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Preamble

Behind Barking and Dagenham Giving lies a simple belief: that the people affected by funding decisions should be the ones making those decisions.

We've held this belief since we launched in May 2020, and it has been central to our work in the borough.

Over the last two years, we have driven participation in the borough through projects that have distributed over £250,000. Those projects challenged mainstream approaches to charity funding and governance, which can sometimes feel rigid, secretive, and the privilege of a select few. In our opinion, this distance between where decisions are made, and where the result of those decisions is felt poses challenges, not least in terms of efficacy and legitimacy.

In December 2020, Barking & Dagenham Council agreed to entrust a new Community Endowment Fund to BD Giving. Our role is to use our participatory approach and engage the community in taking responsibility for how the Fund is invested, managed, and how decisions about distributing annual returns are made.

There is growing recognition that change can only occur by investing time and resources in building relationships across silos, bureaucracies and organisations, not by throwing resources at any one need, solution, or group. As a place-based funder our attachment to Barking and Dagenham is in our DNA and we have every incentive to build long term and healthy relationships with individuals and organisations in the borough. We recognise that we do not have all the answers. We see our role as facilitators of a process that brings others together to decide what the best use of our funds is. We're always asking ourselves 'who is not in the room, and how can we make it easier for them to get stuck in?'

We do not see participation in our funding projects as sufficient to respond to the pressing societal challenges we face, but we know it can be part of the solution.



We see our role as facilitators of a process that brings others together to decide what the best use of our funds is.

We're aiming for participation to be embedded across all aspects of our work, from operations to funding decisions, from strategic design to, indeed, the very governance of the organisation. In doing this, we hope that others will be inspired to embed participation into their own work and lives so that together, we can achieve things that we could not in silos.

We spent most of 2021 in conversation with local residents and organisations, inviting them to share their hopes and ambitions for this Community Endowment Fund. What we found is that the things that matter to our community are the things that dominate our political conversations about the future of Britain – levelling up, sustainability, local entrepreneurship and innovation, and new technologies.

However, these concerns are not yet the dominant drivers of the economy – if we were to take a purely profit-driven approach we would overlook a lot of potential and miss out on an opportunity to redefine how communities relate to their local economy. In choosing to invest for impact our community recognises the need to manage risk, and to work together to support each other through the difficult decisions that many investors face alone. They are prepared to put money into the ideas that they want to see brought to life on the streets they travel on daily.

Over the last few months, we have shared an experience that transported us to the heart of what sharing decision-making means. This wasn't always easy or comfortable, but it has been a unique and rewarding experience for all of us.

This Investment Policy is one output of this journey, and what we see as the first substantial step on a journey towards prosperity for our borough and its people.

Geraud de Ville de Goyet

Geraud de Ville de Goyet

CEO, Barking and Dagenham Giving



Investment policy



1. Investment Objectives & Boundaries

- 1.1 The Investment Policy sets out the management of Barking and Dagenham Giving's ("BD Giving") investment assets (the "Portfolio"). This Investment Policy will remain effective until modified by BD Giving's Board of Trustees (the "Board"), on advice from the Community Steering Group (the "Community Steering Group") and should be reviewed on an annual basis.
- 1.2 The primary objective of the Portfolio is to invest the Community Endowment Fund and any financial returns, using a **total impact**¹ approach, achieving financial, social and environmental impact.
- 1.3 BD Giving's direct impact goals are to increase access to capital for charities and social enterprises in the London borough of Barking and Dagenham and elsewhere, to enable them to achieve the impact goals described in the **Borough Manifesto**² as extended by the Community Steering Group from time to time.
- 1.4 BD Giving has therefore determined that the social and environmental impact of its Portfolio is as important as the financial return.

Financial Objectives

- 1.5 The financial return from the Portfolio is expected to be equivalent to a **total (income and capital) return**³ of between 2.5% and 3.5% per annum, to be reviewed on an annual basis.
- 1.6 Investments will have a **liquidity profile**⁴ that is appropriate for the cashflow demands on the endowment. This requirement is principally to serve the demand for capital from charities and social enterprises in the London borough of Barking and Dagenham. The Portfolio is expected to be invested preferentially in **fixed income investments**⁵ and will be diversified across sectors, geographies, credit quality, issuers, maturity, and other characteristics, to manage risk.

Impact Objectives

- 1.7 Investments will be chosen that best fit the **"Bull's Eye" model**⁶ developed by the Community Steering Group including prioritising for location, structure, community, issue, and **preventative & systemic**⁷ investments (Figure 1).

¹ Total impact means that the impact of the money saved and invested, as well as the money spent are both considered. In our case, it means including the positive impact we can have by investing our endowment wisely, as well as the impact we can have by spending or investing the returns.

² <https://www.lbdd.gov.uk/borough-manifesto>.

³ This describes the total return made up of two elements: the interest paid to BD Giving on investments; and the change (anticipated increase) in the price of the investment assets BD Giving holds (for example, bonds).

