



PRESS RELEASE

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Most big charities are now investing ethically

Over half of large UK charities have an ethical investment policy, according to a survey conducted by the Charity Finance Directors' Group ('CFDG') and the EIRIS Foundation. The survey of 164 CFDG members found that 60% of charities with investments over £1million had an ethical investment policy. Meanwhile only 25% of smaller charities with investments of under £1million invest ethically.

The key reasons charities gave for investing ethically were avoiding conflicts with the charity's aims and activities and reputational risk. These were followed by concern about alienating supporters and donors. This suggests a growing understanding of the importance of investments in risk management and the danger of undermining charitable activities.

The motivation for charities to protect their reputation and relationships with donors is confirmed by the finding that fundraising charities are more likely to invest ethically than other types of charities. 70% of fundraising charities had an ethical investment policy compared to 59% of grant-makers and 32% of service provision charities.

There are encouraging signs that more charities plan to adopt ethical investment, 32% of charities that do not currently invest ethically are planning to discuss the issue in the coming year.

But there are still a number of issues which prevent more charities from investing ethically. Key barriers identified include concerns that ethical investment would lead to lower returns (identified by 40%), concerns over the legality of ethical investment in terms of their duty to maximise returns (28%), lack of staff resources (25%) and perceived complexity (24%). Many recent studies suggest, however, that ethical investment does not have to mean a reduction in returns, and that well-chosen ethical

stocks within a balanced portfolio can present equal or better returns compared to non-ethical investments.

Keith Hickey, CFDG chief executive said, "in many charities there is now a clear business case for ethical investment, where financial returns, strategic planning and reputation management are coming together to drive charities forward."

Sam Collin, Charity Adviser at the EIRIS Foundation commented, "It is encouraging to see that many charities now invest in line with their aims. But there is still much work to do to ensure that all charities are not putting their reputation and stakeholder relationships at risk through their financial decisions. The best practice work we are doing with CFDG should help to dispel some of the myths that exist around ethical investment."

CFDG will be publishing guidance for charity finance professionals on the barriers to ethical investment around the end of the year. The guidance is kindly being sponsored by Newton Investment Management Ltd, and will include contributions from Bates, Wells and Braithwaite and the EIRIS Foundation Charity Project.

Other key findings from the survey include:

- Overall, 46% of respondents had an ethical investment policy
- Of those investing ethically, 88% use negative screens, 25% use positive screens, 19% engage with companies via their fund managers and 9% vote shares on ethical issues.
- The most avoided areas were tobacco (85%), followed by pornography (50%), military involvement (48%), alcohol (36%) and gambling (33%).
- The drive for ethical investment comes mainly from trustees (75%), followed by finance directors (45%), supporters (31%) and chief executives (28%)

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Notes to Editor:

1. For further information please contact our Policy and Campaigns Officer, Kate Hand, on Tel: 020 7785 6419 or email: kate.hand@cfdg.org.uk.
2. The Charity Finance Directors' Group was set up in 1987 and is an umbrella group that specialises in helping charities to manage their finance-related functions. CFDG's circa 1,600 plus members are responsible for the finances of

charities with a wide variety of income levels. Between them our members manage some £14.7 billion in charity income per year.

3. The EIRIS Foundation is a charity, established in 1983, that supports ethical investment. The EIRIS Foundation's charity project increases awareness and understanding of responsible investment amongst charities. It has developed a website (www.charitysri.org) which provides clear, accessible and independent information on SRI for charities, their supporters and advisers. Ethical Investment Research Services (EIRIS) Ltd, a subsidiary company of the Foundation, provides the independent research into corporate social, environmental and ethical performance that is needed by investors to make informed and responsible investment decisions.
4. Newton Investment Management Ltd manages over £34.2 billion on behalf of charities, institutions and individuals. £3.2 billion is managed for more than 400 charities. Charity investment services include a segregated portfolio management service as well as a balanced charity common investment fund, the Global Growth & Income Fund for Charities. More than half the charitable assets are governed by charity-specific SRI and ethical policies and the team provides bespoke screening and policy guidance to clients. Charities are managed by an established team of specialist charity portfolio managers and charity client services staff, who work closely with charity trustees and staff.