



BOTANICAL SOCIETY OF BRITAIN & IRELAND

INVESTMENT POLICY

Prepared by & date:	Julie Etherington, Finance Manager, Jan 2025
Reviewed by:	Alice Farrer, RBC Brewin Dolphin, Feb 2025
Recommended by:	Finance Committee, Feb 2025
Approved by & date:	Board of Trustees, 18 th March 2025
RBCBD Client Advice Review:	Finance Manager with RBC Brewin Dolphin: ➤ 2025: Before 30 September 2025 ➤ 2026: Before 30 September 2026 ➤ 2027: Before 30 September 2027
Next Review due:	Spring / Summer 2028 (three-year review interval)

1. Purpose & Background

The purpose of this **Investment Policy** is to set out the policies and procedures for **Investment Management Activities** and is the document BSBI provides to its **Financial Expert** to guide the management of its **Investments**

Trustees are aware that ultimate responsibility for BSBI's financial operations, which **Investment Management Activities** form part of, rests with BSBI's Board of Trustees (BoT) and cannot be delegated.

It is assumed that BSBI will exist in perpetuity and this Policy is designed to support this.

Note - words in this colour are defined at section 4

2. Investment Guidance, Powers and Governance

- a) The Charity Commission for England & Wales' (CC) provides *Charities and investment matters: a guide for trustees CC14* which gives helpful guidance on how to make decisions about [Investment Management Activities](#)

Useful extracts from CC14 relevant to this Policy are below:

On investing & why:

"All charities are able to invest, and investments can be a major source of funding for them. However, investing also exposes charities to risks which, if not properly managed, can affect not just the charity itself but the public's trust and confidence in the sector more generally. Because of this, it's important that charities manage these risks and operate within the law."

"Charities invest in order to achieve a return so they can further their charity's aims. Usually, this means the best financial return within the level of risk considered to be acceptable"

On creating an Investment Policy:

"What should an investment policy cover?"

The short answer:

A charity's investment policy should set out in writing what its investment objectives are and how it intends to achieve them.

On [Ethical Investing](#):

"Can a charity decide to make ethical investments? The short answer: Yes.

Trustees of any charity can decide to invest ethically, even if the investment might provide a lower rate of return than an alternative investment.

Ethical investment means investing in a way that reflects a charity's values and ethos and does not run counter to its aims. However, a charity's trustees must be able to justify why it is in the charity's best interests to invest in this way.

The law permits the following reasons:

- > a particular investment conflicts with the aims of the charity
 - > the charity might lose supporters or beneficiaries if it does not invest ethically
 - > there is no significant financial detriment"
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For those wishing to read the full guidance:

<https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14>

- b) **OSCR, the Scottish Charity Regulator**, also provides guidance to charities holding **Investments**, the content of which is similar to and does not conflict with CC14.

OSCR's top 10 key points are here: <https://www.oscr.org.uk/guidance-and-forms/charity-investments-guidance-and-good-practice/10-top-10-key-points/>

For those wishing to read the full guidance: <https://www.oscr.org.uk/guidance-and-forms/charity-investments-guidance-and-good-practice/1-introduction/>

- c) **The Trustee Act 2000** sets out the legal obligations and powers for making investment decisions. It gives trustees a wide power to invest in such **Investments** as they think fit.
- d) BSBI is a charitable company, limited by guarantee. Its **Articles of Association (AoA)** convey the following powers:

2.11; to deposit or invest its funds in any manner (but to invest only after obtaining such advice from a financial expert as the Trustees consider necessary and having regard to the suitability of investments and the need for diversification)"

2.12; to delegate the management of investments to a financial expert but only on terms that:

2.12.1 the investment policy is set down in writing for the financial expert by the Trustees;

2.12.2 timely reports of all transactions are provided to the Trustees;

2.12.3 the performance of the investments is reviewed regularly with the Trustees;

2.12.4 the Trustees are entitled to cancel the delegation arrangement at any time;

2.12.5 the investment policy and the delegation arrangement are reviewed at least once a year;

2.12.6 all payments due to the financial expert are on a scale or at a level which is agreed in advance and are notified promptly to the Trustees on receipt; and

2.12.7 the financial expert must not do anything outside the powers of the Charity"

These important requirements are carefully considered and procedures for adhering to them or discharging them are set out in this Policy.

- e) BSBI's **Finance Committee** (FC) is appointed by and reports to BoT and assists it in fulfilling its oversight responsibilities in respect of all financial matters so as to ensure **Long Term** financial sustainability in the context of BSBI's strategic aims.