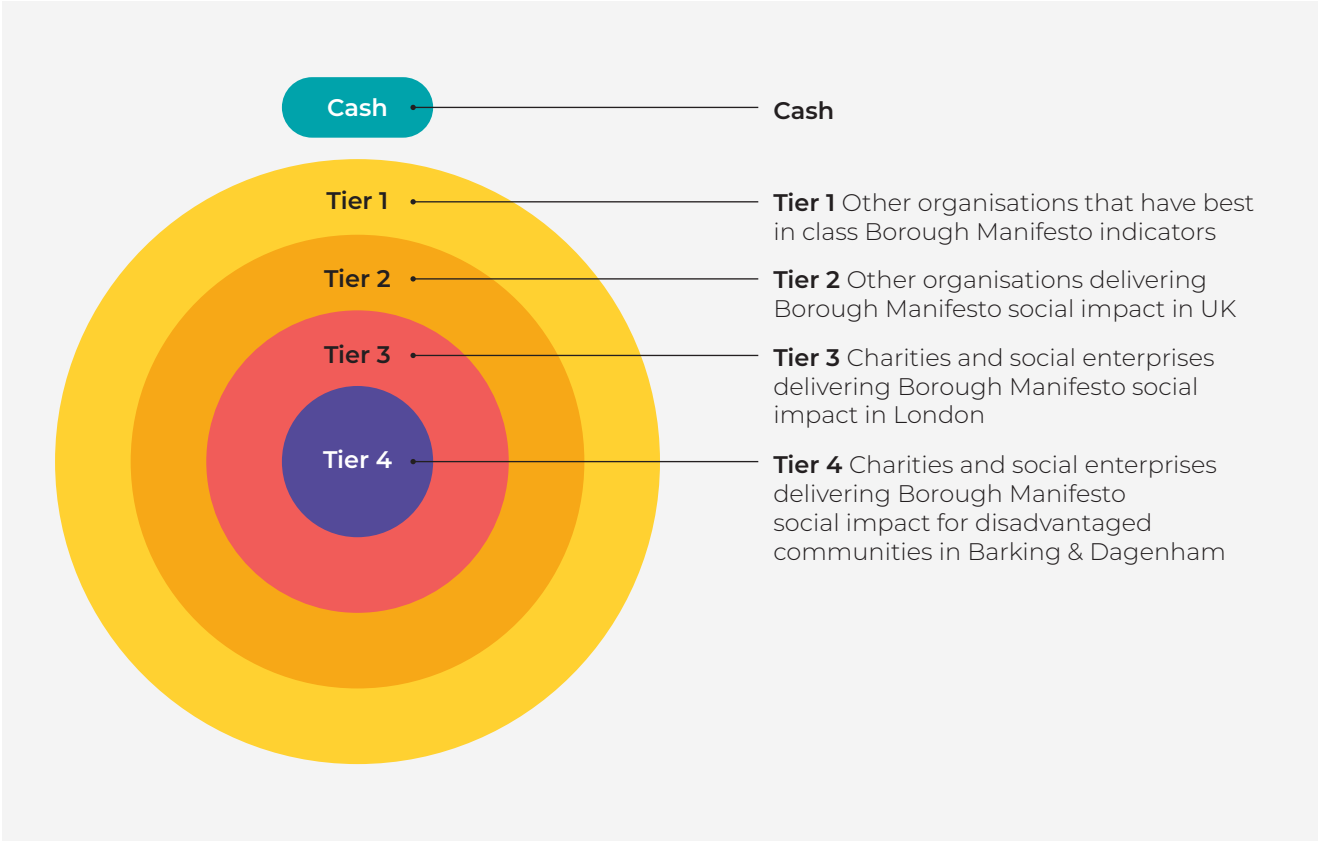
⁴ Liquidity refers to how quickly we can get back the money we have invested

⁵ Fixed income investments are types of investments that typically preserve the capital invested, whilst paying a predictable and reliable return. Typically they would be government or corporate bonds.

⁶ The Bull's Eye is a visual model that we use to set out priorities to help with decision making.

⁷ An investment is said to be preventative or systemic if it aims to prevent damage to society and the environment before it happens, instead of fixing that damage when it has already occurred.

Figure 1: The Bull's Eye model



1.8 In assessing the placement of each investment in the Bull's Eye, the Community Steering Group may estimate the relative value of location, structure, community, issue, and preventative systemic investments using the sliders it developed (Figure 2). The intention will be to prioritise investments that are closer to the red zone to the right of each slider.

Figure 2: The sliders (In this example, the placement of each slider is for illustrative purposes)



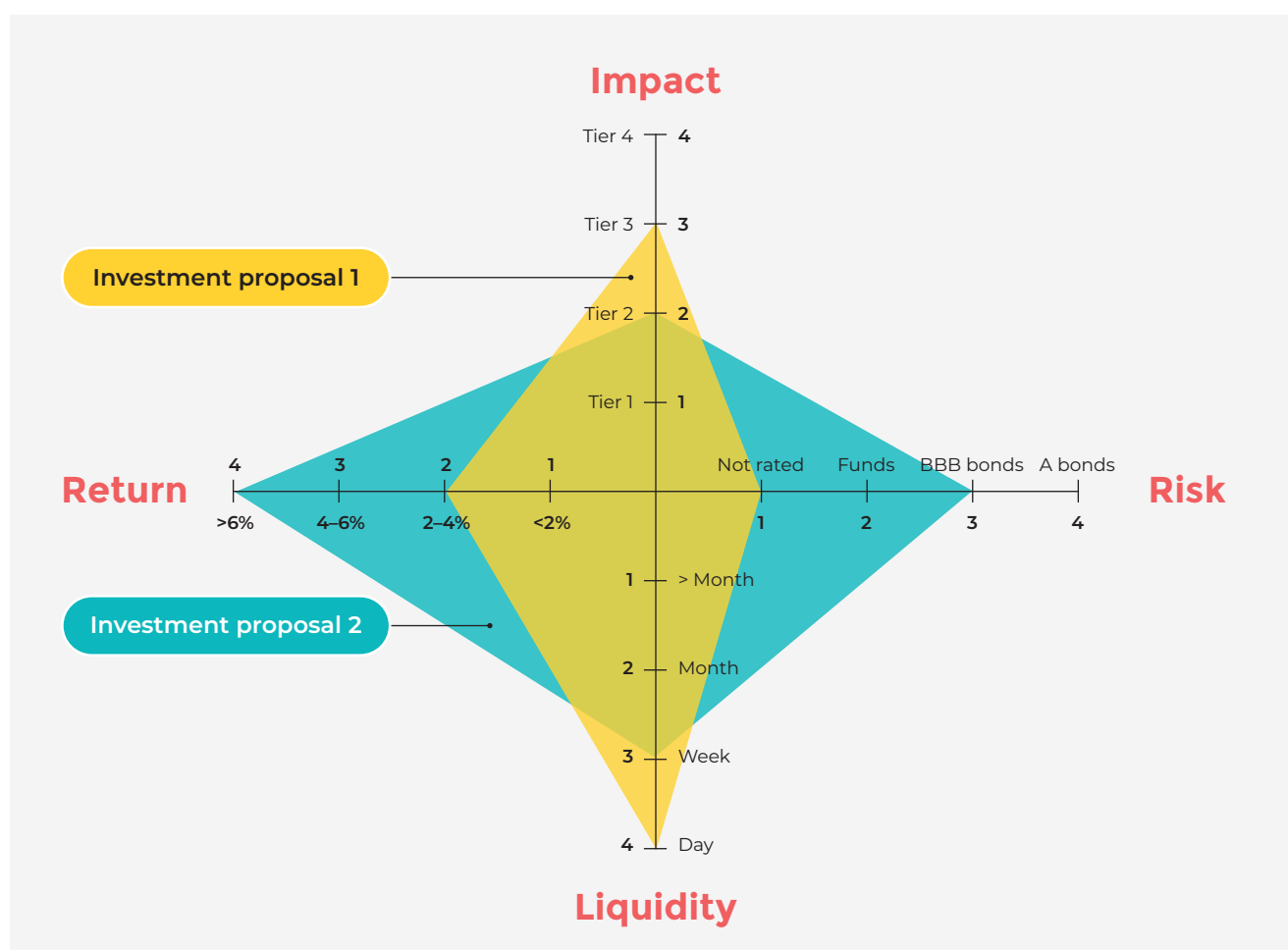
1.9 BD Giving should seek to maximise investments in higher-numbered tiers with an emphasis on Tier 4 subject to other investment considerations, including risk, liquidity, return, and impact assessed using the “Quadrilateral” approach to scoring developed by the Community Steering Group (Figure 3).

