

The Baring Foundation Responsible Investment Statement

Purpose

We are an independent foundation which protects and advances human rights and promotes inclusion. We believe in the role of a strong, independent civil society nationally and internationally. We use our resources to enable civil society to work with people experiencing discrimination and disadvantage, and to act strategically to tackle the root causes of injustice and inequality. We seek to invest our funds in a way that is consistent with these aims.

Investment objective

The Foundation's objective over the long term is to preserve the capital value of its portfolio against inflation so as to sustain the real value of the grants it distributes. We currently require our investment managers to achieve over the medium term an average annual return of at least CPI + 4% after fees.

How we invest

The Foundation takes a responsible and long-term approach to investment, investing predominantly through external investment managers. The Board of Trustees has overall responsibility for the Foundations investment policy. It has set up an Investment Committee chaired by a Trustee with relevant experience.

The majority of the endowment is invested through investment managers who have signed up to, and adhere to, the FRC UK Stewardship Code. We expect them to invest responsibly and to be proactive in considering environmental, social and governance issues. We aim to invest in responsible companies, which operate with fairness and integrity, and companies that offer positive solutions to global challenges such as climate change, resource constraints and loss of biodiversity. We try to avoid exposure to underlying companies which are associated with human rights violations or engage in activities that cause social harm. We work closely with our investment managers to understand the underlying investment frameworks they use to help us monitor how well aligned their approach is with our values. We believe this approach will enable the Foundation to continue to generate attractive long-term returns and provide well-aligned liquidity for continuity of grant-making in real terms.

How we measure performance

We require our investment managers to provide regular performance data in Sterling and net of fees that is annualized and compared to market benchmarks. Our consultants analyse this performance on a quarterly basis and our Investment Committee meets formally twice a year to consider these results.

How we consider risk

The Foundation has a reasonably high level of risk tolerance. We are conscious of the higher level of risk inherent in equity markets but feel that is appropriate given our long-term investment horizon and real return objective. We encourage our investment managers to take active risk and deviate from benchmarks, as we believe this is how they can enhance performance, and they submit risk data as part of their standard reporting. We employ the services of an independent investment advisor and we ensure that individuals with relevant expertise sit on our Investment Committee.

Active ownership

The Foundation believes in active ownership. To that end, we encourage our investment managers to engage on our behalf with investee companies where we have concerns that our values are not reflected in the management of a company and welcome managers' initiatives to drive real-world change. However, in the event of specific unresolved concerns we will escalate our concerns and/or change our investment managers. We also welcome opportunities to be involved in collaborative engagement initiatives, such as those promoted by the Charities Responsible Investors Network and Share Action.

How we think about impact

The investment industry has endlessly refined the two concepts of risk and return, but we believe that impact is rapidly moving to become a third mainstream consideration, and this is a relevant concept for public equities too, not only private capital. Consequently, the Foundation discusses risk, return and impact with its investment managers. We believe that good sustainability practices and financial performance go hand in hand, and that positive non-financial outcomes for consumers, employees, suppliers and wider stakeholders are vital to the creation of a fairer, more inclusive global community. We seek to use the UN Sustainable Development Goals (SDGs) as a framework for observing the impact of our investments, and we expect our investment managers to report with clarity and consistency on the subject.

Transparency

Our Responsible Investment Statement is published on our website, and we expect our investment managers to disclose both their policy on voting and their voting record. Increasingly our investment managers are publishing sustainability and/or impact reports, which we regularly give feedback on to try and encourage reporting innovation and greater transparency.

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