Section 5c of the **FC's Terms of Reference** sets out these duties for **Investments**:

Investment

*i. To advise BoT on **Investment Strategy** * and its **Ethical Position Statement** * and review these guidance documents every 3 years or more often if appropriate.*

ii. To advise BoT on the selection and terms of appointment, including fees, of its Investment Fund Managers and other professional investment advisors and to report on periodic performance reviews of those organisations

iii. To give clear instructions to the organisations identified in 4cii in relation to BSBI's IS and EPS and other requirements as appropriate

iv. To regularly monitor the performance of the investments held via Investment Fund Manager's reports and other appropriate means and, if appropriate, to discuss performance with the Fund Managers and report to BoT with recommendations

v. To meet with BSBI's Investment Fund Managers annually, or more frequently if required, and report its findings to BoT

vi. All members will be authorised signatories, on a 2 to sign mandate, for relevant dealings with BSBI's Investment Fund Managers.

Note * – Two BSBI investment guidance documents currently exist:

1) Investment Strategy (aka Investment Policy Statement) and

2) Ethical Position Statement.

This Policy supercedes and replaces them.

- f) In accordance with paras 2.11 and 2.12 of its AoA, investment management is delegated to a **Financial Expert**; **RBC Brewin Dolphin (RBCBD)**, a professional investment manager authorised & regulated by the Financial Conduct Authority (FCA) under RBCBD's Discretionary Investment Management Agreement governed by its **Retail Client Terms & Conditions (Appendix 1)** for which investment management fees are charged: see page 10 of **RBCBD's Client Advice Review 15.08.2024 (Appendix 2)**

By knowing and understanding BSBI and its strategic and investment objectives, RBCBD can build an investment portfolio to suit its aims. Those are set out in this Policy.

3. Scope

This Policy applies to all of BSBI's **Investment Management Activities** conducted by BSBI employees, FC, BoT and any others involved and delegated externally.

For clarity, policies and procedures for **Treasury Management Activities** are outside the scope of this Policy and are instead set out in a separate **Treasury Policy** which you may wish to read alongside this.

4. Definitions

Here are definitions used in this Policy:

i. Cash

All of BSBI's cash balances, in any currency, held in bank accounts, payment platforms and savings platforms at any given time. This is operating cashflows and other monies designed to meet the cost of BSBI's activities taking place in the next 5 years

Cash = Liquid Reserves + Non-liquid Reserves

For ease of reference, this definition of Cash is exactly the same definition used to calculate the value of Cash at Bank reported in BSBI's audited Accounts

Cash is currently held, structured and defined as shown in the following table.

Cash (November 2024) = ~£0.47M broadly split as to:

- Liquid Reserves £0.15M (CAF + HSBC + Stripe + GoCardless)
- Non-liquid Reserves £0.32M (Flagstone)

Category, Institution, Account, Currency & Reserves Definition				
Bank Accounts				
CAF Cash - Current £				
CAF Gold - Deposit £				
HSBC £				
HSBC Business Money Manager £				
HSBC Euro €				
	Liquid Reserves			
Payment platforms				
Stripe £				
Stripe €				
GoCardless £				
			Cash	
				Total Reserves
Savings platform				
Flagstone £				
	Non Liquid Reserves			
Investments				
Investment portfolio £				
	Investments			

ii. Treasury Management Activities

Managing and safeguarding BSBI's Cash whilst optimising outcomes and mitigating financial risks in order to support BSBI's activities

iii. Investments

BSBI's diversified investment portfolio managed under a discretionary mandate by RBCBD" and Cash + Investments = Total Reserves

For ease of reference, this definition of Investments is exactly the same used to calculate the value of Investments reported in BSBI's audited Accounts

Investments (November 2024) = ~£0.75M

When Cash of ~£0.47M is added, Total Reserves therefore (November 2024) = ~£1.22M

iv. Investment Management Activities

Managing and safeguarding BSBI's Investments whilst optimising outcomes and mitigating financial risks in order to support BSBI's activities

v. **Financial Expert**

The individual or organisation selected and formally appointed by the Board as having the necessary experience, knowledge, training and expertise to skilfully manage and optimise the performance of BSBI's Investments

vi. **Ethical Investing**

Investing in a way that reflects a charity's values and ethos and does not run counter to its aims

vii. **Total Return, Capital Return & Income Return**

Total Return	=	Capital Return + Income Return
Capital Return /(Loss)	=	net increase / (decrease) in market value
Income Return	=	dividends & other income (also called yield)

viii. **UK Inflation**

The Board has determined that CPI is the most appropriate measure of inflation in this setting:

