



Minutes of the meeting held on
25th September 2024

This was an Ethical Investment presentation by Liz Sams the Chief Finance and Operations Officer from Foundation Scotland (FS). The meeting was held online through Zoom.

Present/apologies for absence:

- **Present:** Iain Frazer (Treasurer), Fran Hall (Vice-chair), Anne Hislop (Chair), David Howell, Isla Kinnear, Sharon McMurtrie, Kayt Howell (Manager), Kirsty Murray (Project Support Officer), Jane Willd (Administration Assistant), Gordon Cowtan (Consultant), Janine Rennie (Financial Consultant), Luke Emerton (Ex FDT Director), Holly O'Donnell (Ex FDT Director), Jamie Pearson (Ex FDT Director), Chris Robinson (Ex FDT Director), Pete Skabara (Ex FDT Director), David Smith (Ex FDT Director).
- **Apologies:** None

Anne welcomed the former Directors to the meeting and explained that the FDT has a mandate from the members to invest a sizeable chunk of their income. Liz had been invited to illustrate how FS invest their money ethically. A hard copy of Liz's presentation had been circulated prior to the meeting.

LS explained that she is not an investment specialist but has been with FS since 2018 and is responsible for finances, resource elements and IT. LS shared her screen and gave a power point presentation which is summarized here.

- Contents – the presentation included background information, an explanation of ethical/impact investment, performance to date and information about EQ investors.
- Spectrum of investments – these range from mainstream through to philanthropic with varying degrees of risk, return and avoidance of moral harm. PS asked how many potential companies to invest in are lost at each stage and if any choices are politically biased. LS replied that it was hard to quantify but confirmed that potential investments would be lost at each stage FS are committed to investments which do not profit in any way from war so there are no Russian or Belarussian stocks, and none related in any way to oil/gas. The stocks are checked annually.
- The journey itself – in early 2019, the fund managers were asked to consider the role of environmental social governance (ESG) and they identified one impact fund. They soon realised that having one impact fund was too narrow but that they would need help to manage more. They did lots of research and have employed EQ as their investment managers since December 2020.
- Portfolio mandate parameters – FS gave EQ some parameters to work with including no investment performance trade-off, having a global view, choosing impactful investments and no dividend income. GC asked the reason for having no dividend income. LS explained that the type of companies that FS choose to invest in are small companies that are growing so need to reinvest their profits. The only way for FS to make money is to sell their shares. FDT could choose their own parameters if they employ EQ directly but if they go through FS, they will have to use FS's parameters. GC asked what the time scale was for getting a return on the investments. LS responded that they had originally agreed to look at the investments again after five years.
- Why EQ investors? FS chose EQ because they have a five-year record, are a 'B' corporation which makes them accountable, they focus on investing with a dual investment performance and a social impact purpose, they have evidence of in-depth research into underlying funds, they have proof of active engagement with their selected fund managers, they have robust operational systems and they have reasonable fees.
- Fees – EQ charges a fee of 1.35% on the value of the investment annually. This includes all fees on holding funds, custody costs and EQ's fees. FS also charge a fee based on the market value of the fund. This is charged annually in April and is dependent on the size of the investment. This fee would be avoided if the FDT go to EQ directly but going through FS avoids some risk. LS shared the fee sheet later in the meeting.
- Performance table – performance has been poor. The original target was to beat CP plus 3%. This was achieved in the first year but not since.
- Diagram of FS EQ Impact Portfolio – This highlighted the impact of Russia's invasion of Ukraine on the performance of smaller growth companies.

- Investment Performance – the planned 2026 review of the portfolio has been brought forward because of the disappointing performance of the investments. An independent consultant will be appointed to look at how the investments can be improved without moving from the position of socially responsible investments. Action is being taken to eliminate underperforming funds and to increase the more value-focused components.
- EQ positive impact – EQ are committed to investing in nothing which causes harm. 16% of their investments avoids harm and 84% contributes to solutions.
- Impact calculator – this looks at investing in projects that can generate electricity, provide ways to clean drinking water and other positive environmental changes.
- Investing in climate solutions, natural capital and biodiversity – this is done through a range of social impact performance investments.

LS demonstrated how the investment portal works. Investors can log in at any time and as many people as required can have log in details. Through the portal, investors can look at each fund, see transactions, look at asset allocation (both geographically and by sector, look at social impacts, sustainable development goals, download commentaries, impact reports and statements.

JP noted that the remit of the FDT was concerned with carbon saving rather than being ethical and wondered if it was possible to set parameters such that investments were only related to carbon saving. LS said this was possible if the FDT works directly with EQ but not if they go through FS.

DH asked about investing in transition companies such as Shell (i.e. companies that are trying to move away from using fossil fuels). He was concerned that they may be guilty of 'greenwashing' (a form of advertising or marketing spin that deceptively uses green PR and green marketing to persuade the public that an organization's products, goals, or policies are environmentally friendly) and wondered how the FDT could ensure this was not happening. LS responded that EQ hire specialists to investigate this kind of issue and continually audit their investments.

