust's overall power of investment but has delegated responsibility for managing all the Trust's assets to the Asset Allocation Committee, which has in turn delegated the management of property assets within the Common investment Fund to the Estate Committee and the management of the investment assets within the Central Fund to the Social Enterprise Committee.

2. Investment Objectives

The aim is to achieve CPI plus 4% for the endowments as a whole.

Paying due regard to investment risks, the Asset Allocation Committee and its Committees seek for the:

i) **Permanently endowed investment assets:** to manage the Trust's portfolio of commercial investments and properties with a view to maximising its total return in real terms, that is, the income generated by, and the capital growth of, the Trust's portfolio; and

ii) **Expendably endowed investment assets:** to use social investment as a strategy to tackle poverty and social injustice through a blend of higher-risk, innovative, catalytic and system-changing investments. Investments will be well-diversified and proportionally allocated with the main priority being on achieving the intended social impact and the return of capital and financial returns secondary to this, all within parameters set by the Asset Allocation Committee and provided that social impact contributes to the purposes of the Central Fund.

3. Time horizon

The Trust's long term time horizon is at least ten years, and in certain circumstances much longer, with individual investment managers being given a five years+ period of management, subject to changes in management and investment strategy. The Trust will measure it's own performance against the return objective over rolling periods of 10 years.

4 Risk

4.1 Attitude to risk

The four main investment risks are

1) Inflation
2) Permanent loss of capital
3) The impact of environmental changes and social inequality on the long-term value and profitability of investments
4) Reputational risk

The Trust can take a long-term view and tolerate short-term volatility to the capital value as an investment opportunity rather than as a threat.

For the Central Fund's expendable endowment, the Social Enterprise Committee can accept the risk of a lower financial return where there is an expectation of a social benefit that will contribute to the Central Fund's charitable purposes. See Schedule 1.

Trustees seek to plan expenditure so that the capital value of the permanent endowment over the long run remains within a set range of values - 'the corridors'.

This policy enables the Trust to keep the capital value of the permanent endowment large enough to withstand future investment shocks while balancing the interests of present against future beneficiaries.

The presumption is that so long as the value of the permanent endowment lies within the Narrower 10% Corridor no action is necessary but if the value of the fund falls outside the Wider 20% Corridor, it is presumed that this would be a prompt to take appropriate corrective action.

4.2 Assets approach to risk

The Asset Allocation Committee considers and determines targets for the future allocation of the endowments as between properties, global equities, emerging market equities, government and corporate bonds, social investments and cash and other assets which may be considered in the future. See schedule 2.

The Trust's investment policies have been powerfully informed by the recognition that, in the past and over the longer term, equity investments have provided better total returns than other investment classes. However, given the breakdown of worldwide trade barriers and the significant increase and freedom to make investment decisions on a global basis, by governments, professional and individual investors, the Trust has decided to invest its portfolios on a fully diversified basis by asset class, by manager and by security. This should have the effect of reducing the volatility to the value of the two endowments and help achieve the stated investment objectives of the Trust.

The Asset Allocation Committee will also set short-term target allocations for the endowments that take account of the current valuation, the recent performance of the different asset classes within the portfolio and the outlook for both the global economy and monetary policy.

Investment in any derivatives, structured products, foreign currencies, warrants or other leveraged securities or investments must have the specific approval of the Asset Allocation Committee.

Where quoted, the overall quality of the bond investments must be of investment grade or above (e.g. BBB as defined by S&P).

5. Liquidity requirements

To the extent, under total return, that grant-making is funded from capital gains, the Trust will from time to time need to liquidate investment assets.

The Trust is required to maintain a cash buffer within the Central Fund to cover the distribution of agreed grants. The Trust will from time to time need to make cash transfers from the Common Investment Fund to the Central Fund in order to maintain that buffer. It would aim to retain minimum cash reserves across the Trust to meet six months grant commitments.

The Trust would see a borrowing facility of £10 to £20 million for specific need as forming part of its approach to maintaining liquidity.

6. Social, ethical and environmental policy

Trust for London aims to be a leader on responsible/impact investing whilst adhering to its financial goals. We believe that taking account of environmental, social and governance issues in our investment decisions is an intrinsic part of being a good long-term investor. We are also committed to supporting engagement with investment managers and other agents and the underlying companies invested in, particularly on matters relating to social issues.