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7q7/mm23>

NB. For information, CPI was +2.5% and RPI was +3.5% for calendar year 2024.

ix. **Long Term**

A period of >10 years and the assumption that BSBI will exist in perpetuity

x. **Reserves Policy**

BSBI's Reserves Policy, last approved on 17th Sept 2024 and normally reviewed annually

xi. **Benchmark**

A standard or point of reference against which investment performance is compared. The Benchmark currently applicable to BSBI's portfolio of Risk level 6 Investments is the ARC Charity Steady Growth peer group benchmark return.

xii. **Liquidity Requirement**

Liquidity is the ability or need to convert Investments to Cash. Liquidity Requirement is how much Cash is needed (or, conversely, is not needed) at a given time. ie. a cash drawdown requirement (or excess Cash which gives the ability to augment Investments)

xiii. Stakeholders

BSBI Stakeholders named at Appx 2 - RBCBD's Client Advice Review 15.08.2024:

Charity details

The tables below detail key information pertaining to Botanical Society of Britain and Ireland and our understanding of those parties authorised to engage with us on its behalf, their respective roles and level of authority in relation to the on-going management of the investment. If any of this information is incorrect, please contact me immediately.

Stakeholders

Name	Charity roles (s)	Authority to instruct RBC Brewin Dolphin	Signatory power	Knowledge & experience level
Julie Etherington	Official Correspondent	None	No	Not specified
Kylie Jones	Trustee	Suitability Dealing Instructions Stock Transfers Payment Instructions	Yes	Some
Richard Allanach	Trustee	Suitability Dealing Instructions Stock Transfers Payment Instructions	Yes	Little

At the time of writing, Sandy Knapp, Trustee, Chair and FC member is in the process of being added as a Stakeholder Trustee.

5. Investment Objectives

This section sets out BSBI's **Investment** objectives; the expected **Return** and the Risk encountered in its pursuit.

a. Return

Here, BoT considers and sets its **Return** Objective and this is stated below:

Trustees have set the **Return Objective for **Investments** to generate a **Total Return** (net of investment management fees) in excess of **UK Inflation +2%** over the **Long Term**.**

The Board notes that determining whether or not its objective is being met can only be done over an extended period of time and optimally over ten years or more.

There is no preference between **Capital Return** and **Income Return** and drawdowns of capital are permitted. Also see the **Liquidity Requirements** section 9.

As part of the annual budgeting process in March, the FM proposes a £ **Income Return** which is shared and discussed with FC and RBCBD. Once approved by BoT, this becomes the Investment Income Budget for the upcoming financial year.

Because BSBI's **Return** Objective is long term and there is a buffer provided by high **Cash** holdings, fluctuations in pursuit of this objective are tolerated. The Board has therefore determined that **Investments** should be invested according to RBCBD risk category 6 (see below).

b. Risk

Here, BoT considers risks encountered and its attitude towards them.

i) **Risks specific to BSBI** - It is the hallmark of a healthy organisation to have several stable income categories (sources). This profile aims to reduce the risk of a reduction in any one category threatening the future of an organisation and this aim is central to BSBI's Income Diversification Strategy. It is pleasing, therefore, to report that BSBI has a total of ten income categories. It is considered that there should be no fewer than 8 and no more than 12 income categories in order to support diversification. This, along with the ability to influence its cost base, places BSBI in a relatively financially robust position. BSBI's **Reserves Policy** corroborates this assertion.

ii) **Risks of BSBI not meeting its objectives** – Although any reduction in **Income Return** would be unwelcome, Trustees understand this is possible. BSBI does not depend specifically on **Income Return** to fund one or more of its activities. **Income Return** is also a small percentage of BSBI's total income (2024: £18k 2.2% 2023: £20k 3.6%) so the impact of a reduction would be minor.

iii) **Attitude to Risk** – BSBI is in a strong position financially, exemplified by diverse income streams, a good reputation and a loyal and increasing membership base. It also has adequate **Cash**. Trustees understand the risks that the market value of **Investments** will fall (resulting in a **Capital Loss**) and/or the **Income Return** generated will fluctuate and may be volatile in the short-term. Trustees therefore believe the risk posed by volatility does not jeopardise BSBI's activities and it is therefore minor.

