CHARITY SRI Helping charities invest responsibly

NEWS RELEASE
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Two-thirds of charity advisers now asking the ethical question

But charity financial advisers could do more to help ensure charities invest in line with their mission, survey finds.

Latest research from the EIRIS Foundation Charity project and the Charity Finance Directors Group (CFDG) finds that 87% of UK charities with an ethical investment policy said that their financial adviser has asked them about incorporating ethical issues within their investments. However, for those charities without an ethical investment policy, only 43% of charities said their adviser has asked about ethical investment.

Socially responsible investment (SRI) enables charities to invest in line with their mission, avoiding conflicts with their work and risks to their reputation. Over 90% of the general public believe that charities should invest ethically, but practice still falls a long way short of this.

Investment advisers and consultants can play a crucial role in the decisions that charities make about their investments and whether to consider social, environmental, ethical or governance factors. However, some advisers have been criticised for discouraging charities from considering ethical or socially responsible investment (SRI) and linking their investments with mission.

Are Charity Consultants Helping or Hindering the Development of SRI probes charity advisers' current thinking on SRI, how they see their role in the evolving SRI market and what would increase the take up of SRI by charity investors. It compares the views of charities and evidence from the wider SRI sector to explore the real and perceived barriers to change.

Key findings

- **15% of charities without an ethical policy said that advisers were discouraging or very discouraging**. This compares to 4% of charities with an ethical policy.
- **Some advisers do not see it as their role to ask charity investors about SRI** particularly if it is a charity with broad aims and objectives.
- **Advisers are less likely to ask charities about SRI if they don't already have an ethical investment policy** - and may be more likely to be discouraging where no such policy is in place.

- **Advisers agree that the consideration of social and environmental risks should not harm returns in the long-term, and could improve them.** But many focus charity clients' attention more on short-term potential risks of under-performance and volatility, even though studies repeatedly show that investing ethically does not mean that financial performance has to be sacrificed.
- **Advisers identified a lack of appropriate products** as a key limiting factor to the promotion and take-up of SRI.

Advisers also feel that some trustees are uncertain about their role in 'imposing ethical considerations'. But as one adviser commented, 'Trustees need to change their view of their obligations - they are not in a moral vacuum and they can go beyond their governing documents.'

Report author Sam Collin said 'Many of the challenges raised by advisers could be easily overcome. The intermediary role of advisers means that they could be doing more to breakdown the perceived barriers, provide clear and up to date information to trustees and communicate gaps in unmet demand to service providers.'

'Issues such as corporate governance and climate change have a higher profile than ever before in the investment community. As the significance of ESG issues is increasingly recognised by mainstream investors the market for advice on responsible investment is also set to grow. Being at the forefront of new developments could help advisers take advantage of this growth' she concluded.

The report recommends that advisers could do more to:

- Raise SRI issues with all charities
- Provide information and training to trustees
- Include environmental, social and governance (ESG) issues in standard reviews of investment managers
- Keep informed of the latest developments
- Communicate market gaps to fund managers

Click here (http://www.charitysri.org/homearea/documents/charityadviserdiscussionpaper.pdf) to download a copy of the research.

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Notes to editors:

1. The EIRIS Foundation charity project increases awareness and understanding of responsible investment amongst charities. It builds the capacity of the charity sector to develop and implement a socially responsible investment (SRI) policy through conducting research, producing resources and publications and organising events. It has also developed a website (www.charitysri.org) which provides clear, accessible and independent information on SRI for charities, their supporters and advisers.
2. The EIRIS Foundation (www.eirisfoundation.org) is a charity, established in 1983, that supports ethical investment. It researches the social and ethical aspects of companies and provides other charities with information and advice to enable them to choose investments which do not conflict with their work. 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 as well as by charities wishing to screen their donors or suppliers.

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