

Sightsavers Investment Policy

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1. Objective

The Charity Commission for England and Wales' guidance notes (refer Appendix 1) suggest any investment policy should address the following considerations:

- the creation of sufficient financial return to enable the charity (together with its non-investment resources) to carry out its purposes effectively, and without interruption, where a charity sets out to provide its services over a period of time
- the maintenance and, if possible, enhancement of the value of the invested funds whilst they are retained
- the management of risk; and
- the charity's stance on ethical investments (if any)

The objective of this policy is to set out what Sightsavers is seeking to achieve through the investment of its funds.

2. Document History and Change Control

July 2008	Policy originally approved by Trustees
February 2009	Policy updated based on feedback from an independent review undertaken by Horwath Clark Whitehill
February 2010	Further update by Council
October 2013	Policy updated and approved by Council
October 2016	Policy updated and approved by Council <ul style="list-style-type: none">• Revision to asset allocation• Update of reserves level to agree with revised reserves policy (Oct 2016)• Credit risk has been introduced
October 2018	Policy reviewed and updated <ul style="list-style-type: none">• Reserves level amended to £7.5mm +/- £1.5mm in line with Oct 2018 policy change• Investment asset quantum within the reserves target range rather than targeted at the bottom end of the range
October 2020	Policy reviewed and updated <ul style="list-style-type: none">• Reserves level amended to £8.0mm +/- £1.5mm in line with updated reserves policy (Oct 2020)
November 2022	Policy reviewed with only minor amendments <ul style="list-style-type: none">• Reserves level amended to range of £14mm to £21mm in line with updated reserves policy (Jul 2022)• Given the recent increase in reserves target range that reserves will be asset backed by a mix of both fixed asset investments and liquidity
May 2024	Minor additions to achieve consistency across policy documents and for completeness:

	<ul style="list-style-type: none"> • Note of change to re-invest dividends and interest earned from the fixed assets investment portfolio. • Inclusion of new section on Investment of Cash, as per Charity Commission guidance
April 2025	Policy reviewed and updated to reflect: latest governance guidelines applicable to Investments; arrangements and interactions with our Investment Manager; and changes to the section on Donated Shares.

Any material changes to this policy must be approved by Council.

3. Responsibilities

The Trustees power of investment and their duties are defined by the Charity Commission and are incorporated into the updated Royal Charter (refer Appendix 2).

The Investment Committee as a Committee of the Council periodically reviews the investment strategy, monitors investment activities against policy and regularly reviews the performance of the fund managers against benchmarks.

The Trustees have appointed UBS Wealth Management as their fund managers with discretion over day to day management of their funds within the investment policy framework.

4. Risk Management

There are several risk considerations that the Charity must be mindful of.

Counterparty risk is the risk that one of the firms with which Sightsavers does investment business will default on its contractual obligations. Trustees should not lose sight of the possibility of counterparty default and of the need to assess and manage the risk in the context of their particular investment strategy.

Credit risk is the risk associated with counterparty default. It is also the risk of a decline in the credit standing of a counterparty.

UBS are mandated not to invest in directly held sub investment grade bonds.

Investment risk is the risk inherent in any investment. The risk may be seen as lying in the failure or under-performance of a particular investment. This risk can be mitigated by having a suitably diversified portfolio. In constructing a portfolio due consideration should be given to striking a balance between security of return and level of return.

Investments are reported in the accounts in GBP. We do run *currency risk* as an organisation given the majority of income is in GBP with programme expenditure diversified across many countries and currencies. Currency risk is explicitly identified in the reserves policy, and some risk may be mitigated through hedging activity. From an investment perspective we hold a well-diversified equity portfolio with some significant international exposure.

Maintaining the real capital value of the portfolio can be compromised by *inflation risk*. Inflation considerations are taken into account when constructing the strategic asset allocation.

5. Reserves

The purpose of holding reserves is to protect the organisation and its charitable activities by providing time to adjust to changing financial circumstances.

As a result of reviewing likely financial impact of key risks on reserves a reserves range of £14mm to £21mm is assessed as striking an appropriate balance between the need to spend income when received and maintaining operational integrity.