We generally take a non-prescriptive approach, requiring our managers to work within our mission but largely not telling them how to do so. We believe that this approach leads to better manager engagement.

The Trust aims to define responsible investment standards for our investment managers, recognising the risk that if social inequalities are not addressed and environmental challenges such as climate changes are unabated over next thirty years then poverty and inequality in London will increase. In addition, we are committed to engaging with the investment community to drive increased availability and understanding of social investments that tackle poverty and inequality.

To demonstrate that environmental changes are a long-term risk to the aims of the Trust, we commit to achieving a net-zero goal by 2050 and engage with our investment managers to set interim targets for their investments to get there. We will join the Net-zero Asset Owners Alliance and work with Charities Responsible Investment Network (CRIN) on social investment policy.

With the aim of using the power of collaborative investors to engage in and encourage the adoption of improved policies and practices by investee companies, Trust for London is a member of the ShareAction initiative - CRIN, and also aims to align itself with the responsible investment approach of the Church Commissioners.

The Trust is involved in a significant grants programme across London and awards a large number of grants annually to charitable organisations involved in a number of important sectors ranging from employment and advice to social justice. Whilst the Trust needs to generate an investment return from its endowments to support the grants programme, it is important that its investment managers understand the need to follow the guidance set out below whenever considering purchasing, retaining or selling investments on behalf of the Trust (with the guidance at 10. below being particularly applicable to the Property Advisors):

1. The proper corporate governance of companies in which investments are made is of importance to the Trust. The responsibility to consider issues with due diligence is delegated to the Investment Managers. They must act prudently, in the best interest of the Trust.

If there is any controversial matter vis-à-vis the objectives, the Investment Managers are to consult with the Asset Allocation Committee who reserve the right to override the voting decision of the Investment Managers, if their view is that it is in the best interests of the Trust.

2. With regard to its investments and its Investment Managers, the Trustee of the Trust is supportive of a policy of engagement rather than exclusion on all social, ethical and environmental (SEE) matters, with the objective of improving best practice and standards and encouraging change where necessary. The Trustee of the Trust also requires its Investment Managers to pay regard to social, ethical and environmental (SEE) considerations in their investment decisions. To this end, the Trustee encourages its Investment Managers to fully integrate its SEE policy within its investment process. This should ensure that there is a process of active research and engagement with those companies in which they invest concerning the SEE policies pursued by those companies.

3. The Trustee, through its Investment Managers, seeks to engage with those companies whose policies do not meet best SEE practice in these areas to encourage and to influence improvement and change. This influence will normally take place through discussion with the senior management of the companies concerned, by exercising voting rights and, where these actions fail, by the sale of the investment concerned. The Trustee pursues this policy with a view to protecting and enhancing the value of its investment in those companies, to help to raise SEE standards and to avoid having its reputation tainted through the ownership of investments in companies with unethical business practices.

4. The Trust expects its investment managers to present a plan each year on intended engagement themes and to report regularly on the results of their engagements with companies, as well as disclosing their voting record.

5. Investment managers should also have clear engagement escalation policies, e.g. voting against board re-elections and excessive executive remuneration, promoting Board and Senior Team diversity, tabling shareholder resolutions and ultimately divestment, plus transparent disclosure on the implementation of that policy.

6. If a share is sold for SEE reasons, the Investment Manager would subsequently write to the Chief Executive Officer of the company concerned setting out the reasons for the sale.

7. The Trustee of the Trust would expect all of its investment managers to have signed up or intend to sign up to the United Nations Principles of Responsible Investment (www.unpri.org/principles) or, if not, provide reasons acceptable to the Trust.

8. The Trustee of the Trust would expect all of its investment managers to vote in favour of ESG resolutions, 'taking a comply or explain' approach with disclosure of rationale.

9. The Trustee of the Trust would expect all of its investment managers to have become or intend to become a Living Wage Employer (www.livingwage.org.uk) or, if not, provide reasons acceptable to the Trust.

   The Trustee of the Trust would also expect all of its investment managers to have been or intend to become supportive of its campaigns e.g. to improve air quality in London or, if not, provide reasons acceptable to the Trust.

