

# THIRTY PERCY FOUNDATION

## Investment Policy Statement

JUNE 2022

### 1. Introduction

#### 1.1 Acknowledgements

We want to note with gratitude the input we received from 25 external experts, who provided insights, feedback and inspiration for this policy document, and our enquiry consultants, Ten Years' Time, who designed and facilitated the process.

#### 1.2 Charity information

**Thirty Percy Foundation** (the 'Foundation') is a charitable incorporated organisation registered with the Charity Commission for England and Wales on 18 March 2018 with charity number 1177514. The governing document is the constitution (the 'Constitution').

#### 1.3 Charity purpose

*"We're here to contribute to the future security and wellbeing of our world. We'll do this in ways that are imaginative, collaborative and unexpected. We can do this because we are an independent foundation looking to do things differently."*

#### 1.4 Investment context

"When hard infrastructure fails, it can be the softer, social infrastructure that determines our fate".

—Eric Klinenberg

Since December 2018, we have been operating a responsible investment policy that requires investments to be made consistent with a "just transition", namely an orderly transition to a carbon neutral society that mitigates the risks (and costs) of climate breakdown falling on those most vulnerable (and least responsible).

Our intent was to "do well by doing good" and invest in companies well placed to contribute to, and profit from, green innovation and green fiscal stimulus. In a very narrow and short-term sense, mainly during the covid pandemic, we achieved the "do well" (with returns of +23%) but we recognised in reality that by simply buying and selling shares and debt on secondary markets, albeit whilst engaging with investee companies, we were bearing little risk and making little if any contribution to the real-world transition.

We have also lost confidence in the transition being orderly. At the very least, there is significant uncertainty as to how society will move along transition pathways - and already deep differences in how the effects are being experienced locally and globally. While we continue to hope for the best, we now want to plan on the basis that we need to play a more active role in enabling mitigation and adaptation to climate breakdown at the community level, particularly by building the sufficiency and agency within communities to determine their own transition. We have also furthered our understanding of what sort of change is needed; and recognise it requires regenerative and distributive visions coupled with deep transformative action, rather than just narrow technical fixes.

This iteration of our Policy therefore focuses on building community and ecological wealth, by making investments through economic frameworks and ownership models that share risk, distribute power and benefits, and build regenerative models at the community level.

This Policy represents a shift away from traditional portfolio construction. We recognise this, and welcome collaboration with other investors who share an interest in the kind of systemic reimaging and ambition demanded by this time of interlocking, existential crises – health, climate breakdown, mass extinctions and racial and wider social injustice.

## 2. Portfolio and Assets

### 2.1 Charity assets

It is intended that this policy shall apply to all the Foundation's assets, including our reserves (see paragraph 4.3) and any assets added in future.

### 2.2 Origins of the charity assets

Investment has a past, present and future. In thinking about regenerative transformation, we recognise the importance of care and reflective relationships<sup>1</sup>. This means looking back at the historic and present day investment activity Thirty Percy's financial wealth arises from, both from a point of view of accountability and to define better boundaries for our investment practice. This leads us to think carefully about limits to marketisation and privatisation in the context of public goods (see paragraph 5); and to consider what reparative work looks like in the context of global economic systems and extractive business practices (see paragraph 6).

## 3. Investment Objectives

### 3.1 Primary Objective

The primary objective is to use our financial capital to create community and ecological wealth by following regenerative and distributive economic principles.

The representation of this objective is a series of spirals where the downward trajectory of our "financial capital spiral" gives rise to upward trajectories of "community and ecological wealth spirals". We refer to this as "spiral investing" and it has three core design principles:

- The spiral of our financial capital should decrease over time in service of wider innovation and wealth-building beyond that which prizes profitability. We therefore set our return expectations at a maximum rate of 0%. We refer to this as "zero-percent investing".
- Financial capital may re-circulate within the spirals. This will only be where the nature of the activity generates revenue flows (or disposal proceeds) that are fair and sustainable, and do not prioritise shareholders or debt-holders over communities. In addition, communities that have been part of the repayment of, or return on, capital will have agency to decide its future reallocation. We refer to this as "circular investing".
- When we look to the creation of community and ecological wealth spirals, we will focus on the concept of the commons, and follow empirical evidence on the principles essential to successful commons management systems. We refer to this as "commons building"<sup>2</sup>.