It is planned to maintain fixed asset investments around current levels (£8mm) with other reserves held in cash to provide strong liquidity in the reserve holdings, rather than additional cash being applied to the long term investment portfolio. The fixed asset investments will be made up primarily of the investment portfolio held with UBS.

Historically the value of these fixed assets investments had been much closer to the lower flex on the previous reserves target. We have discounted investing more cash into the UBS managed portfolio. Instead we have decided to change to re-invest dividend and interest income generated by the portfolio, rather than taking such financial income out as cash income. This is judged an effective way, over time, to boost investment holdings levels and to provide fuller “backing” for reserves. This decision is predicated on Sightsavers not being, and not expected to become, reliant upon such income for our operations.

6. Investment Objectives

- 1) Investments to be held long term as a core element of asset backing target level of reserves
- 2) Maintain reasonable levels of liquidity
- 3) Investment returns are maximised at acceptable levels of risk
- 4) Meet ethical standards

Our investment manager’s mandate is in line with our investment objectives.

We regularly review our Investment Policy and our investment activities to ensure they are consistent with Charity Commission guidance. Trustees provide oversight to ensure that we maximise return on our investments, with an acceptable risk profile, and that we maintain suitable and diversified investments, in the best interests of the Charity and linked to the delivery of our objects.

Such reviews also ensure that our investments all continue to qualify as approved for charitable tax exemption purposes, which similarly requires that we invest in the best interests of the charity.

7. Investment Strategy

In August 2016 UBS completed an asset allocation review and an overall strategic allocation for the investment portfolio was targeted with the fund managers as follows:

Asset Class	Strategic Allocation	Allowed Trading Range
Fixed Income/Cash <i>Fixed Income</i> <i>Cash</i>	25.0% 22.5% 2.5%	+/- 7.5%
Equities <i>UK Equities</i> <i>Global Equities</i>	52.5% 35.0% 17.5%	+/- 7.5%
Real Estate	7.5%	+/- 2.5%
Hedge Funds	15.0%	+/- 5.0%

The UBS view is that the current asset allocation remains appropriate for Sightsavers. The investment environment continues to be challenging with both market volatility and expected lower returns. This should favour active fund managers like UBS. At the time of the 2025 policy review the imposition of trade tariffs by the US is risking a global economic slow-down and possibly even recession.

Given adjustment in day to day valuations it is not possible to manage allocations exactly.

The allowable trading range supports day to day valuation driven changes in the portfolio mix. It is possible that an extremely volatile market swing could push the portfolio outside of the target range in which case Investment Committee would need to assess whether to instruct the fund manager to rebalance the portfolio or report to Council a change to allocation in the light of specific market conditions.

The ranges allow some flexibility for Investment Committee to agree for the fund managers to amend the asset allocations in light of forecast market conditions without seeking recourse to Council. Note, given these limits it would not be possible for Investment Committee to move outside a moderate risk portfolio (>70% in equities and property). UBS performs an annual documented review of what they term the "Investment Plan" which confirms, amongst other things, the risk appetite and profile of the portfolio as being balanced and moderate.

Short term swings around target unrestricted reserve levels will be managed with increased cash holdings or borrowings to avoid active trading in and out of investments. There is a secured overdraft facility in place with UBS of £3 million to facilitate this, known as a “Lombard Loan” facility, drawdowns under which are secured against the investment assets.

8. Investment of Cash

In the 2023 update to our Treasury Policy we included a new sub-section in the Liquidity section explicitly on interest income. We recognise the need to sensibly earn interest income in periods of high interest rates, where reserve levels and related cash holdings remain relatively high, both for unrestricted and restricted funds.

Our approach is to retain cash holdings with our two principal relationship banks, HSBC and SCB, commensurate with pre-existing agreed holding limits.

Operational liquidity and cash availability remain paramount. Any surplus funds judged not required for near term operating expenditures, whether unrestricted and restricted funds, are reviewed for possible placement into short term interest earning arrangements with our main banks. Those funds may be placed in either Notice Accounts (e.g 31 days notice) or as a short-term Money Market deposits (e.g 1 to 3 months).

Any short-term investment of cash will always be in the currency of the underlying cash holding (GBP, USD and Euros), to preserve the mix of currencies held by central Treasury.