GC asked how much FS has got invested. LS said around £10 million and are likely to put more in. They have 121 donors at the moment who have investments ranging from £25K to multi-million-pound investments. The minimum investment is £25K but FS will make up the difference for smaller groups that cannot raise that amount.

SM asked about the timetable for making a return on money invested. She was concerned that the investment performance had not been good and that the FDT have an obligation to continue to make money for the community. LS advised that the FDT would need to think medium to long term as there is a lot of instability globally which affects investment performance.

JR commented that she had looked up EQ in Companies House and could see that they had had substantial losses in the last few years. She questioned whether that had had any impact on their investors. LS said that there was around £2 billion pounds invested with EQ now and was confident that any money invested with them would be safe.

AH thanked LS for her presentation and LS left the meeting.

There then followed an initial thoughts discussion of the presentation.

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HO asked if there was a timetable for having to decide. KH replied that there is no time frame yet. KH had attended a conference and heard LS's presentation so thought it would be a good starting point for the Board, staff and ex-directors but there is no set agenda yet.

JR referred to the information she had found about EQ from Companies House. She noted that they have had significant financial difficulties over the last few years but were still paying their CEO £250K/year. She also noted that all their investments were in high-risk stocks and shares. Usually, investment companies would split their investments between high-risk stocks and shares and less risky gilts and bonds. JR agreed that it was important to invest ethically but the last three years have not been financially viable for EQ, so JR has concerns. Any money invested with EQ would not be protected if they went bust.

JP asked what the objective was for investing the money as being ethical was not one of the FDT's original objectives. AH replied that the current turbine will not last forever and the income from it will cease at some point. Discussions at Annual General Meeting (AGM) and other occasions had indicated that FDT members want to ensure

a legacy for future generations, continue to keep getting an income and continue to help the community. The FDT's green credentials mean that any investment has to be ethical (do no harm) and fit in with the FDT's ethos.

GC felt it was important to work out the criteria and the parameters that the FDT want to set for their investments and to look at the best way to manage them. He confirmed that at community consultation events, members had suggested they would be keen to invest in another turbine. GC suggested creating an investment sub-committee and any proposals for investment could be presented to the members at the next AGM.

DH reiterated what GC had said and confirmed that community consultations over the years had demonstrated altruism from the members – they want to plan for the future generations. He felt it was important to look more closely at the investment company's performance.

PS commented that it was crucial to find a mechanism for sustainability – as was mentioned previously, the current turbine will only provide income for another seven or eight years. He supported the idea of investing ethically.

JR noted that the FDT does not need to put all their eggs in one basket – money can be invested with more than one investment company.

CR asked if there had been any communication from the wind farm owners about their future plans when the current turbines reach the end of their lives. GC has spoken to them, and they are looking to continue the wind farm. They are currently in discussion with the landowner. He felt that they would be happy to include the FDT in any future plans.

LE stated that it had been an interesting presentation but felt it was difficult to plan without seeing a full comparison of the options. He felt it was important to decide if the investment was just to generate funds or to deliver charitable activities. He thought it would be good to see a range of options to compare and allocate funds accordingly.

HO said the session had been very valuable and that she had learnt a lot from the presentation.

JR agreed that it was important to look at different options. She asked if the current contract with the wind farm owners contains anything about what happens to our turbine if the wind farm is repowered. GC originally thought that there was nothing in the current contract beyond the 25-year lifetime of the turbine but was now questioning if that was the case. **ACTION: GC to check the current contract.**

CR said that he could look for examples of trusts being involved in repowering situations and noted that no wind farms in Scotland will get permission to extend/repower without community investment. Any future community income would need to be worked out with Fintry Community Council (FCC).

AH thanked the ex-directors for their involvement and added that the FDT may ask them for future involvement as well.

JR and the ex-Directors left the meeting.

There followed a short Board meeting. Reports had been circulated prior to the meeting and Directors had been asked to provide decisions and comments where needed.

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1. Balgair update (GC)

- The planned meeting with Largo Leisure (LL) had not gone ahead. GC had tried to speak to the site manager to find out what is going on but had not managed to get hold of him. An email had been received from LL but is difficult to interpret.
- The installation of the new Heat Interface Units (HIUs) has been delayed. GC is meeting with Reheat next week. The homes will have no heat whilst the work is being done but this should only be for a few hours. Electric heaters will be available if needed.

2. Grant update (KM)

- Still chasing a couple of Energy Efficiency grant recipients for proof of work done. The criteria and guidelines for future application forms has been strengthened so there is a clear process to follow.
- Log grants start on 1st October. KM will post this on Facebook but asked everyone to share the post and spread the word.

3. Website update (KH/KM)

- Moving forward with this. Should go live soon.

4. EV charger replacement (KH)

- New legislation in November will require all EV chargers to have an option for contactless payment. Evolt seem to be the best option. KH asked that a final decision is made at the next meeting.

5. School woodland (KH)

- The Parent Council are obtaining quotes to make the outdoor classroom usable.

6. Auditors (KH)

- KH has been obtaining quotes for the annual auditing to compare with the quote from the current accountants.

Next meeting

- Wednesday 30th October
The focus will be on financials. **ACTION: KH to send out links etc.**