

# Investment Policy

<b>1.0</b>	<b>SCOPE</b>
	<b>Purpose</b>
1.1.	This document sets out whg's Policy towards how its resources are invested in non-core activities, and how the company, the directors and the Board Members ensure they comply with the relevant Charity Commission regulations in investment activity.
	<b>Legal and regulatory framework</b>
1.2.	As a registered charity, one of whg's regulators is the Charity Commission. The Policy will enable whg to demonstrate that any investment activity is compatible with whg's charitable objects and complies with charity law.
1.3.	The Policy will help to ensure that whg's Trustees (Board Members) comply with their duties and obligations required by the Charity Commission, details of which are set out in the Commission's publication 'Charities and Investment Matters: A Guide for Trustees', a copy of which is available on the Charity Commission website: <a href="https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14">https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14</a>
1.4.	Further advice and guidance has been provided by the Charity Commission in respect of how a charity manages its relationship with non-charities as a part of investment activity. The guidance helps to ensure that a charity's relationship with a non-charitable company is not improper, does not put the resources of the charity at risk, that it is a beneficial arrangement that furthers the charitable objectives of the charity. This can be found on the Charity Commission website: <a href="https://www.gov.uk/guidance/guidance-for-charities-with-a-connection-to-a-noncharity">https://www.gov.uk/guidance/guidance-for-charities-with-a-connection-to-a-noncharity</a>
<b>2.0</b>	<b>POLICY STATEMENT</b>
2.1.	The Policy is divided into two parts: <ul style="list-style-type: none"> <li>Part A sets out the scope of whg's investment powers and the characteristics and objectives of different investments that whg may choose to make;</li> <li>Part B sets out the process by which whg will make investment decisions.</li> </ul>
	<b>Part A: Scope of investment powers and the characteristics and objectives of different investments</b>
2.2.	Under charity law whg has power to make investments, the powers are derived from one or both of the following: <ul style="list-style-type: none"> <li>our governing documents</li> <li>the law</li> </ul>

	In general, whg has the power to make investments which further the purpose of the charity.
2.3.	<p>Our investments fall within two categories: financial investments and social investments.</p> <p><b>Financial investments</b> Financial investment is investing with the ultimate objective of generating financial returns by one or both of the following:</p> <ul style="list-style-type: none"> <li>• generating income from an investment;</li> <li>• increasing the value of an investment (capital growth).</li> </ul> <p>Any money made from the investment is called a financial return e.g.</p> <ul style="list-style-type: none"> <li>• placing cash on deposit, aiming to get interest;</li> <li>• investing in Anthem Homes Limited to develop homes for Outright Sale or Market Rent; and</li> <li>• investing directly in homes to let at Market Rent.</li> </ul> <p><b>Social investment</b> The Charities Act 2011 (as amended) says that a social investment is where charity trustees use money or property with a view to both:</p> <ul style="list-style-type: none"> <li>• achieving their charity’s purposes directly through the investment;</li> <li>• making a financial return.</li> </ul> <p>Unlike with a financial investment, the primary intention of a social investment is not the financial return (which is secondary) but is to further the charitable objects.</p>
2.4.	Sections 292A to 292C Charities Act 2011 provide for a statutory power for charities to make social investments. In the legislation, a ‘social investment’ means a ‘relevant act’ of a charity which is carried out “with a view to both directly furthering the charity’s purposes and achieving a financial return for the charity”.
2.5.	<p>Social investment may take a variety of forms such as:</p> <ul style="list-style-type: none"> <li>• making loans;</li> <li>• taking on a commitment, for example by giving a guarantee;</li> <li>• buying shares in a private company;</li> <li>• invest in Anthem Homes Limited to develop homes for Affordable Rent or Shared Ownership.</li> </ul>
2.6.	Trustees are required to be satisfied that it is in the best interests of whg and that the level of risk is appropriate.
	<b>Part B: Investment Decisions</b>
2.7.	Treasury Management Policy outlines areas where officers have the authority to make financial investments. All other Investment requires the approval of the Board.
2.8.	The Board will, from time to time, consider whether to make an Investment, including in a Group Member or a third party (a non-Group member). When making such a