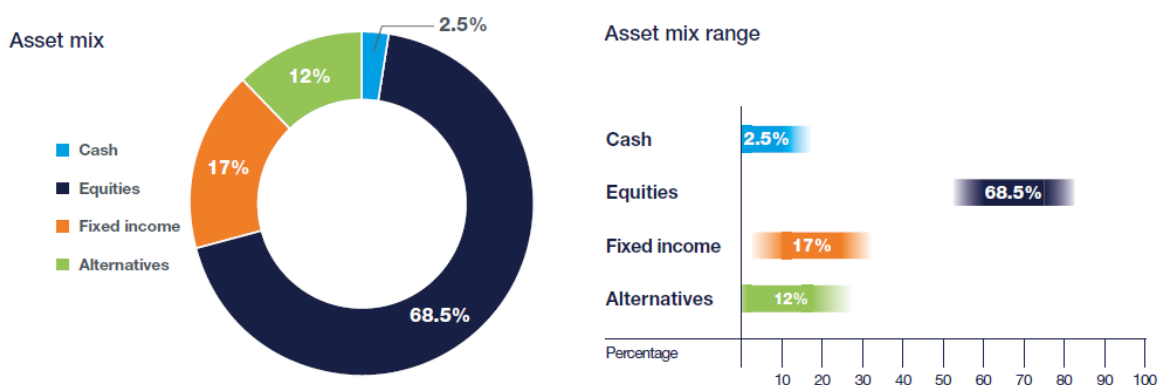
Risk Classification by RBCBD

RBCBD discusses the subject of risk in the context of the investment, BSBI's objectives and any known or anticipated changes in its situation - which may require a change to the service or investment solutions - each year with the FM during the **RBCBD Client Advice Review (see Appendix 2)** and a risk classification recommendation is then made by RBCBD, based on its understanding. This annual Client Advice Review, conducted as described here, is shared with and approved by FC and BoT and discharges the requirement at 2.12.5 of the AoA for an annual review of "investment policy".

A Summary of RBCBD's latest assessment & classification is at **Appendix 2, pages 9-10**: Trustees' attitude to risk was confirmed as medium, unchanged, Risk level 6, is defined & illustrated below:

You are prepared to have a greater proportion of your investment held in equities with the aim of achieving a higher investment return over the long-term. The greater allocation to equities means the portfolio may experience heightened levels of volatility over the investment term.

The portfolio will typically include two thirds of the assets invested in equities whilst the remainder will be split between cash, fixed income and alternatives. You are prepared to accept fluctuations in the value of the portfolio to achieve your investment goals.



6. Roles & Responsibilities

These are the respective roles & responsibilities, in addition to those described in context, elsewhere in this Policy & Appendices:

Finance Manager (FM)

- Lead on the setting and reviewing of this Policy
- Create, understand and adhere to this Policy
- Monitor & report on performance in line with the **Investment** Objective, **Benchmarks** & Budgets
- Primary contact with RBCBD. Maintain constructive dialogue
- Responsible for sharing this Policy with RBCBD on a timely basis
- Act as Official Correspondent for communication vs RBCBD & BSBI (named in Appx 2)
- Understand key investment terminology, operations, Stock Exchanges and Economies
- Monitor & communicate BSBI's commitment to the environment by using Environmental, Social & Governance (ESG) reporting metrics
- **Investment** operations - Propose, obtain approval for & execute eg. payments to & drawdowns from RBCBD
- Flag and escalate any deviations from Policy or matters of concern to the CEO and FC
- Capably report on **Investments** within BSBI's Annual Report & Accounts
- Accountable to FC & BoT on all of the above via agreed periodic reports

Chief Executive Officer (CEO)

- Review, understand, recommend & adhere to this Policy
- Approve any deviations from Policy within tolerances felt to be acceptable
- Refer to FC for approval of any deviations outside acceptable tolerances
- **Investment** operations - authorise transfers of **Cash** from CAF to RBCBD
- Maintain oversight of **Investments**, eg. attend FC, make enquiries of the FM

Finance Committee (FC)

- Act in accordance with the FC's Terms of Reference (see section 2e)

Board of Trustees (BoT)

- Review and approve this Policy
- Receive & consider RBCBD & the FM's reports
- Receive reports from FC on matters of importance & act accordingly
- Hold RBCBD to account
- Responsible overall for **Investments** and **Investment Management Activities**
- Conclude if Trustees responsibilities are being discharged