1.9.1 **Risk** is the chance of not getting the return expected from an investment. Risk can be reduced by understanding what guarantees are attached to the return or by doing **due diligence**⁸ on the investment.

1.9.2 **Liquidity** refers to how quickly we can get back the money that has been invested.

1.9.3 **Return** refers to the amount (in money) we expect to get back from our investments. This is usually shown as a percentage gained over a set period of time.

Figure 3: The Quadrilateral helps measure investment proposals against impact, risk, liquidity and return. In this example, ‘investment proposal 1 (IP1)’ scores (3) on impact, (1) on risk, (4) on liquidity, and (2) on return. ‘Investment proposal 2 (IP2)’ scores (2) on impact, (3) on risk, (3) on liquidity, and (4) on return. IP1 is considered higher risk and brings in less return than IP2, but it is also higher impact (for more examples see Annex 2).



⁸ Due diligence is the thorough investigation we carry out into the investments we want to make and the organisations offering them, to make sure that we fully understand the terms, and the risks, before we invest.

Boundaries

- 1.10 No investments will be made without consideration of the attendant risk, liquidity, impact, and return, particularly within the context of the total Portfolio.
- 1.11 The expected profile of risk across the Portfolio is maximum 10% higher risk; maximum 50% medium risk; the balance of 40% lower risk and therefore the exposure to different types of investment is expected to follow this pattern of risk. These proportions can be adapted from time to time by BD Giving advised by the Community Steering Group.
- 1.12 No investments are anticipated in **perpetual bonds**.⁹
- 1.13 Investments must be aligned with the cash flow requirements.
- 1.14 Investments must have a demonstrable social and/or environmental impact, as defined by the Bull's Eye model (See examples in Annex 2).



⁹ Perpetual bonds are bonds that never pay capital back, but just pay a return forever.

2. Investment Criteria

- 2.1 The management of the Portfolio will be advised by the Community Steering Group. BD Giving will make investment decisions based on the following criteria:
- 2.1.1 The value of the Portfolio will be invested in fixed income investments as a first preference, in balance with the cash flow requirements and the expected profile of risk described in Boundaries.
 - 2.1.2 The Portfolio may be invested in unlisted or unquoted investments, where they meet the financial, social and/or environmental impact requirements alongside the agreed liquidity and risk profile advised by the Community Steering Group. BD Giving and the Community Steering Group should collectively monitor the total level of exposure to these investments in the Portfolio to manage risk.
 - 2.1.3 The Portfolio may be invested in **unsecured debt**,¹⁰ where it meets the financial, social and/or environmental impact requirements and falls within the agreed liquidity and risk profile. BD Giving and the Community Steering Group should collectively monitor the total level of exposure to these investments in the Portfolio to manage risk.
 - 2.1.4 The credit rating of direct investments should be **BBB or above**.¹¹ The risk profile of investments in any funds or **unrated products**¹² should be especially carefully considered ahead of investment.
 - 2.1.5 No limit on the maximum level of investment in one particular bond or fund has been set, nor has the minimum number of bonds, nor funds to be held. The Community Steering Group and BD Giving will review this on a regular basis.



¹⁰ BD Giving is free to invest in organisations without having to take some kind of collateral (security) over their assets, like a bank would with a mortgage for example. It widens the range of organisations and circumstances we can support and is where most of the demand from charities and social enterprises comes from.

¹¹ Very often when an investment offer is independently assessed it is given a grade on a scale from A to D for the credit-worthiness of the organisation making the offer. We want to concentrate on those that have 'investment grade' ratings from BBB to AAA – the high range of credit-worthiness.

¹² These are investments that have not been independently assessed and given a credit-worthiness grading. We recognise that not all social investments are independently assessed, and we want to include those in our decisions but recognise that could mean a different level of risk.

3. Liquidity and Cashflow (withdrawals)

- 3.1 The Portfolio is managed on a total return basis, which combines returns generated from income and capital gains on the value of investments.
- 3.2 Subject to the prior amendment of the Transfer Agreement with the Council, an estimated 10-15% of the value of the portfolio may be withdrawn on an annual basis to support the funding requirements of charities and social enterprises in Barking and Dagenham. This is in addition to the costs of managing the Portfolio incurred by BD Giving. A projected cash flow schedule for the Portfolio will be advised by the Community Steering Group on a regular basis (at least annually) to support investment management.
- 3.3 The Portfolio's liquidity, including the projected growth of the size of the endowment from further deposits, should at least match the cashflow requirements and, therefore, the expected level of withdrawals should be reviewed at least annually.

4. Benchmarking

- 4.1 BD Giving may wish to measure the risk and return characteristics of the Portfolio against benchmarks (to be defined when the policy is reviewed).