	<p>decision, the Board must satisfy itself that the proposed Investment is a legitimate and a reasonable Investment following the procedures set out in this Policy.</p>
2.9.	<p>The Board must be satisfied that it has the power to make the proposed Investment pursuant to the Articles of Association.</p>
2.10.	<p>The Board must be satisfied that the proposed Investment is an appropriate one for whg to make, and in doing so it must understand:</p> <ul style="list-style-type: none"> <li>• The nature of the proposed Investment, and whether it is intended to be a Financial Investment or Social Investment (and the reasons for this);</li> <li>• The anticipated return from the proposed Investment, including financial and non-financial returns as appropriate;</li> <li>• The level of risk entailed by the proposed Investment, and how this fits within whg’s approach/tolerance to risk;</li> <li>• Any implications to whg’s Corporate Plan or Business Plan, and how the proposed Investment will be accommodated within them;</li> <li>• Any wider implications to the proposed Investment arising out of whg’s funding documents and other obligations to third parties;</li> <li>• Whether formal independent legal and/or tax advice has been sought in relation to the proposed Investment (the Charity Commission’s expectation is that, for all but the most straightforward Financial Investments, advice should be sought unless there is a demonstrably good reason not to) and if so, whether it has been followed; and</li> <li>• The other matters relevant to the particular type of Investment as described in this Policy.</li> </ul> <p>A checklist covering these considerations is included at Appendix A.</p>
2.11.	<p>Each proposed Investment shall be considered in accordance with this Policy and in the light of its specific circumstances. In particular, the Board will in each case:</p> <ul style="list-style-type: none"> <li>• Consider the key issues in the investment appraisal and how these apply to the particular Investment it is considering;</li> <li>• Consider stress testing scenarios for the investment and mitigating actions in the event of an issue arising; and</li> <li>• Consider whether it needs to take independent advice, given the level of risk to whg and any knowledge or expertise that whg has. This information will be noted in the minutes of the relevant Board meeting.</li> </ul>
2.12.	<p>Where the proposed Investment is a Financial Investment (FI), the Board must satisfy itself:</p> <ul style="list-style-type: none"> <li>• That the proposed Financial Investment is a “qualifying investment” for tax purposes;</li> <li>• That it is in accordance with, and permitted by, whg’s Treasury Management Policy, Financial Strategy and Business Plan taking account of whg’s: <ul style="list-style-type: none"> <li>○ Immediate financial needs;</li> <li>○ Future spending commitments;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Long term organisational objectives;</li> <li>○ Risk appetite levels;</li> <li>○ Approach to risk identification and management; and</li> <li>○ Duties and obligations as a Registered Provider of social housing in England and Wales; and</li> </ul> <ul style="list-style-type: none"> <li>• That the proposed Financial Investment compares favourably with a comparison of the returns anticipated by whg with appropriate market comparators (bank deposit rate etc.), taking account of other relevant factors including transaction costs.</li> </ul>
2.13.	<p>Where the proposed Investment is a Social Investment (SI), the Board must satisfy itself (including by obtaining specific legal and/or tax advice, where appropriate) on the following matter:</p> <ul style="list-style-type: none"> <li>• That the objects of the recipient of the proposed SI are sufficiently similar to the charitable objects of whg that the making of the proposed FI would advance whg’s charitable objects;</li> <li>• That the terms on which the proposed FI would be made would be conditional on the SI only being used in such a way as to advance whg’s charitable objects (and for no other purpose), and that whg would be able to monitor this appropriately; and <ul style="list-style-type: none"> <li>○ If any private benefit would arise to any party or person other than whg as a result of the proposed social investment, that: <ul style="list-style-type: none"> <li>○ It would be incidental;</li> <li>○ It could be justified as a necessary consequence of activities (carried out by the recipient of the proposed SI) which would, in turn, fulfil whg’s charitable objects; and</li> <li>○ It would be reasonable in amount and, where appropriate, can be recovered by whg; and</li> <li>○ It would be outweighed by the public benefit arising as a result of the making of the proposed SI.</li> </ul> </li> </ul> </li> <li>• That, in the event that any qualifying criteria cease to be true at any time, the terms of the proposed SI would allow whg at that time to: <ul style="list-style-type: none"> <li>○ Withdraw the SI and terminate the Investment; or</li> <li>○ Re-designate the Investment as Financial Investment (as appropriate) and to change the terms of the Investment accordingly.</li> </ul> </li> <li>• Recovery from the recipient of any unacceptable or inappropriate benefit (private or otherwise) arising from the social investment.</li> </ul>
<b>3.0</b>	<b>PERFORMANCE MEASURES</b>
3.1.	<p>The Board will, at least annually, review the level of returns being made on any Investments made from time to time by whg with a view to assessing:</p> <ul style="list-style-type: none"> <li>• In respect of Financial Investments, the level of returns being made and the level of risk they carry, with a view to assessing whether the Financial</li> </ul>