10. The Trust's Property Advisors are to follow the guidance set out below whenever considering purchasing, leasing, retaining or selling property investments on behalf of the Trust:

    The Trustee of the Trust requires its Property Investment Advisors to pay regard to social, ethical and environmental (SEE) considerations in their investment decisions to the extent that it is consistent with the Trustee's legal duty to maximize the return on its investments. In particular, whenever possible, consideration is to be given both to the use of properties to be held in the investment portfolios and the standing and reputation of those companies or individuals to which properties are leased. The Trustee pursues this policy with a view to protecting and enhancing the value of its investment in those properties and to avoid having its reputation tainted through the ownership of properties by companies or individuals with unethical business practices.

11. The Social Investment programme will follow the above guidelines. However, it is recognised that Social Investments are likely to meet the SEE requirements by the very reason or nature of the investment being issued.

13. The Trustee of the Trust recognises that these constraints are not always enforceable for pooled funds. However, it would expect its investment managers to act prudently and take whatever action is possible to mitigate any SEE concerns within pooled funds and importantly protect the Trust's reputation.

7. Governance

7.1 Asset Allocation Committee

- The quorum is four members, of whom a majority shall be Trustees. One of the quorum shall be the Chair or Vice-Chair of the Committee.

- The Committee has delegated authority to make decisions regarding the short, medium and longer-term objectives of the investment policies, and the short and medium term objectives of the Estate and Social Enterprise Committees
- The Committee reports to the Board at its immediate next meeting.

7.2 Estate and Social Enterprise Committees

- The quorum for the Estate and Social Enterprise Committees is three members, of whom a majority shall be Trustees. One of the quorum shall be the Chair or Vice-Chair of the Committee.
- Each committee has delegated authority to appoint, monitor and, if necessary, dismiss their Investment Managers and Property Investment Advisers
- Each committee reports to Asset Allocation Committee at its immediate next meeting.

8. Management, reporting and monitoring

8.1 Management

The Social Enterprise Committee will determine the risk profile of any investment together with the time frame within which any investment is expected to meet its expected investment return on a case by case basis as they are presented to the Committee.

The Trust has currently appointed five investment managers and one cash manager to manage the assets (excluding direct property) on a pool or discretionary basis in line with this policy. Investment managers provide custody of assets. The Trust has lists of authorised signatories, two of which are required to sign instructions to the investment managers.

One reason for using a number of investment managers and advisers is to ensure the Trust has a well-diversified portfolio and utilises the skill sets of each organisation within a defined asset class. This structure is subject to regular review by the Asset Allocation Committee.

There are currently two property investment advisers for the directly held portfolio. They work in collaboration with one firm providing lead advice on the purchase and sale of properties.

Managers and advisers are set objectives and their suitability is reviewed every five years.

8.2 Reporting

Reports from the Investment Managers and the Property Investment Advisers are reviewed at least annually. See Schedules 4&5.

The Social Enterprise Committee will receive an update on both current and potential investments at the normal Committee meetings. See Schedules 4&5.

Each January, the Estate Valuers have to provide a written annual valuation to the Estate Committee. See Schedule 5. The Property Investment Advisers provide a desktop valuation at every 30 September.

For day-to-day matters, the professional advisers report to the member of staff servicing the Committee i.e. the Director of Finance and Administration or the Social Enterprise Manager or any other person as nominated by the appointing Committee.

8.3 Monitoring

Annually, the Asset Allocation Committee reviews the current asset mix of the portfolio and monitors the progress of the Estate and Social Enterprise Committees and itself against the agreed asset allocation targets.

Periodically and not less than annually, all Committees will: -

- Review their portfolios, including an analysis of return, risk and asset allocation.
- Monitor performance against agreed market benchmarks and against the investment objective of CPI plus 4% over the long term. See Schedule 3.
- Review the current economic outlook and the investment plans of their Investment Managers and Property Investment Advisers respectively

The Estate and Social Enterprise Committees monitor the overall performance of their Investment Managers, their Property Investment Advisers and any direct individual investments at their meetings.

8.4 Conflicts of interest

No board member, Investment Manager or Property Investment Adviser is to benefit materially from knowledge of, participation in or by virtue of, an investment decision or holding of the portfolio. All parties are to act at all times in the best interests and for the benefit of the Trust. Any interest, real or potential, must be disclosed at the relevant Committee and any such person refrain from any vote.

