



# Responsible Investment Policy

Big Society Capital

June 2021

## 1. Our Mission and Values

Big Society Capital exists to improve the lives of people in the UK through investment with a sustainable return. Working with expert partners, we seek to understand people's needs first. Then, using our knowledge and capital, we collaborate and invest with fund managers who also want to create a better, sustainable future. They, and the social enterprises and charities they invest in, create the impact.

At the core of Big Society Capital's investment philosophy is the aim to achieve positive impact on people, create systemic change, and deliver a sustainable financial return. To achieve these three aims, Big Society Capital believes that one component of our approach is to invest responsibly by considering environmental, social and governance ("ESG") risks and impacts.

## 2. Purpose of Responsible Investment Policy

The Responsible Investment Policy ("Policy") details the approach Big Society Capital is taking to assess and manage risk across its social impact investment portfolio. It is integrated in our investment process from due diligence to portfolio management and intermediary support.

The Policy complements our dedicated impact assessment and management approach (focused on many aspects of Social, and at times Environmental, risk), our Organisational Due Diligence approach and ongoing intermediary support via the Building Blocks Framework (covering aspects of Governance risks amongst others). Given this overlap, the Policy considers ESG risk factors not already captured elsewhere such as the intentional Impact on People an investment is seeking to achieve which is assessed against the Impact Management Project's Five Dimensions of Impact.

This Policy builds on the existing Responsible Business Principles to reflect international standards, best practice and learning from impact investing peers.

### 3. Applicability

The Policy will apply to Big Society Capital's conduct as a business and in its making and management of its social impact investments.

Fund Managers (with respect to the fund(s) that Big Society Capital invests in) and other financial organisations that receive investment from Big Society Capital will be required to adopt and adhere to, and will be required to ensure the social enterprises and charities they in turn invest into adopt and adhere to, the Responsible Business Principles contained in this policy or a statement of business principles similar in form and substance.

### 4. Responsible Business Principles

The Policy is underpinned by the following nine core principles which are most material based on Big Society Capital's investment mandate:

#### General

1. **Avoid Harm** – To minimise adverse and negative impacts on target beneficiaries and communities, the environment, employees, and all stakeholders.
2. **Business Integrity** – To exhibit honesty, integrity, fairness, diligence and respect in all business dealings and with all stakeholders and communities, including respecting commercial and personal confidentiality.
3. **Proportionate Implementation** – To identify key ESG risks and, as applicable, be proportionately compliant based on the materiality of the ESG risks in line with the Responsible Business Principles and best practice within the target industry.

#### Environment

4. **Protect the Environment** – To promote and practice the efficient use of natural resources and protect the environment wherever possible.
5. **Combat Climate Change** – To promote and practice activities which minimise or seek to reverse climate change.

#### Social

6. **Targeted Social Impact<sup>1</sup>** – To intentionally create a positive and measurable social impact for target beneficiaries and communities.
7. **People Centred Approach** – To promote and provide high quality working practices, conditions, and labour rights, and respect the dignity and wellbeing of all employees, contractors, and stakeholders.

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<sup>1</sup> Targeted Social Impact is considered as part of Big Society Capital's Impact on People approach.

8. **Inclusive Practices** – To promote equality, diversity and inclusion practices through governance and decision making, employment, organisational culture and values, and operational delivery.

## **Governance**

9. **Good Governance** – To strive for international best practice corporate governance.

Organisations that adopt and adhere to the Responsible Business Principles will not finance or engage in any activity that involves the production, use, trade or distribution of:

1. Any products, activities or materials deemed illegal under UK or international law
2. Racist, misogynistic and/or anti-democratic media
3. Gambling, casinos and equivalent enterprises, other than society lotteries as defined by the Gambling Act 2005
4. Tobacco or tobacco related products (where revenue derived from such products is a significant part of the organisation's total revenue)
5. Pornography
6. Weapons, munitions or nuclear products, primarily designed for military purposes or any goods or services with a military end user or goods that are otherwise restricted (e.g. goods that may be used to torture people)
7. Animal testing
8. Fossil fuels (specifically with respect to exploration, production, refining, transportation, energy generation, or construction of fossil fuel related facilities to carry out any of the above)

Organisations that adopt and adhere to the Responsible Business Principles will comply with applicable laws and not do anything that would put any person in violation of UK, EU or US sanctions.

## **5. Integration of ESG in the Investment Process**

Big Society Capital's ESG approach is one way in which the Responsible Business Principles are implemented in its investment process. They form the basis for the ESG Framework which outlines the ESG approach and the tools available to the Investment Team to apply the approach. Broadly, the Investment Team uses such tools to determine the material ESG issues for a new investment, to gather data on the Fund Manager's processes, policies and performance, and to assess any ESG risks surfaced as a result. ESG risks are then reported to the Investment Committee according to the severity of the negative outcome associated with such risk and the likelihood of such negative outcome occurring when a recommendation paper is presented for decision with clear mitigation and/or action plan that will be implemented if needed.

This is then followed up during Portfolio Management. Progress against identified mitigation and action plans will be monitored as part of the regular portfolio management Performance Committee reporting cycle. In addition, Fund Managers receiving investment from Big Society Capital from now on will be required to provide an annual statement certifying compliance with the negative screen and compliance with law aspects of the Responsible Business Principles. Big Society Capital may also require the reporting of standardised ESG indicators across segments of its portfolio, such as on an asset-class basis.

## 6. Policy Sponsor and Maintenance

This policy has been approved by the board of Big Society Capital. Big Society Capital's Chief Investment Officer is the sponsor for this policy and oversight of its implementation is provided by the Big Society Capital Investment Committee. All members of the Investment Team are responsible for implementing this Policy when assessing and managing investment. The Impact Team within Big Society Capital, led by the Senior Social Impact Director, is responsible for the maintenance of this Policy. Given this is an area of developing policy externally, it is expected the Policy will be iterated over time.