	<p>Investments continue to provide an appropriate return balanced against the risk. In doing so, the review will give consideration to alternative methods of Financial Investment and instruments, and whether they might be used to increase the level of return on the Financial Investments, and it will include a comparison of the returns that could have been achieved by whg with appropriate market comparators (bank deposit rate etc.), taking account of other relevant factors including transaction costs;</p> <ul style="list-style-type: none"> <li>• In respect of SIs, that the “qualifying criteria” set out in section 2.13 above continue to be met.</li> </ul>
3.2.	<p>A report on the findings of this review will be made to the Board with any recommendations for changes in the light of:</p> <ul style="list-style-type: none"> <li>• Whether the current Financial Investments (if any) continue to meet the necessary criteria and demonstrate an appropriate return (financial or otherwise) for whg;</li> <li>• Whether the current SIs (if any) continue to appropriately further whg’s charitable objects (and to provide an additional financial return to whg, where appropriate).</li> </ul>
3.3.	<p>Consideration will be given in the review to the suitability of maintaining the current Investments on their current terms, or whether revising terms may be appropriate in some cases, or the withdrawal and/or replacement of specific Investments in others, where this is in the best interests of whg.</p>
<b>4.0</b>	<b>EQUALITY AND DIVERSITY</b>
4.1.	<p>This Policy has no direct implications for Equality and Diversity in the Group or for customers. The Policy relates to financial investments.</p>
<b>5.0</b>	<b>TRAINING AND DISSEMINATION</b>
5.1.	<p>Changes in Charity Law will be regularly reviewed and monitored to ensure that any changes in law or regulation can be communicated to those in whg responsible for investment activity. This Policy will be published on whoogle.</p>
<b>6.0</b>	<b>MONITOR AND REVIEW</b>
6.1.	<p>This Policy will be monitored by the Corporate Director of Finance and reviewed every three years by the Policy Group and approved by the whg Board.</p>
<b>7.0</b>	<b>ASSOCIATED DOCUMENTS, POLICIES AND PROCEDURES</b>
7.1.	<p>Documents, policies and procedures associated with this Policy are:</p> <ul style="list-style-type: none"> <li>• Walsall Housing Group Articles of Association</li> <li>• whg Treasury Management Policy</li> <li>• Regulator of Social Housing - Governance and Financial Viability Standard and code of practice</li> </ul>

**Proposed Investment Checklist**

<b>Investment Name</b>	
<b>Company</b>	
<b>Partner (if applicable)</b>	
<b>Purpose of Investment</b>	Financial / Social
<b>Charity Commission requirement</b>	<b>How will Charity Commission requirement be addressed?</b>
<b>Does the investment fall under any of the investments recognised by the Charity Commission?</b>	
<b>Will the investment advance whg's charitable objectives?</b>	
<b>Is the investment in accordance with whg's Treasury Management Policy?</b>	
<b>Does the Board understand the expected rate of return?</b>	
<b>Does the Board understand the level of risk and how it fits with risk appetite?</b>	
<b>Does the Board understand the implications for the Corporate Plan and Business Plan and how the investment will be accommodated?</b>	
<b>Does the Board understand any implications arising out of funding documents and other obligations to third parties?</b>	
<b>Is the Board satisfied that the investment compares favourably with appropriate market comparators, taking account of other factors including transaction costs?</b>	
<b>Will any private benefit arise – if so what conditions need to be met?</b>	
<b>Reporting and review: the Board will, at least annually review the level of returns being made on investments</b>	

<b>Document author</b>	Director of Finance
<b>Document owner</b>	Director of Finance
<b>Legal advice</b>	N/A
<b>Consultation</b>	N/A
<b>Approved by</b>	whg Board March 2024
<b>Review Date</b>	March 2027
<b>Corporate Plan aim</b>	<ul style="list-style-type: none"><li>• Deliver a strong business, fit for today and prepared for tomorrow</li></ul>
<b>Equality Assessment</b>	N/A
<b>Key changes made</b>	Revised to align with Charity Commission Guidance, especially in relation to the way in which investments are categorised. Investments are now categorised as with Financial or Social. Previously social investments were split between Program Related Investment and Mixed Mode Investments; these further splits are no longer applicable.