



Helping charities  
invest responsibly

## NEWS RELEASE

Monday 18 May 2009

# Trusts and foundations should think again on financial risks

**Trusts and foundations should consider environmental, social and governance (ESG) risks and opportunities in their investments to safeguard value and protect the interests of future beneficiaries –according to new research released today by the EIRIS Foundation.**

*Sustainable returns: The value of environmental, social and governance factors for Foundation investments* examines why issues such as climate change and corporate governance pose financial risks and opportunities for trusts and foundations.

Despite their role in supporting pioneering social and environmental projects through grants, many trusts and foundations are still lagging behind other asset owners when it comes to responsible investment. This can lead to significant conflicts between mission and investments.

The financial crisis has shown the risks that all investors, including trusts and foundations, are exposed to. It highlighted the importance of responsible ownership and long-term investing which require accountability, transparency, and the consideration of 'extra-financial' research in the investment process.

The EIRIS Foundation's new report sets out why these values make sound financial sense for trusts and foundations. It explores the growing body of evidence to show how the integration of ESG risks and opportunities into investment can safeguard and enhance value for shareowners.

The paper also highlights the following steps that trusts and foundations should take to ensure they are managing investments in a responsible and sustainable way:

- 1) Agree a position on responsible investment
- 2) Research investment manager's expertise and practice in ESG integration
- 3) Include ESG integration in the investment mandate
- 4) Join collaborative initiatives, such as the Carbon Disclosure Project
- 5) Vote shares on ESG related issues



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- 6) Engage with companies directly or via investment managers
- 7) Invest in sustainability-themed funds such as greentech, microfinance or timber
- 8) Invest in responsible investment funds that use ESG integration

Report author Sam Collin, Charity Adviser at the EIRIS Foundation, said 'Responsible investment is nothing new – some charities have been doing this for decades. There is compelling evidence that ESG issues have a financial impact and this shouldn't be ignored by trusts and foundations. This fits clearly with the fiduciary duties of trustees and with Charity Commission guidance. Trusts and foundations that fail to take ESG issues into account could be seen as acting imprudently and failing to secure their long term financial sustainability.'

Alastair Hanton, Chair of the EIRIS Foundation, added 'The integration of ESG factors into investment processes is now recognised by the mainstream as a way to enhance value – as demonstrated by the \$18 trillion worth of signatories to the United Nations Principles for Responsible Investment. It's not enough to just assume that ESG issues are being integrated into the investment process. Acting as responsible owners, trusts and foundations should question and encourage their asset managers to adopt and implement best practice in responsible investment.'

### Press contacts:

Mark Robertson, EIRIS, 020 7840 5741, 07950 931313  
[mark.robertson@eiris.org](mailto:mark.robertson@eiris.org)

Sam Collin, EIRIS Foundation Charity Project, 020 7840 5738  
[sam.collin@eiris.org](mailto:sam.collin@eiris.org)

### 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](http://www.charitysri.org)) which provides clear, accessible and independent information on SRI for charities, their supporters and advisers.
2. The EIRIS Foundation ([www.eiris.org](http://www.eiris.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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