**Llandaff Diocesan Board of Finance (LDBF)**

**Investment Policy**

**1. Introduction**

Llandaff Diocesan Board of Finance is a registered charity and a company limited by guarantee, whose purpose is to promote, aid, further and assist the charitable objects and work of the Church in Wales within the Diocese of Llandaff.

The principal aim of the Board is to generate sufficient income to fund its activities, predominantly the support of ministry within the Diocese, via a mix of Parish contributions, Provincial grants, investment and other income.

The Board of Finance has approximately £8.2m of investment assets (including £220,000 in direct property (Heol Fair), circa £188,000 are held in endowment funds), and approximately £3.0m cash.

Money that is required at short notice is deposited with the Charities’ Official Investment Fund (COIF) and with the Board’s bankers. Further deposits are held with several banks on various fixed term deposits. In 2014 an additional fund was set up with the Investment Managers to hold funds on a medium term basis for income yield, but which is realisable to cash on short notice. Long-term investments, which include money held in trust, are in government stock and equities.

Investments are made to produce growth in the capital base by either capital appreciation or reinvestment of income. Instructions in respect of specific trusts are dictated by the requirements of each individual trust.

The trustees of the Board have delegated decision making on investment matters to the Budget & Investment Committee.

**2. Investment Objectives**

The Board seeks to produce the best financial return within an acceptable level of risk.

The Board sets appropriate benchmarks for each fund it holds against which performance is measured.

The Board adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet the budgeted expenditure, in the long term the real value of the Board will still be maintained in accordance with the investment objective above.

**3. Risk**

The key risk to the Board in the long term is the ability of the Parishes and Province to provide annual donations to fund the expenditure of the Diocese. The investment income supplements the total income of the DBF to assist with the implementation of its strategic goals. Commitment of a proportion of historic reserves has been made to achieve this plan which will have some impact on the income streams as funds are divested.

The trustees are able to tolerate volatility of the capital value, as long as the Board is able to meet its short term expenditure commitments.

The Board's assets can be invested widely and should be diversified by asset class. Asset classes could include cash, bonds, equities, structured products, private equity, commodities and any other asset that is deemed suitable, bearing in mind the ethical restrictions below.

The base currency of the investment portfolio is Sterling.

The Board's cash balances are deposited with institutions with an appropriate credit rating, or invested in a diversified money market fund.

Deposits are spread by counterparty, subject to a maximum exposure of £500k per Institution, with the exception of NatWest (£750k) and COIF (£750k, excluding assets held as custodian trustee).

**4. Liquidity Requirements**

Investment funds are generally not disinvested, their aim is to provide income and capital growth. Money that is required at short notice is deposited with the Charities’ Official Investment Fund (COIF), the Board’s bankers, and the medium term income yield fund held with the Investment Managers. Further deposits are held with several banks on various fixed term deposits, thus ensuring Diocesan expenditure commitments can be made. Cash balances should be retained at a minimum level of restricted funds plus £1 million.

LDBF has committed to spend up to £3 million of reserves towards the implementation of the Diocesan Vision. Time deposits and Rathbones C fund will be utilised in the first instance. The C fund will be topped up from the A fund at intervals felt to be appropriate by the Investment Manager, which will allow further vision investment with less stock market fluctuation risk.

**5. Time Horizon**

The Board is expected to exist in perpetuity and investments are managed to meet the investment objective and ensure this sustainability.

The Board can adopt a long term investment time horizon.

**6. Ethical Investment**

The Board adopts the same ethical policy in regard to its investments as does the Representative Body of the Church in Wales. The detail of this is attached to this policy document.

**7. Management, Reporting and Monitoring**

The Board has appointed professional Investment Managers to manage the assets on a discretionary basis in line with this policy.

The Investment Managers provides custody of assets. They are required to produce a valuation and performance report quarterly, which they present to the Budget & Investment Committee. The Board has in place a list of authorised signatories, two of whom are required to sign instructions.

The Budget & Investment Committee has responsibility for agreeing strategy and monitoring the investment assets. The Committee meets quarterly to review the portfolio, including an analysis of return, risk and asset allocation. Performance is monitored against agreed market benchmarks.

The Budget & Investment Committee reports formally to the full trustee board in their meeting following each quarterly review. This report should include a review of asset allocation strategy, performance, risk profile and consistency with long term investment objective.

**8. Approval and review**

This Investment Policy Statement was prepared by the Budget & Investment Committee of the Llandaff Diocesan Board of Finance to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

This policy will be reviewed annually by LDBF.

Approved by the Llandaff Diocesan Board of Finance

Signed

Dated

Reference Minute

**ETHICAL INVESTMENT POLICY (RB of the Church in Wales)**

**(Approved by the Governing Body, April 2021)**

As a Christian Church we are tasked to co-operate with God’s active presence in the world and with proclaiming the values of the kingdom of God. This means that the Church has a particular interest in promoting all that furthers justice and peace, that enables full human flourishing, that honours creation and that builds creative human communities.

The Church in Wales wishes to have an investment policy that is ethical and consistent with the furtherance of our aims and objectives. We believe that it is entirely appropriate and possible to operate such a policy alongside the requirement to achieve the best returns from our investments, and to use our investments as an ethical means of contributing to the cost of ministry and mission in the Province.

Our aim is to invest in successful companies that are committed to developing their business in the interests of their shareholders, customers, local communities and employees by operating:

* Responsible employment practices.
* Conscientious corporate governance.
* Policies and practices which demonstrate a proper regard for the environment and for the well-being of the created order.
* Policies sensitive to the human rights and wellbeing of individuals and communities in which they operate.
* Fair trading practices.

In its policy for investment, the Church in Wales will use its best endeavours not to be associated with companies whose products or policies conflict with these aims or to invest in companies which:

* Are responsible for the wanton despoliation of the environment.
* Are responsible for anything that threatens peace, security and communal well-being.
* Exploit, demean, corrupt or degrade humankind, especially the poor or the financially vulnerable.
* Are indifferent to the well-being of animals.

We recognise the complexities surrounding the activities of companies in which we can invest, and reserve the right to make investment decisions on a case by case basis. We will endeavour to engage with companies which are in actual or potential breach of this policy or where concerns exist over environmental, social and governance issues before considering disinvestment.

It is the policy of the Church in Wales not normally or knowingly to invest in any company:

* which derives more than 10% of turnover from a primary focus on gambling, or the production or sale of alcoholic beverages or tobacco products;
* which derives more than 5% of turnover from pornography, predatory lending activities or the proliferation of armaments.
* which derives more than 5% of turnover from the production or the extraction of fossil fuels.

The Church in Wales wishes to be a well informed and responsible investor, and to this end is represented on the Church Investors Group, which is a means of accessing research, obtaining reliable information, sharing best practice with other member organisations, and exercising combined shareholder influence.

A valuable relationship exists between the Investment Committee and the Church in Wales Ethical Investment Group to which the Committee refers problematic cases, and from which it receives an annual report.