In addition to the above, any urgent matters which could place BSBI's **Investments at risk, must be immediately escalated to the next level**

7. Investment Restrictions

BoT places no restrictions on **Investments** as to:

- **Asset Class** - a group of marketable financial assets that have similar financial characteristics and behave similarly in the marketplace
- **Asset Allocation** - the implementation of an investment strategy designed to balance risk vs reward by adjusting the % of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame
- **Currency** - £ Sterling, \$ USD, € Euro or other world currencies
- **Counterparties** - legal entities to which an exposure of financial risk may exist
- **Credit Risk** - Credit risk is the possibility of financial loss due to a borrower defaulting on a loan or not meeting contractual obligations

The following restrictions are, however, imposed:

- **Medium** - Equities may only be held through the medium of funds. The funds must be listed in either the US or the UK stock markets and thus denominated in either sterling or US dollars. The funds themselves may invest in equities listed in other stock markets and thus in other currencies. Holdings of assets other than equities shall not significantly exceed the proportions specified in the BSBI's chosen risk category.

Although not a formal restriction, BoT gives guidance to RBCBD on **Ethical Investing** in the section below

8. Ethical Investing

BSBI is fortunate to hold **Investments** which provide crucial financial resources to help reach financial sustainability and deliver a vision for a world where wild plants thrive and are valued.

Although there are no legal, Charity Commission for England and Wales (CC) or Scottish Charity Regulator (OSCR) requirements to do so, BSBI chooses to adopt an **Ethical Investing** stance – an **Ethical Position Statement** - which is stated below:

BSBI is committed to Environmental, Social & Governance (ESG) investment strategies which promote the protection & health of the natural environment through investing.

This commitment is carefully balanced with the desire to optimise Total Return from Investments to secure all the important work BSBI does for botany now & in the future.

BoT delegates implementation of the above to RBCBD and holds it to account.

Examples of how BSBI's **Ethical Investing** stance is implemented, reported, measured and communicated are below:

- ESG issues are integrated into RBCBD's investment analysis and stewardship and engagement are important parts of its investment process. For example, RBCBD aims to restrict the exposure of BSBI's **Investments** to the fossil fuel sector and in March 2024, RBCBD reported these four important metrics:
 - (1) Just under half (2023: half) of the underlying benchmark exposure to companies involved in fossil fuels, based on revenues
 - (2) 91.5% (2023: 89%) of the underlying investments held within collective funds have an ESG risk rating of medium or lower.
 - (3) 0% (2023: 0%) exposure to companies with over 10% or more of revenues involved in the production and/or distribution of palm oil
 - (4) 0.1% (2023: 0.1%) exposure to companies with 10% or more of revenues involved in growing genetically modified (GM) crops or the development and/or cultivation of GM seeds & plants
- RBCBD is firmly committed to stewardship; ensuring the responsible ownership of assets. It continues to engage with funds to improve climate change reporting and to support investment into renewable infrastructure. Through its partner, Columbia Threadneedle, it also has numerous engagements with leading corporations around protecting and setting biodiversity targets
<https://www.brewin.co.uk/group/corporate-responsibility/stewardship>
- RBCBD is a member of the largest biodiversity engagement collaboration: www.Natureaction100.org to partner & drive positive change.
- BSBI demonstrates its commitment to the environment via this webpage: <https://bsbi.org/governance/our-commitment-to-the-environment>, in the Annual Report and Accounts found here: <https://bsbi.org/about-bsbi> and uses other opportunities, such as at the BSBI AGM, to do so.

BoT is committed to continuously evolving its approach to **Ethical Investing** under RBCBD's guidance and is open to new developments so these measures may change over time.

9. Liquidity Requirements

BSBI has no fixed or regular **Liquidity Requirement**. In recent years, BSBI has drawn down **Cash** from **Investments** however, following recent generous donations and legacies, BSBI holds higher **Cash** balances and this is now much less likely.