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<sup>1</sup> Movement Generation, The Culture of a Regenerative Economy - page 18  
[https://movementgeneration.org/wp-content/uploads/2016/11/JT\\_booklet\\_English\\_SPREADs\\_web.pdf](https://movementgeneration.org/wp-content/uploads/2016/11/JT_booklet_English_SPREADs_web.pdf)

<sup>2</sup> [https://www.actu-environnement.com/media/pdf/ostrom\\_1990.pdf](https://www.actu-environnement.com/media/pdf/ostrom_1990.pdf), p.90. We also find Movement Generation's definition of the commons useful: "resources that are collectively owned (or not owned by anyone). This can include everything from land to ideas. Commons is one key way to ensure that everyone has access to the basic resources of life such as clean air, water, food, land, housing and healthcare. Education, culture, and information can also be made part of the commons." Movement Generation, The Culture of a Regenerative Economy, p.30.

### 3.2 Rate of Distribution

We anticipate the rate of distribution will increase over time, but initially the rate is likely to be slow. In part this is because establishing governance models for circular investing may take time to achieve.

## 4. Risk

### 4.1 Attitudes towards Risk

We think risk in our financial systems currently sits with those least able to bear it. We are therefore adopting an approach that prioritises risk-sharing or risk-absorbing instead of the prevailing model of 'risk-shifting'. This may require the use of novel instruments and contracting to ensure risk is not borne asymmetrically, and taking on hosting for new organisations while they establish themselves.

### 4.2 Risk Tolerance

Determining risk tolerance is a fundamental and critical question. Our goal clearly is to create community and ecological wealth, and to do this we explicitly want to take on more risk - to privatise some of it so to speak, and socialise the benefits - the reverse of the current paradigm. Normally, we would talk in terms of permanent loss of capital or the trade off between more long-term growth versus having a less volatile budget. These risks and trade-offs do not apply here: first, because we are not pursuing financial returns and second because permanent 'loss' of Thirty Percy's capital for redistributive purposes is a design principle.

The risks we recognise as being material include:

- that our financial capital somehow rebounds into traditional systems that could limit or damage the emerging spirals of ecological and community wealth. *Mitigation: each spiral investment to involve mapping capital flows to understand where and how capital leaks into private wealth;*
- the asset classes or instruments we may favour will quite possibly be new and experimental, and therefore in a narrow sense have a higher risk of failure (more of a 'learn-by-doing' approach). However, in taking a systems approach, we will explicitly recognise and value the contribution of knowledge to the investment commons so others can adapt and improve on these models. *Mitigation: working in the open as much as possible and contributing knowledge and experience to the commons;*
- that the financial capital decrease does not effectively translate into ecological and community wealth increases, or that these spirals struggle to sustain and grow. *Mitigation: thorough consideration of community capacity building as part of understanding commons management practice and the use of long-term, unrestricted investments to support civic flourishing;*
- that community and ecological wealth spirals grow in less impactful directions. *Mitigation: co-developing multi-scale indicator frameworks to evaluate the performance of investments;*
- that we do not have effective mechanisms for creating structural shifts at national and global levels: *Mitigation: building poly-centric networks and platform effects.*

As stated in Paragraph 3.1, we intend for the overall financial value of our investment portfolio to decline over time. If we assume inflation will average around 3% over the long-term, we also recognise that, subject to taking steps in mitigation, the real purchasing power of the capital will decrease over time.