9. Policy review

9.1 Review

Overall investment policy is formally reviewed every two years by the Asset Allocation Committee.

9.2 Variation

Any deviation from the above principles and objectives, brought about by exceptional circumstances, must receive the prior approval of the relevant Committee and be reported to the Board at its immediate next meeting.

Last reviewed: June 2021

Schedule 1

Expendable fund

As regards the Central Fund's expendable endowment, the Trustee has decided that the Social Enterprise Committee shall

"use social investment as a strategy to tackle poverty and social injustice through a blend of higher-risk, innovative, catalytic and system-changing investments. Investments will be well-diversified and proportionally allocated with the main priority being on achieving the intended social impact and the return of capital and financial returns secondary to this, all within parameters set by the Asset Allocation Committee and provided that social impact contributes to the purposes of the Central Fund"

in line with the Trust's mission and in line with the power to make social investments under the Charities (Protection and Social Investment) Act 2016 and the duties that relate to that power

Schedule 2

Asset allocation targets and asset types

1) For the permanent endowment, the long-term strategic asset allocation targets by asset class are 45% property & playing fields, 37% global equities, 5% emerging market equities, 10% Alternatives/ multi asset/ impact investments and 3% cash & near cash.

2) For the expendable endowment, the long term strategic targets by asset class are 70% social investments and 30% cash & near cash buffer.

3) A discretionary manager may put no more than five per cent of their portfolio in any single investment in any one cash instrument except with the specific approval of their Committee. The exception will be where investment is made in a pooled or unitised vehicle where the Trust's total investment cannot exceed more than 20% of the total pooled or unitised fund value.

4) The Trust would aim in the short term to retain minimum cash reserves across the Trust to meet six months grant commitments.

Investment managers may invest through either segregated or pooled funds.

Schedule 3

Performance targets

- Global equities To achieve a return above that of the UK Consumer Price Index +4% p.a. net of investment managers fees. Whilst the managers performance will be looked at formally every quarter, the Asset Allocation committee will look to the longer term period of three-five years to determine whether the managers have met the Trust's long term objective, noting that markets are much more volatile than the CPI.

- Emerging market equities: To achieve a positive return above that of the UK Consumer Price Index +4% p.a. net of investment managers fees. The emerging market sector is likely to experience higher volatility than other core assets, therefore the Asset Allocation Committee will consider the investment managers' performance over three-five years.

- Cash: The cash management objective is to outperform the Sterling Overnight Interbank Average Rate (SONIA) net of investment managers' fees. The maximum allowable portfolio duration is three years.

- Social investments: The investment universe within the Social investment sector will be very diverse, from potentially strong investment returns to those returns that will be deemed socially beneficial. For this reason, the expected return on each investment will be determined by the Social Enterprise Committee.

- Property: As attractive opportunities arise; to improve and add to the portfolio within Central London; to increase the income yield and to de-risk the portfolio allowing other potentially riskier properties to be acquired within the existing risk management profile in terms of the lease maturities, exposure to voids and concentrated exposure to individual tenants. To benchmark the portfolio against a miniumum size for holding a direct portfolio.

Schedule 4

<u>Reporting requirements</u>

The Investment Managers written report to include: -

- Portfolio valuation
- Market commentary
- Performance figures against benchmark
- Transaction details
- Reporting in line with the SEE standards outlined in section 6.

The Property Investment Advisers written report to include: -

- Strategic plan and market commentary
- Performance against the appropriate IPD benchmark
- Transaction details
- Reporting in line with the SEE standards outlined in section 6.
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Written reports to the Social Enterprise Committee to include:

- Portfolio valuation
- Brief commentary on the sector
- Performance of investments to date, both investment and social benefits
- Social and environmental impact reporting

Schedule 5

Valuations

The commercial Investment portfolios are valued not less frequently than quarterly and, in determining market value, dividends received plus realised gains or losses are included in income. The Property Portfolio is valued yearly under established RICS rules by independent surveyors appointed as the Estate Valuers (Cluttons).

Social investments are carried at Net Asset Value (NAV) or cost less impairment.