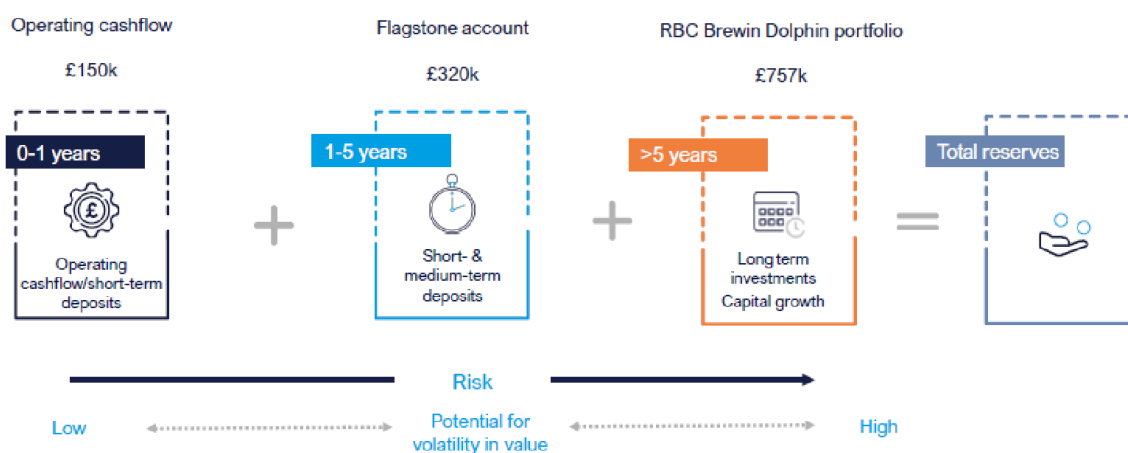
As part of the annual Budget process in March, the FM calculates & proposes a **Liquidity Requirement** (£ value & timing) for the forthcoming financial year. The Budget process

will indicate one of two outcomes for the year; a need for Cash or a surplus of Cash, each of which are dealt with at a) and b) respectively, below.

The aim is to set:

- a. **Cash withdrawals from Investments** (to meet the need for Cash) * at an amount which meets but does not exceed BSBI's needs. Cash Withdrawals are funded by **Income Return**. Any shortfall made up by the sale of **Investments**.
- b. **Cash additions to Investments**, (to utilise surplus Cash) See illustration below, which guides how surplus Cash is determined:

Note * - Because of high existing Cash balances (See 4.1 = £0.5M) the need for Cash withdrawals is currently unlikely



Source: extract from RBCD's presentation to BSBI 11th November 2024

The FM shares, discusses and agrees **Liquidity Requirement** proposals with FC and RBCBD. Once approved by BoT, these proposals become the Budget for the upcoming financial year to be actioned by the at the appropriate time. During the year, the FM monitors progress and proposes to FC and BoT if changes are needed.

10. Reporting & Monitoring

This section describes how AoA 2.12.2 is discharged. RBCBD provides online access to real time reporting on **Investments** via its portal: <https://www.brewin.co.uk/client-area> and through digital monthly, quarterly, annual and tailored reports. FC and the FM are the normal recipients of these reports.

An example of **RBCBD's Quarterly Valuation Report** is shared in quarterly reports to BoT & can also be provided by the FM on request

Reporting includes measuring valuation, income £, income yield % expectations, **Total Return** % vs **Benchmark**, BSBI budgets and other appropriate metrics. Taken altogether, these help BoT form a picture of whether BSBI's **Investments** are outperforming (= good) or underperforming (= bad) and to hold RBCBD to account.

For example, RBCBD reported the following outperformance for QE 30 Sept 2024:

“In terms of performance for the quarter, the total return of your portfolio was 1.57% net of all fees compared to the ARC Charity Steady Growth peer group benchmark return which was 1.4%”

Those in RBCBD responsible for reporting and monitoring are:

- Alice Farrer*, Divisional Director Alice.Farrer@brewin.co.uk
- James Hayley-Bell, Divisional Director James.HayleyBell@brewin.co.uk
- James Whyte, Administrator James.Whyte@brewin.co.uk

*Alice Farrer is named as the Investment Manager in Appendix 2

FC meets 6 monthly, normally in the Spring & Autumn. RBCBD normally attends the Spring FC meeting. Additional meetings are also held if appropriate.

11. Financial Expert

The Board shall review its choice of **Financial Expert** at six yearly intervals, save that if the Board becomes dissatisfied with performance, it shall promptly initiate a review.

The next review will be timed to coincide with next review of this Policy in 2028.

12. Policy Approval, Implementation & Review

Once approved, this Policy is to be implemented immediately and remains effective until further notice. The RBCBD Client Review will be conducted annually and the Policy will be reviewed every 3 years, or earlier if needed to reflect changes in market conditions, regulatory requirements or business needs.

List of Appendices:

APPENDIX 1 - RBCBD's Retail Client T&Cs

APPENDIX 2 - RBCBD's Client Advice Review 15.08.2024