5. Accountability and Roles

The Board

- 5.1 According to charity law, the Board is accountable for the governance, strategy and oversight of the Endowment Fund. The Board authorises the investment strategy of the Portfolio, as defined in this Investment Policy and has responsibility for reviewing the Investment Policy on an annual basis. Changes to the Investment Policy will be recommended by the Community Steering Group and authorised by the Board. The Community Steering Group will report fully to the Board on an annual basis. The Board retains the authority and the legal responsibility for the investments, advised by the Community Steering Group.

The Community Steering Group

- 5.2 The Community Steering Group is an advisory body to the Board and is governed by its own terms of reference, included at Annex 1 to this Investment Policy. The Community Steering Group together with any necessary support from BD Giving, informs the sourcing, selection, analysis, due diligence and recommendation of investments in line with this Investment Policy. It has the authority to recommend periodic revisions to the Investment Policy to the Board.

BD Giving Executive Team ("The Executive")

- 5.3 The Executive enacts the implementation of the investment strategy as advised by the Community Steering Group. The Executive is the primary point of contact for the Community Steering Group and is responsible for the day to day operational aspects of managing and monitoring the Portfolio.
- 5.4 The Executive works with the Board to manage the Portfolio in accordance with the Investment Policy, as advised by the Community Steering Group. This includes making decisions relating to the purchase and sale of investments (including any further due diligence on liquidity, risk, return and impact), impact and performance reporting.
- 5.5 BD Giving receives a **management fee**¹³ for the services of The Executive in managing the Portfolio.



¹³ A management fee is a charge levied by an investment manager for managing an investment fund. The management fee is intended to compensate the managers for their time and expertise for selecting stocks and managing the portfolio.

6. Risk Management

Diversification

- 6.1 The portfolio should be diversified by issuer, maturity, credit quality, sector and geography as far as availability allows.

Liquidity

- 6.2 The Executive, advised by the Community Steering Group, monitors and manages the portfolio to ensure that BD Giving's cash flow requirements can be met. The majority of investments are purchased with the intention to hold them until maturity, to protect returns. The Executive, advised by the Community Steering Group, will monitor liquidity on an ongoing basis and review this against the cashflow requirements from The Portfolio at least annually.

Reprofiling

- 6.3 The Executive, advised by the Community Steering Group, will evaluate the Portfolio risk on an ongoing basis and **reprofile**¹⁴ as required to maintain the appropriate level of risk, return and liquidity.

Monitoring

- 6.4 The Executive should report on risk (at the individual investment level and on an aggregated Portfolio basis) to the Community Steering Group and the Board on a quarterly basis. Risk measures should include, but should not be limited to:
- **Impact;**
 - **Diversification** (by issuer, maturity, credit quality, sector, geography, and any other relevant characteristic);
 - **Credit quality;**
 - **Liquidity;**
 - **Reputational risk** (See Annex 2).

7. Reporting

- 7.1 Regular reports from The Executive should be shared with the Community Steering Group and the Board. The Community Steering Group and the Board formally review the reports on a quarterly basis. The format and content of the reports will be agreed with The Executive by the Community Steering Group and the Board.

¹⁴ As BD Giving buys and sells investments and, especially, if the risk of some investments changes over time perhaps due to some crisis in the sector (like energy, for example), BD Giving might want to buy some safer investments to balance this and/or sell its riskier investments. Reprofile is designed to allow this to happen, to maintain an overall level of risk that is comfortable for the Community Steering Group/BD Giving.

Annexes



Annex 1 – Community Steering Group Terms of Reference

Agreed by the BD Giving Board on 2 June 2022

I. Constitution

- The Community Steering Group is constituted as a working group of BD Giving.
- The Community Steering Group's terms of reference may be amended from time to time by the Board of Trustees in consultation with the Community Steering Group.
- The Community Steering Group may from time to time investigate, discuss or review matters outside these terms of reference at the request of the Board.

II. Membership

- The Community Steering Group shall be convened by The Executive and shall consist of not less than seven members.
- The Community Steering Group members may decide to appoint a Chair.
- The majority of members of the Community Steering Group shall be members of the community residing in Barking and Dagenham and neither be an employee nor officer of the local authority nor of BD Giving, nor a **Connected Person**¹⁵ of these organisations.
- Appointments to the Community Steering Group shall be for a term of up to two years, which may be extended for a further term of up to two years, with a preference for one term only.
- The Community Steering Group shall have powers to appoint or invite external members or advisers.

III. Powers

The Community Steering Group does not provide 'financial' advice but is rather providing advice in relation to the preferences and wishes of the CSG, as representatives of the local community, in the interests of ensuring that the strategy and approach of the Charity is informed by the community's views. As such, it has the authority to:

- seek any information it requires from The Executive in order to perform its duties.
- obtain, in consultation with The Executive and at the expense of BD Giving, legal or other professional advice on any matter within its terms of reference.

IV. Duties

Subject to the powers and duties of the Board, the Community Steering Group will conduct the following duties:

¹⁵ In context of the Community Steering Group, a Connected Person means a person with whom the Community Steering Group member shares a common interest such that he or she may reasonably be regarded as benefiting directly or indirectly from any material benefit received by that person. This could mean being a member of the Community Steering Group member's family or household or a person or body who is a business associate of the Community Steering Group member. For the avoidance of doubt, it does not include an organisation with which the Community Steering Group member's only connection is an interest consisting of no more than one per cent of the voting rights.

(a) Investment strategy

- From time to time the Community Steering Group will consider whether the agreed investment strategy as described in this Investment Policy remains appropriate for the needs of BD Giving, its investees and the community of Barking and Dagenham. If necessary, the Community Steering Group will recommend revisions to this Investment Policy to the Board.
- If approved by the Board, the Community Steering Group will oversee the implementation of these revisions.

