A guide to 'Good Money'...

Charities

Why and how a charity can use a fund manager to invest responsibly (or "ethically")

Good Money Week

www.goodmoneyweek.com

Why invest responsibly?

To operate more in line with your purpose or aim - By considering responsible and ethical investment the charity's money will be steered to companies that do less harm to its beneficiaries or don't contribute to the problems your charity works to solve!

You may make more money - Companies such as Volkswagen and Sports Direct have seen their share prices fall as company controversies have become public. Over time, responsible investors should avoid the worst cases of corporate misbehaviour and may benefit from owning companies in growth areas such as renewable energy, water, health and education.

Protecting your reputation - In recent years a prominent charity whose mission included helping those affected by conflict and those harmed by alcohol received negative media attention when it was found to own shares in companies that made weapons and alcoholic drinks. This damaged the charity's reputation. By considering the link between your goals and your investments you are acting positively to protect your charity's reputation and reduce the risk of being criticised and losing supporters.

How to do it?

There are many fund managers offering services for charities in the UK including many UKSIF members. They use a variety of ways to invest responsibly. See our 'Investment Styles' guide. Some of the ways include:

Integration- where factors beyond the purely financial, such as human rights and environmental impact, are considered as part of the appraisal and selection of investments

Screening - where you can screen out companies that breach your ethical criteria or include companies your charity aspires to invest in.

Best in class- where you invest in companies showing leadership in their sector based on some various criteria are selected for investment

Engagement- where your fund manager works with a company on your behalf to seek improvements in performance in areas such as the environment, ethics and social issues

Common worries...

Performance. Some say that performance from ethical funds is weaker. There is no convincing evidence of this - indeed the opposite seems to be the case.

Price. In the past certain kinds of responsible investment management might have cost more - that is no longer the case. Fees are competitive

It's complicated. Yes, some issues are. For example, executive pay, child labour and tax arrangements. But these issues are increasingly being considered by society and investors. If you consider them you are joining a growing, forward trend.

Government guidance to trustee decision-making includes considering...

1) Is the proposed decision in the best interests of the charity?

2) If the proposed decision affects the charity's activities, is it consistent with the charity's objects?

3) What are the risks/benefits of the proposed decision?

4) How could this affect the charity's reputation? Are there any steps the charity should take to manage or mitigate reputational risks?

5) Will the decision affect the future ability of the charity to further its purpose effectively? If it will have a negative impact, can it still be clearly justified as being in the charity's interests? **Visit www.yougov.uk.**

Next Steps...

1) Read more about 'good money' and charities at www.goodmoneyweek.com
2) Read the UKSIF report (2016) on Charity Law, fiduciary duty and next steps.
3) Visit www.charitySRI.org