

# John Ellerman Foundation

## John Ellerman Foundation's Social Investment Policy

### 1. Context

This is John Ellerman Foundation's first Social Investment Policy. It has been informed by extensive engagement with peers in our sector including independent Trusts & Foundations, specialist advisory organisations and infrastructure bodies, and we are grateful for their support.

Trustees made a commitment to start social investing in our (main) Investment Policy in July 2020. The Foundation had made two social investments prior to 2020, but at the time did not have an ambition to become a social investor in the longer term and so both investments were made outside of a structured approach to building a social investment portfolio. This Social Investment Policy is a concrete step towards delivering on that commitment.

**Key milestones:** The following table outlines the key milestones in our journey towards becoming a social investor to date.

Date	Milestone
May 2017	Trustees approved the Finance & Investment Committee's recommendations on mission-related investing. The paper looked at three broad approaches, one of which was social/impact investing.
November 2018	Presentation to the Finance & Investment Committee by Paul Simon, consultant to some of the Sainsbury Family Charitable Trusts (amongst others).
September 2019	Paper presented to Finance & Investment Committee on next steps for social/impact investment, with a request for direction from the Board.
July 2020	Investment Policy updated to include a commitment to social investing for the first time.
September 2020	The Board agreed that they were in favour of the Finance & Investment Committee continuing to explore opportunities and support investing in line with the Foundation's mission.
November 2021	Impact Investment paper presented to Finance & Investment Committee with three potential social investments included as examples, to inform a conversation about potential investment criteria.
April 2022	Publication of our 2022-2025 strategy, subtitled ' <i>Advancing wellbeing with 100% of our assets</i> '. This strategy committed us to invest and manage our funds in such a way that balances the desire to maintain grantmaking capacity, operating in the long-term, and addressing the risk that our investments are poorly aligned to our aim and values.
January 2023	New Head of Research and Impact role now in post, with responsibility for taking forward our ambitions on social investment.

November 2023	Paper presented to Finance & Investment Committee on impact and social investment, outlining different types of social investments including example investment opportunities. This paper also covered the opportunities and challenges of investing in private equity.
February 2024	Paper presented to the Finance & Investment Committee summarising how peer foundations have approached the strategy, resourcing and sourcing of social investments, plus key learning.
September 2024	Paper presented to the Finance & Investment Committee outlining a draft approach to social investment. That paper and discussion has formed the basis of this Social Investment Policy.
January 2025	The first version of this Social Investment Policy was approved by the Board of Trustees.
January 2025	Trustees approved our first social investment made under this new Social Investment Policy.
September 2025	Appointed and began the onboarding process for our new investment consultants, Gallagher and Triia Ltd.

## **2. Aims and ambitions**

John Ellerman Foundation is an independent endowed grantmaker with an aim to advance the wellbeing of people, society and the natural world. We recognise that our aim should apply across all that we do by taking a ‘total impact’ approach to our grantmaking, operations and investing.

Our ambition is to achieve a positive impact through our endowment and ensure that it is invested in a way that aligns with our charitable aims. One way in which we do this is through using our influence as an asset owner to drive more responsible investment practices, and encourage our fund managers to challenge corporate behaviour that is poorly aligned to our aim and values. Social investing is another tool available that will enable us to further our ambition of using our endowment to achieve a positive impact. We recognise that it will take some time to implement and are committed to learning and improving our approach over time. We will aim to be transparent about our progress, what we have achieved and where we could do more.

**Definitions:** In line with the Charity Commission’s CC14 guidance, we define social investment as *“investing with a view to both achieving your charity’s purposes directly through the investment and making a financial return.”*

We also find the Impact Investing Institute’s definition of impact investments helpful: *“Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”*

Whilst the terms ‘social investing’ and ‘impact investing’ are often used interchangeably, we prefer to use the term ‘social investing’ in order to align with the Charity Commission’s CC14 guidance.

**Social investment portfolio aim:** Our aim in developing a social investment portfolio is to achieve greater impact with our funds than could have been achieved had we invested for financial returns and given this money out as grants. This means that we will take into account both the financial returns and the non-financial impact of each social investment opportunity, and consider whether these outweigh the value of grants foregone by not investing primarily for financial return.

We may choose to make social investments across a spectrum of financial returns – from no financial sacrifice, where returns are comparable to those in our main

endowment, through to significantly impaired financial return, which we will accept if there is a strong case for positive social and/or environmental impact in line with our charitable aim. We will consider both direct investments and investments in social impact funds.

**Social investment portfolio size:** We intend to work towards investing approximately 10% of our endowment (currently equivalent to c.£15m) in social investments over the coming years. We expect the majority, if not all, of our social investments to be in private markets. We will develop more specific timescales for this ambition as we build the portfolio, but recognise that this type of investment is a long-term commitment and the full programme will take a number of years to build up.