(b) Advising on the execution of this Investment Policy

The Community Steering Group will:

- Advise the sourcing, selection, analysis and due diligence process for investments and will recommend selected investments to the Board for execution.
- Monitor the execution of the investments advised to BD Giving, with discretionary authority to request changes in those investments.
- Review quarterly reports from The Executive, examining the financial performance of the Portfolio, the social and environmental impact of the Portfolio and the proportion of the Portfolio invested in each tier of the Bull's Eye.
- Consider whether the Portfolio is meeting the liquidity needs to serve the demand for capital from charities and social enterprises.
- Assess the risk profile of the Portfolio, and may request some reprofiling as described in this Investment Policy.

(c) Carry out other duties as may be determined from time to time by the Board

V. Attendance at Meetings

- The **quorum**¹⁶ necessary for the Community Steering Group shall be at least five members, the majority of whom must conform to the same majority rules as the membership as a whole (described above).
- Only members of the Community Steering Group have the right to attend meetings. Other individuals may attend all or part of any meeting as appropriate at the invitation of the Community Steering Group. Meetings shall be held at least four times a year.

VI. Minutes

- The Executive shall minute the proceedings and decisions of all meetings of the Community Steering Group, including recording the names of those present and in attendance.
- The Board will be regularly informed of the activity of the Community Steering Group, usually at the Board meeting following any Community Steering Group meeting(s).
- The minutes of the Community Steering Group will be available upon request.

VII. Recommendations

- The Community Steering Group shall make whatever recommendations to the Board on any area within its remit where action or improvement is deemed necessary.

¹⁶ The minimum number of eligible people that need to be present in order to make a decision

Annex 2 – Potential conflicts of interest: Community Steering Group policy

Approved by the Community Steering Group on 26 May 2022

I. Introduction

- This policy outlines the rules, principles and procedure for managing conflicts of interests for members of the Community Steering Group. It should be managed in conjunction with the policy for potential conflicts of interest for the BD Giving Board.
- The Community Steering Group is an advisory body to the BD Giving Board. Its roles and responsibilities are outlined in the Community Steering Group's Terms of Reference (Annex 1).
- Acting properly where there is a potential conflict of interest is critically important to both BD Giving and the Community Steering Group given the reputational consequences, the potential organisational and personal responsibilities, and the obligations in place.
- Conflicts of interest can also constrain free discussion, result in decisions that are neither in the interests of BD Giving nor the community of Barking and Dagenham, and lead to the perception that BD Giving, its advisors or partners have acted improperly.
- Charity Commission Guidance describes a conflict of interest as any situation in which a member's personal interests or loyalties, or those of a Connected Person could, or could be seen to, prevent the member from making a decision solely in the best interests of the charity. Given the role which the Community Steering Group plays in advising BD Giving on significant investments, this definition is considered relevant for its work even though it includes members who are neither Trustees nor employees of BD Giving.

II. Connected Person(s)

- In context of the Community Steering Group, a Connected Person means a person with whom the Community Steering Group member shares a common interest such that they may reasonably be regarded as benefiting directly or indirectly from any material benefit received by that person. This could mean being a member of the Community Steering Group member's family or household or a person or body who is a business associate of the Community Steering Group member. For the avoidance of doubt, it does not include an organisation with which the Community Steering Group member's only connection is an interest consisting of no more than one per cent of the voting rights.

III. Conflicts

Conflicts could arise in one of at least two circumstances:

- Benefits to Community Steering Group members: There is a potential financial or measurable benefit directly to a Community Steering Group member, or indirectly through a Connected Person; or
- Conflicts of loyalty: A Community Steering Group member's duty may compete with a duty or loyalty they owe to another organisation or person.

(a) Benefits to Community Steering Group members

The most common situations in which conflicts of interest can occur include:

- Direct financial gain or benefit to Community Steering Group members;
- Community Steering Group members as directors or employees of BD Giving or of a subsidiary organisation;
- Sale of land or property to a Community Steering Group member;
- Use of a Community Steering Group member's property by BD Giving;
- Indirect financial gain or benefit to a Community Steering Group member (for example, through employing a spouse or other close relative);
- Non-financial gain.

In charity law, trustees cannot receive any benefit from their charity in return for any service they provide to the charity unless they have express legal authority to do so.

(b) Conflicts of loyalty

Conflicts of loyalty arise because, although the Community Steering Group member does not stand to gain from the benefit, their decision making could be influenced by their other interests. Examples could include a conflict with a Community Steering Group member's loyalty to:

- Another organisation, such as their employer;
- Another charity of which they are a trustee;
- A member of their family;
- Another Connected Person or organisation.

IV. Managing Conflicts

- Each Community Steering Group member is required to complete a Conflict of Interest Form.
- Conflicts relating to the Community Steering Group member or to Connected Persons (as defined above) are required to be disclosed. At a minimum, Community Steering Group members should list on the Conflict of Interest Form, all organisations on which each Community Steering Group member or any Connected Person is an employee, officer (including director), member, shareholder, trustee, volunteer or paid consultant.
- A Conflict of Interest Form should be completed on at least an annual basis for review by the Chair of Trustees of BD Giving ("Chair") and resolution by the Board.
- The Forms will be collated into BD Giving's **Register of Interests**¹⁷ which will be reviewed annually by the Chair.
- Community Steering Group members are obliged to notify the Chair of any newly-arising interests throughout the year. Any such changes should be added to the Register of Interests.

¹⁷ A document that we keep up-to-date on our people and where they have, for example: a financial interest in another organisation (through employment or otherwise); a decision-making interest (through being on a Board or otherwise); membership; investments of their own; or receive gifts from others.