### 4.3. Reserves

The only limit to the scope of this policy applies to the assets ring-fenced in the amount set by our Reserves Policy which is reviewed annually. Our reserves are currently set at £5m - they operate as a buffer which allows us to manage cash-flow challenges or wind down responsibly in future. As such, we require the reserves to be kept relatively liquid and safe (in the sense of traditional financial risks). These requirements may restrict our ability to invest our reserves directly in community and ecological wealth building. We will ensure there is no risk of these funds being in conflict with our primary objective or undermining the work of the people, communities and ecologies with whom we are in relationship.

## 5. Asset Classes

We will allocate capital and select financial instruments based on those which provide a direct opportunity to create community and ecological wealth in a regenerative and distributive way. We recognise that this approach will require a re-coding of capital and quite possibly the creation of novel approaches to financing. Here we provide an indication of allocations, models and instruments that may comprise our investment portfolio. We expect these categories to evolve over time.

Asset classes – traditional	Eligible	Possible Models
Public equity	No	-
Hedge funds	No	-
Private equity	Yes	TBD
Real estate	Yes	Real estate co-ops
Bonds (primary issuance only)	Yes	Perpetual smart bonds
Other debt assets	Yes	Non-extractive lending
Cash and other	Yes	Community bank deposits

  

Capital allocations – future <sup>3</sup>	Allocation	Possible Models
Deep neighbourhood transitions	0-50%	Energy endowments
Agroecology and regenerative agriculture	0-50%	Co-ops, SMEs, land trusts, pooled funds
Landscapes (biodiversity pools; carbon sequestration; forests; rivers)	0-50%	Community land trusts
Ideas and platforms for sharing knowledge	0-50%	Convertible grants, revenue sharing agreements
Civic infrastructure (childcare, civic goods, participatory models for community power)	0-50%	Non-monetary exchange, core resources, gifts
Social movements, arts & culture	0-50%	Pooled funds

We also want to provide clarity on areas in which we will not take any private ownership stakes because we consider them to be public goods. This (non-exhaustive) list is as follows: education, healthcare, housing, criminal justice, immigration services and basic utilities.

<sup>3</sup> Based on Dark Matter Labs' December 2020 provocation, with edits based on our own learning: <https://provocations.darkmatterlabs.org/bridging-the-gap-2021-roadmap-bde60861dacb2>

## 6. Stewardship

### 6.1 Trustee responsibilities

The Trustees have responsibilities for the portfolio which include:

- To formulate and approve an appropriate investment policy;
- To review regularly the investment policy and its ongoing appropriateness;
- To monitor that the investment policy is adhered to;
- Selection and review of any investment managers; and
- To review regularly performance compared to policy and agreed performance measures

### 6.2 Delegation of Investment Decisions

We recognise that seeking more direct impact will require a) dis-intermediation, i.e. we will need to play a more active role working in collaboration with partners and communities, valuing their knowledge, relationships and visions; and b) finding ways to address a-symmetrical power relations by shifting power over financial capital to communities by building this into instruments or governance infrastructure.

### 6.3 Co-Creation of Indicators of Community & Ecological Wealth

We recognise that the returns on investment will have different temporal spans as financial, social and ecological wealth grows at different rates. Nonetheless, assessing in some way the extent and distribution of community and ecological wealth generated through our investments will be important. As an overarching framework that combines social and ecological factors, we find the Doughnut model<sup>4</sup> compelling, but we appreciate that additional granularity and systemic assessments in local contexts will be necessary. We will therefore adopt a principle of co-creating social-ecological indicators of wealth generation in place-based contexts, alongside the communities who live there and will continue to do so beyond our limited involvement.

## 7. Approval & Review

### 7.1 Investment policy review and approval

This Investment Policy Statement was prepared by the team and trustees to provide a framework for the investment of Thirty Percy's assets. It will be formally reviewed on an annual basis to ensure continuing appropriateness and consistency with Thirty Percy's overall purpose.

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<sup>4</sup> [DEAL \(doughnuteconomics.org\)](https://doughnuteconomics.org/)