**How we will build our social investment portfolio:** Our investment consultant, Gallagher, is supporting us to develop an asset allocation for our endowment including the 10% allocation for social investments. We will take their advice on the overall investment strategy for the social investments portfolio, and intend the majority of investments to be in institutional social impact funds.

We have also appointed a specialist impact investment consultancy, Triia Ltd, to advise on social investments that fall outside of Gallagher's remit. These may include direct investments into charities, social enterprises and limited companies, and smaller social impact funds.

**Accepting financial sacrifice:** We acknowledge that making social investment decisions that involve financial sacrifice will impact the market value of our endowment. Given that our budgeted expenditure is normally calculated as a percentage of the value of our endowment, this means that our spending in future years will be lower than if we had not made social investments with a financial sacrifice involved.

### 3. Impact

**Key investment criteria 1:** We will only make social investments that further our charitable aim to promote wellbeing for people, society and the natural world, and where the intended impact clearly aligns with the ambitions set out in our funding guidelines.

We will explore social investment opportunities with social or environmental impact ambitions, or both. We want to do this in order to further our charitable aim and to learn more about the social investment market and the types of opportunities available for investment. In future, we may choose to specialise in a smaller number of impact areas.

**Assessing social and environmental impact:** We will draw on our expertise as a charitable grantmaker to assess whether the intended social and/or environmental impact of each social investment opportunity is realistically achievable and sufficient to justify any financial sacrifice.

**Geographical scope:** We will make social investments in organisations and/or funds based in the UK, for positive social and/or environmental impact in the UK. This is the area in which we are active as a grantmaker and where our expertise lies, meaning it is where we are best placed to assess whether the intended impact of social investment opportunities justifies any potential financial sacrifice.

**Sourcing investment opportunities:** Our investment consultants will develop a structured programme of investments for us and will source the majority of investment opportunities accordingly. We may also source some opportunities through peers and trusted networks.

#### 4. Returns

**Key investment criteria 2:** We will only make social investments where the intended social and/or environmental impact is greater than the opportunity cost of not investing for financial returns to fund our grantmaking. In other words, we will only make social investments where any financial sacrifice is outweighed by the value of the intended impact.

We will compare the expected financial return and intended impact of different social investment opportunities with each other using the methodology outlined below. Overall, we will seek to maximise the total return (financial and non-financial) of our investments.

**Calculating opportunity costs:** We will compare the expected financial returns from each social investment opportunity to those that might be expected if the funds were invested in our main endowment. If the social investment will deliver lower returns, we will estimate the difference over the full time period of the investment – this is the financial opportunity cost, or in other words, the additional amount of money we could have expected to generate to fund our grantmaking if the funds remained invested in our main endowment. We will then compare this opportunity cost to the impact that is expected to be achieved by the social investment opportunity, to inform our decision on whether the financial sacrifice (if any) is justified.

**Liquidity expectations:** Our main endowment is predominantly invested in equities, which means we benefit from a good level of liquidity. As such, we are able to accept illiquidity in our social investment portfolio. We will closely monitor our liquidity needs over time.

#### 5. Risk

**Key investment criteria 3:** We will assess both the financial risks and the impact risks of each social investment opportunity to inform our decision of whether the forecast financial returns and intended impact justify the risks involved. We will accept higher financial risk for higher returns and/or for higher certainty of achieving positive social and/or environmental impact.

**Impact risks:** By impact risks, we mean risks that the intended impact is not achieved to the extent that was hoped, or risks that the impact could inadvertently be negative. We will consider a social investment opportunity to have a lower social impact risk if there is a track record of delivering clearly evidenced social and/or environmental impact. We will consider a social investment opportunity to have a higher social impact risk if the proposed activities are untested and/or if the intended impact is contested.

**Financial risks:** We recognise that in making social investments there is a risk of losing our capital, and will mitigate this risk through diversifying our investments across time and sectors, and by capping the total amount that we will invest in any one opportunity.

**Types of investment:** We will consider making direct social investments and investments in social impact funds and/or funds of funds. We consider it desirable to invest in both types of social investment opportunities, in order to learn more about the potential financial, impact and resourcing implications of each.

**Asset classes:** We will consider private debt, private equity and property/land investments, and will take advice from our investment consultants on other asset classes as required.

## **6. Resourcing**

**Financing social investments:** We will draw the capital needed to make social investments from our main endowment and add realised returns to it.

**Managing social investments:** Our investment consultants will support us with the ongoing management of our social investment portfolio, alongside in-house resource within our existing staffing structure. We will draw on externally commissioned specialist advice as required for each investment opportunity, for example legal, tax or financial due diligence advice.