Our counterparty exposure continues to be to our bank. Both banks are fully authorised and regulated. Any funds so placed will be considered within our overall holdings and holdings limits with the respective bank and will be monitored and assessed through regular reviews of exposure limits and credit ratings of the banks.

It is recognised and accepted that the most effective method – in terms of accessing optimal interest rates and ease of administration – may be the use of short-term money market deposits, which may be predominantly, or even exclusively, used.

Our Treasury Management System offers functionality to support optimising interest income on surplus cash balances. Compatible platforms also exist offering access to market cash deposit and investment products. These may be explored and utilised by the Head of Treasury to increase efficiencies.

Decisions on such cash investments will be made by the Head of Treasury in accordance with these principles, with review and authorisation by the Finance Director.

9. Reporting

The Investment Committee receives regular reports from the fund managers. Reporting from UBS in support of Investment Committee performance oversight activities is kept under review to ensure it meets policy objectives.

10. Social, Environmental and Ethical Considerations

The Trustees are aware of their fund managers' attitude to social, environmental, and ethical factors with respect to their selection of investments and are satisfied that they are taking a responsible approach.

In endeavouring to invest for the best financial interests of the beneficiaries, the Trustees have elected to invest primarily in pooled funds and cannot therefore directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest. As regards direct holdings in equities we do not invest in arms, defence or tobacco stocks.

The Trustees have therefore decided not to impose any additional social, environmental, and ethical guidelines on their managers.

11. Treatment of Donated Shares

When Sightsavers is donated shares our experience is that the investment industry is not well set up to successfully transfer the title of the donated shares to us.

This means that for practical purposes the most reliable way to receive the donation of shares or securities is to invite the donor to sell the securities and to make a related donation of the realised net proceeds in cash. We have therefore adopted this approach as standard process.

Where requested we will write to the donor to confirm that the cash donation is a donation of the proceeds realised from the sale of securities by the donor. This allows the donor to claim tax relief related to the sale. Sightsavers will not claim gift aid on such donations.

Appendix 1

Charity Commission: Investing charity money: guidance for trustees (CC14)

<http://www.charitycommission.gov.uk/publications/cc14.aspx>

Appendix 2

Royal Charter: Investment Section

to invest the Society's money not immediately required for the Objects in any real or personal property, including shares, securities and other forms of investment, subject to the following:

in exercising any power of investment the Trustees must have regard to the standard investment criteria (as defined in Article 1.1.5);

before exercising any power of investment the Trustees must (unless the exception in Article 1.1.6 applies) obtain in writing and consider proper advice (as defined in Article 1.1.7) about the way in which, having regard to the standard investment criteria, the power should be exercised;

the Trustees must from time to time review the investments of the Society and consider whether, having regard to the standard investment criteria, they should be varied;

when reviewing the investments of the Society the Trustees must (unless the exception in Article 1.1.6 applies) obtain in writing and consider proper advice about whether, having regard to the standard investment criteria, the investment should be varied;

the standard investment criteria in relation to the Society are:-

5.12.5.1 the suitability to the Society of investments of the same kind as any particular investment proposed to be made or retained and of that particular investment as an investment of that kind; and

5.12.5.2 the need for diversification of investments of the Society in so far as is appropriate to the circumstances of the Society;

the exception is that the Trustees need not obtain such advice if they reasonably conclude that in all the circumstances it is unnecessary or inappropriate to do so; and

proper advice is the advice of a person who is reasonably believed by the Trustees to be qualified to give it by their ability in and practical experience of financial and other matters relating to the proposed investment;

to delegate the management of investments to a financial expert provided that: the financial expert is:

5.13.1.1 an individual who is an authorised person within the meaning of the Financial Services and Markets Act 2000; or

5.13.1.2 a society or firm or investment bank of repute which is an authorised or exempt person within the meaning of that Act,

but excluding for this purpose persons exempt solely by virtue of Article 44 and/or Article 45 of the Financial Services and Markets Act 2000 (Exemption) Order 2001;

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

every transaction is reported promptly to the Trustees;

the performance of the investments is reviewed regularly by the Trustees;

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

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

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

the financial expert may not do anything outside the powers of the Trustees;