- At the beginning of any Community Steering Group meeting, members will be asked to declare any conflict of interest relevant to items to be discussed. Any such conflicts will be minuted and dealt with in accordance with the identified grade of conflicts set out below and aligned with the **Articles of Association**¹⁸ of BD Giving.
- If a Community Steering Group member is uncertain whether or not they are conflicted, they should declare the issue and discuss it with either the Community Steering Group, or the Chair of BD Giving, as appropriate.
- The following levels of response are to be used to grade identified conflicts, aligned with Charity Commission guidance:
 - Minor conflicts – the Community Steering Group member registers and declares the interest, the Community Steering Group member may contribute to the discussion and may vote if two non-conflicted Community Steering Group members authorise the conflicted Community Steering Group member to participate fully in the particular decision;
 - Larger conflicts – the Community Steering Group member registers and declares the interest, the Community Steering Group member may contribute to the discussion but may not vote, if two non-conflicted Community Steering Group members authorise the conflicted Community Steering Group member to do so;
 - Serious conflicts – the Community Steering Group member registers and declares the interest and must withdraw from the decision-making process (leave the meeting, not participate in relevant discussions, nor see any relevant papers);
 - Major conflicts – the Community Steering Group member resigns.
- As a matter of good practice and principle, Community Steering Group members should not participate in any decisions where they stand to gain, whether directly as an individual or indirectly through a Connected Person.
- Should other Community Steering Group members perceive there to be a conflict relating to a Community Steering Group member who has not declared the interest themselves, then they should raise the issue with either the Community Steering Group, or the Chair of BD Giving, as appropriate.
- Once an interest is declared, two non-conflicted members of the Community Steering Group will make a judgement on the level of conflict. The course of action to be followed will depend on the particular decision and the relevant circumstances.
- The written record should show the nature of the conflict, the Community Steering Group member(s) who were affected, whether any conflicts were declared in advance, an outline of the discussion, whether any member withdrew from the discussion, and how remaining Community Steering Group members took the decision.
- BD Giving must also include details of payments and other details to Community Steering Group members and Connected Persons and to say under what legal authority the payments or benefits have been made, together with the reason for them.
- In the interests of transparency, BD Giving will make this Potential Conflicts of Interest Policy publicly available.

¹⁸ The legal document that sets out the written rules for running an organisation, agreed by the people that set it up or that control it (for example, shareholders, Directors, members, or Trustees)

Annex 3 – Investment examples

Golden Lane Housing

About the investment: Golden Lane Housing Ltd is a registered charity. The Charity aims to provide people with a learning disability with the opportunity to live in the right house, in the right place, with the right support so that they can prosper, develop their independence and skills and contribute to their communities.

The Charity will use the proceeds of the bonds to further its charitable aims, including but not limited to the refinancing of a previous loan from the Issuer and the acquisition and/or adaptation of housing for people with one or more learning disabilities.

Investment type: fixed rate bond. A fixed rate bond is a form of borrowing by a company seeking to raise funds from investors. Bonds have a fixed life. The company issuing the bonds promises to pay a fixed rate of interest to the investor until the date that the bond matures, although a bond may also be repayable early in certain circumstances

(when it also promises to repay the amount borrowed).

How much: each bond is £100 with a minimum of £500 of investment required.

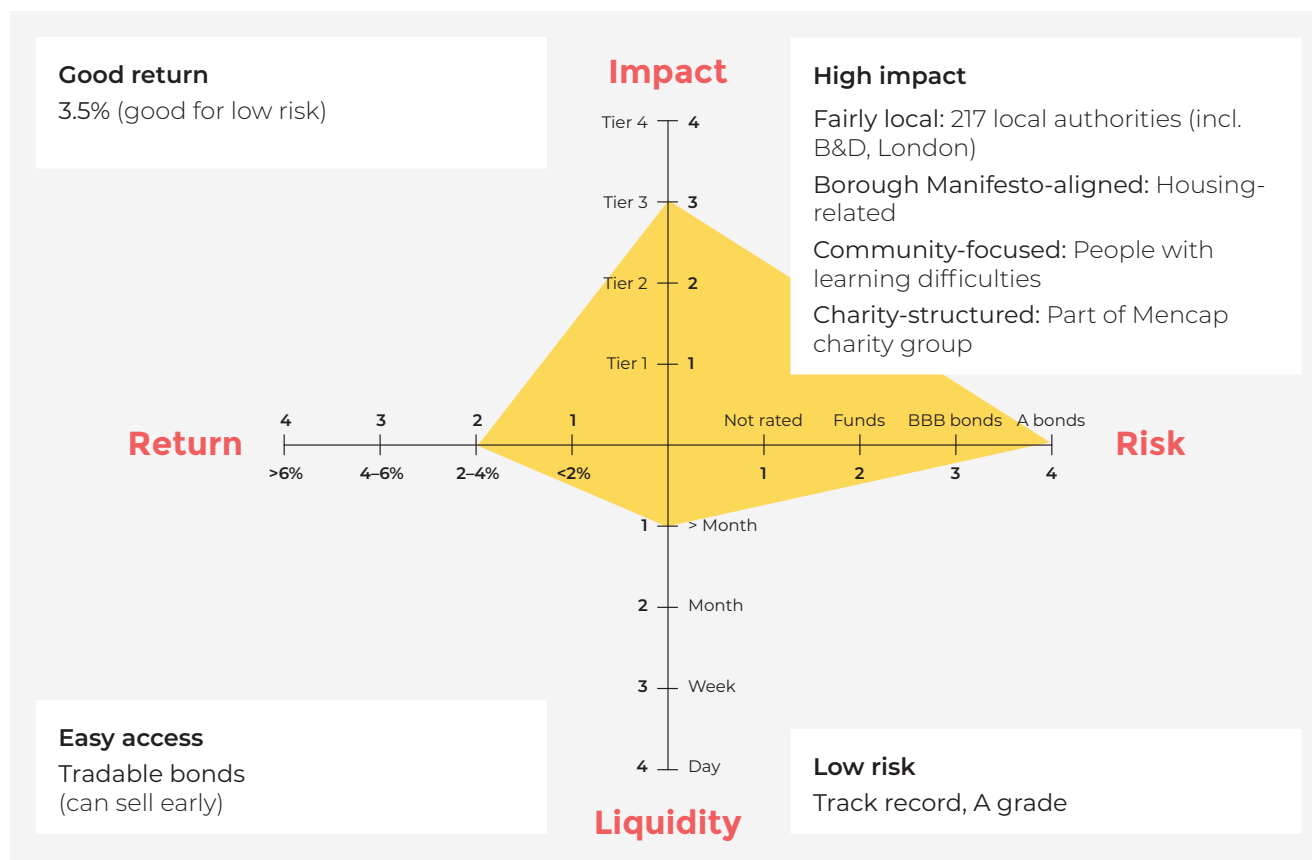
Return: The expected return is 3.5%

Impact: The charity operates in B&D and beyond, it is aligned with the Borough Manifesto because it addresses housing, and it is community focused. For these reasons, the Community Steering Group would score this as high impact.