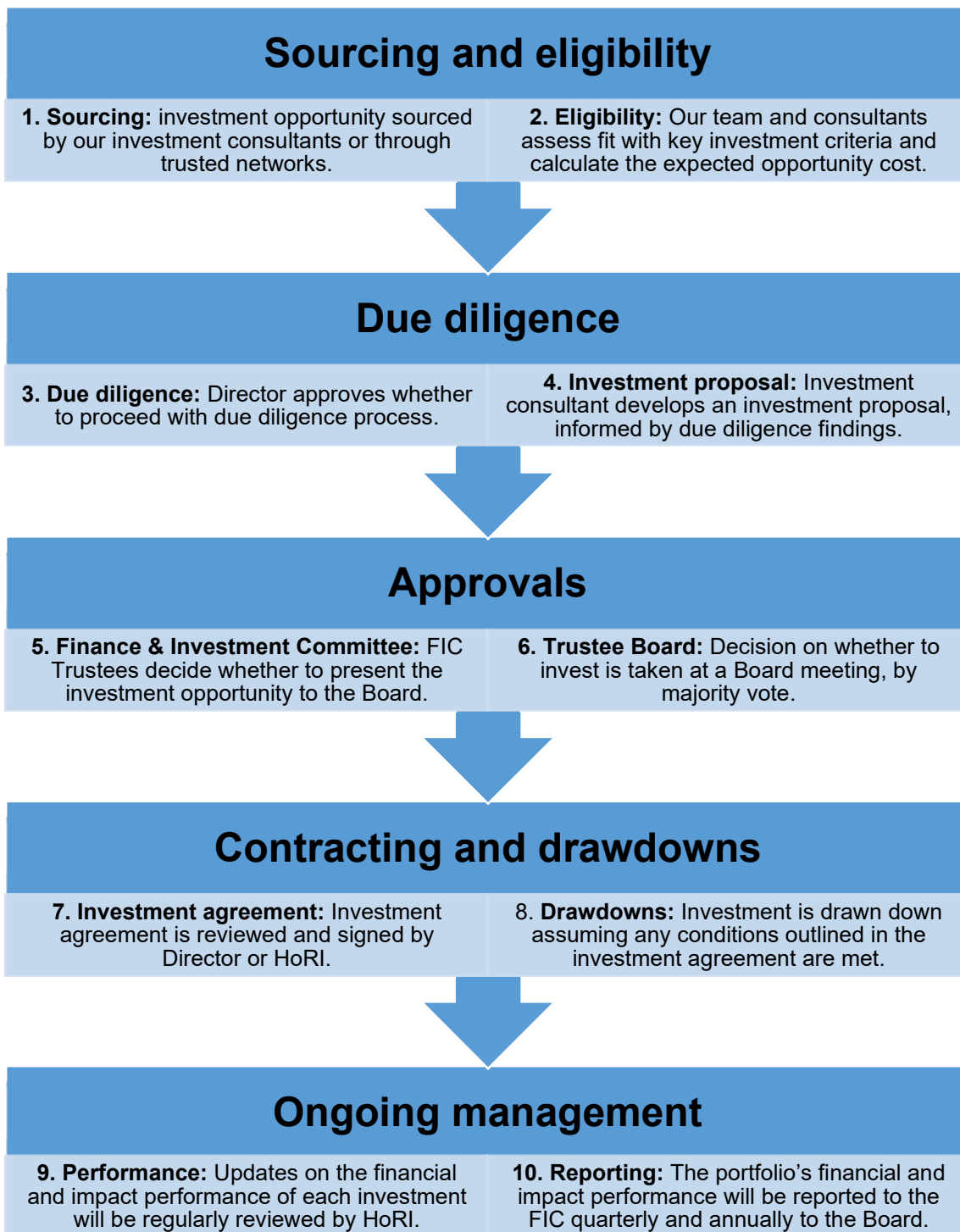
We will consider making social investments alongside peer Trusts and Foundations where there are opportunities to share the costs of ongoing management and to benefit from learning with others.

**Minimum and maximum investment size:** Setting a minimum parameter is necessary to reduce the resourcing challenge of managing a large number of small investments, and setting a maximum parameter is necessary to manage the level of financial risk represented by any one investment in our portfolio.

We expect the size of individual investments to be a minimum of £500k and a maximum of £1m, unless otherwise advised by our investment consultants.

## **7. Process and governance**

**Decision-making process:** We will take investment advice on each social investment opportunity from Gallagher and/or Triia Ltd. The Finance and Investment Committee will assess the potential impact of each opportunity alongside the opportunity cost (if any), the potential returns, the financial and impact risks, and any other due diligence findings, and decide whether the investment is suitable to be presented to the Trustee Board for a decision on whether to invest. The following flow diagram outlines the key steps in the decision making process.



**Governance:** All social investment opportunities will be assessed by the Finance & Investment Committee and investment decisions will be made at Board meetings scheduled throughout the year, co-opting the additional support of external advisors and relevant experts as necessary. Where possible the financial and impact-related performance of each investment and the overall portfolio will be reported to the Finance and Investment Committee on a quarterly basis, with a summary of performance provided to the Board on an annual basis.

**Policy Author:** Alice Thornton, Head of Research and Impact

**Published:** December 2024 (revised in February 2026)

**Next review date:** February 2027