Liquidity: The bonds are expected to mature, ie are repayable, in 10 years' time. The Community Steering Group would score this as low liquidity.

Risk: Bonds carry the promise of their issuer to return the value of the investment. This bond is classed as A Grade. The Community Steering Group would score this as low risk.

Figure 4: Golden Lane Housing Quadrilateral



Resonance Affordable Homes Rental Fund

About the investment: The Affordable Homes Rental Fund provides development capital and medium term finance to Community Land Trusts or other community led organisations to build affordable homes.

Many communities want to develop, own and manage their own community housing in order to address the issue of people being unable to afford to rent or buy in their local area. However, current loan finance funds typically only provide around 60-80% of required development capital and so community groups struggle to finance new build developments. The Fund can overcome this by providing up to 100% of capital required.

Investment type: Secured asset backed loans (first charge). A secured loan is a loan that is backed by collateral, in this case a property.

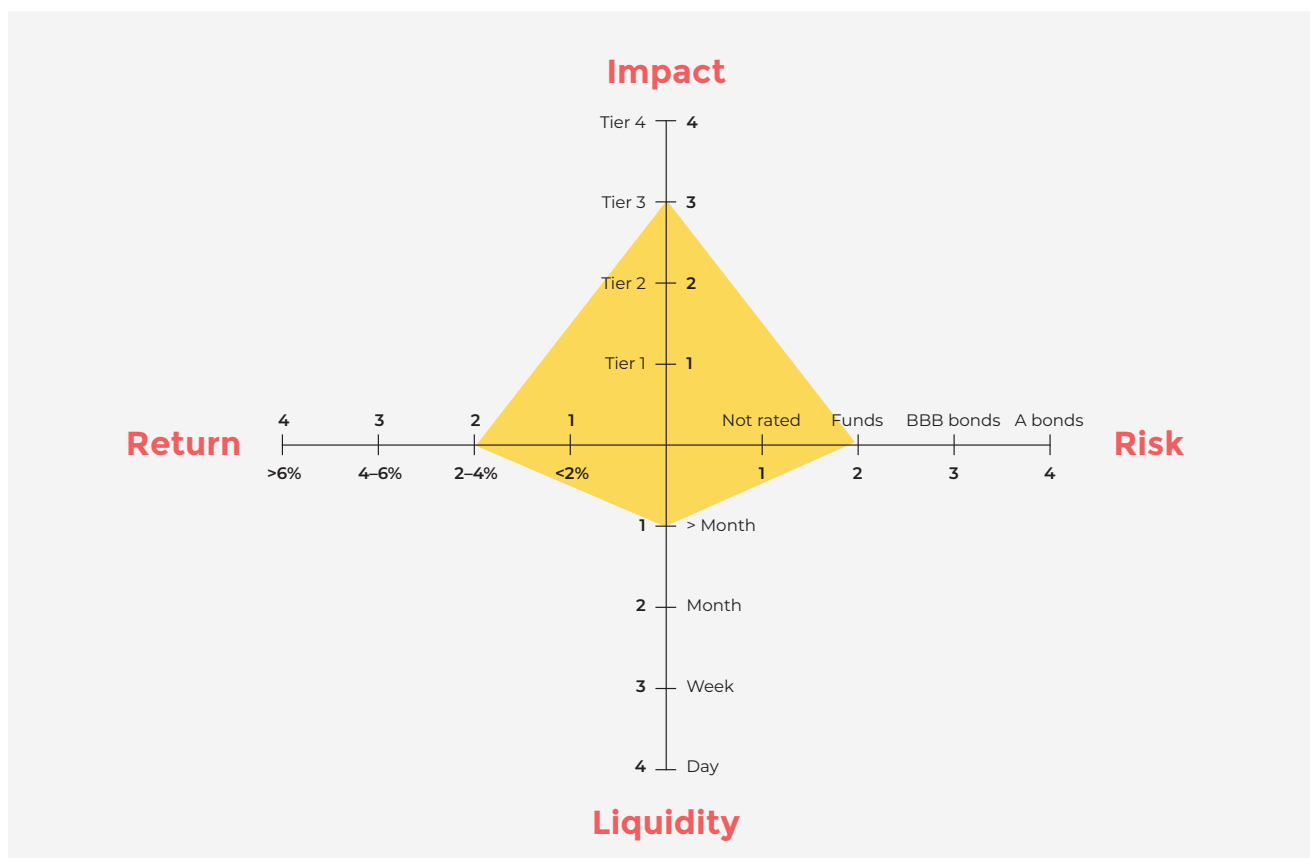
Return: the expected return is 3%+

Impact: The fund has a national focus. It aims to empower communities to develop, own and manage their own community housing order to provide affordable homes. It is aligned with the Borough Manifesto because it addresses housing, and it is community focused. For these reasons, the Community Steering Group would score this as high impact (albeit not the highest as it is not Barking and Dagenham focused).

Liquidity: The minimum term is 8 years so this is not considered as a liquid investment.

Risk: Whilst this is higher risk than BBB+ bonds, the fact that the loans are backed by assets means that this would be classified as medium-risk by the Community Steering Group.

Figure 5: Resonance Affordable Homes Rental Fund Quadrilateral



The Vanguard UK Investment Grade Bond Index Fund

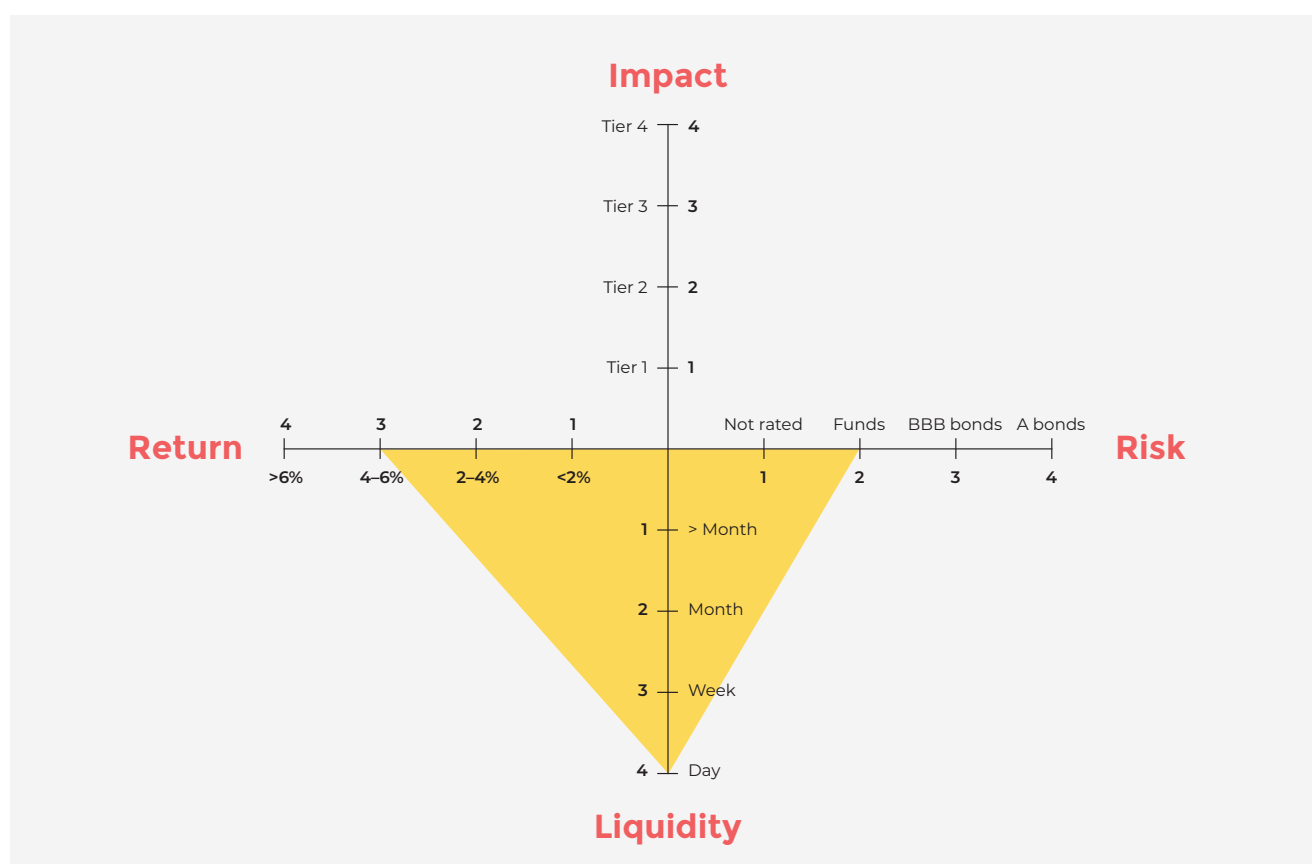
About the investment: In this example, BD Giving and the Community Steering Group consider a typical commercial bond fund offered on the Vanguard platform. In this case the Vanguard UK investment grade bond index fund.

This is a bond fund (a collection of many bonds in one fund) that would be assessed favourably on the Quadrilateral for risk and liquidity, and moderately for return.

However, it would not pass the boundary test of a demonstrable social and/or environmental impact, as defined by the Bull's Eye model.

The reason for failing this boundary test is that the Fund does not have impact criteria and typically finances other banks and global commercial organisations in pursuing European interests overseas. An investment typical of this fund is its financing of a German development bank funding Vietnamese car manufacture using German technology and parts. This would place it outside the boundaries of the Bull's Eye.

Figure 6: Vanguard UK Investment Grade Bond Index Fund Quadrilateral

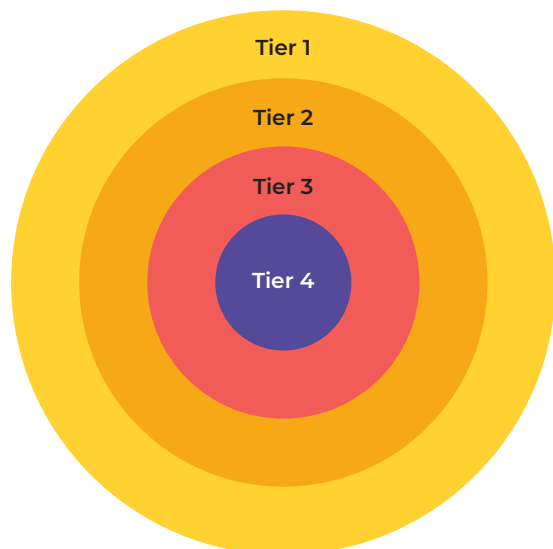


Annex 4 – Risk Monitoring Example

In this imagined example, BD Giving with the support of the Community Steering Group has listed all the investments in its portfolio including:

- The name of each investment;
- The financial proportion of the portfolio in each case;
- The Bull's Eye tier in which each investment has been placed; and
- The risk level taken from the score given in the quadrilateral assessment in each case.

This can give a strong visual clue to the level of risk across the portfolio as well as for each investment and will help BD Giving and the Community Steering Group monitor, and mitigate, risk wherever it appears uncomfortable.



Organisation name	Portfolio %	Bullseye Tier	Risk
Investments held	1.69	4	4
	1.60	1	2
	5.53	1	3
	0.60	3	3
	1.18	3	4
	1.78	4	3
	2.58	3	1
	3.70	4	4
	0.56	4	2
	0.52	1	1
	4.73	1	2
	3.99	4	3
	3.17	4	2
	0.33	1	1
	6.67	1	4
	2.97	1	3
	4.39	4	3
	0.93	3	4
	1.20	1	4
	3.27	4	3
	4.70	2	4
	1.07	1	3
	0.30	1	3
	5.05	1	4
	2.73	3	4
	2.27	1	3
	1.19	1	4
	0.00	4	3
	3.02	3	1
	2.01	3	4
	4.35	4	2

