Responsible Investment by Charities: the Role of Pooled Funds

A guide for charity trustees

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EIRIS Foundation Charity Project

EIRIS Foundation

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Executive Summary

Many charities invest in pooled funds specifically designed for charities. These can allow investors with a similar profile to pool investments and benefit from reduced costs and low minimum investment levels.

This guide explores how well charity pooled funds cater for the increasing number of charities that are developing responsible investment policies. It is designed to help trustees consider how their social, environmental or ethical concerns can be incorporated into their charity's investment choices and to help fund managers consider where there may be room for development and innovation to meet unmet needs.

This guide outlines the policies of charity pooled funds in relation to environmental, social, governance (ESG) and ethical issues. At the time of writing both the future regulation of Common Investment Funds (CIFs) – the most common form of charity pooled fund – and the Charity Commission's guidance on investment, including ethical investment, are under review. It is therefore, a good moment to review current practice and look at opportunities for future development.

The term responsible investment refers to the incorporation of ESG or ethical issues into investment decisions and ownership practices. It is possible to invest responsibly whilst meeting the legal duties of trustees and without sacrificing financial returns.

Since the first edition of this guide was produced in October 2006, there have been many developments in the responsible investment sector. The EIRIS Foundation Charity Project, which provides responsible investment resources and events for charities, has facilitated greater awareness, debate and take up of responsible investment from across the charity sector. A survey conducted by the Charity Finance Directors Group and EIRIS Foundation in early 2009 revealed that 60% of charities with investments over £1 million had an ethical investment policy. The survey found encouraging signs that more charities were planning to adopt ethical investment with 32% of charities that did not invest ethically planning to discuss the issue in the coming year.

This guide is based on information obtained from 44 pooled funds open only to charity investors. These funds offer investment opportunities in equities, cash, fixed interest, property and hedge fund asset classes.

As pooled investment funds strive to cater for the needs and approaches of a variety of investors, individual investors have limited influence over the responsible investment strategies employed. It is therefore important that charities seek clear information on the responsible investment approaches of funds when deciding where to invest.

Key Findings

By far the most common responsible investment issue considered by charity pooled funds is tobacco. This is screened out by 27 funds. Fourteen of these funds go beyond this to employ other screens. These are predominantly negative screens and the focus and level of rigor varies. The most common issues considered are:

Tobacco (considered by 27 funds)
Military (13)
Pornography (13)
Gambling (11)
Alcohol (7)
Human Rights (4)
Animal Testing (3)
Environment (3)
Labour Standards and Supply Chains (2)

Some funds also have an engagement and voting policy in relation to ESG and ethical issues. This is, in the main, in line with the engagement policy of the fund manager across all of the funds that they manage. Eleven fund managers provided details of their policies in relation to ESG and ethical issues that apply to their charity funds: A charity may wish to question fund managers in more detail about their policies and practice in relation to engagement to assess how well this meets the charity's needs.

Integration occurs when the fund manager includes potentially material ESG risks and opportunities into the normal investment analysis, stock weighting and/ or stock selection processes. There is growing evidence that the consideration of ESG factors in investment management and ownership processes is an astute financial decision and can be used to safeguard and enhance returns.

Trustees may agree with this view and wish to ensure that their fund provider is taking account of ESG risks and opportunities in their investment decisions. Fund manager assessments have been produced by organisations such as FairPensions[1], and it is possible to see which fund managers are signatories to the UN Principles for Responsible Investment (UN PRI). Signatories to the UN PRI commit to a series of voluntary and aspirational principles which provide a menu of possible actions for incorporating ESG issues into mainstream investment decision-making and ownership practices.

Relatively few of the fund managers included in our survey provided details of a clear policy on engagement, voting and integration.

This guide highlights that:

- there remains a limited choice of pooled charity funds with responsible investment criteria beyond tobacco screens.
- the funds with responsible investment criteria tend to be faith-based and focus on 'sin stocks' such as alcohol, gambling and pornography.
- relatively few of the fund managers included in our survey provided details of a clear policy on engagement, voting and integration.
- given its financial relevance, all charity investors should consider how their fund manager integrates ESG risks and opportunities into their investment decisions and ownership practices.
- trustees may want to encourage fund managers to be more transparent and explicit about their responsible investment policies and practices.
- there may be latent demand for more charity pooled funds that reflect current trends in responsible investment and focus on climate change, human rights and labour standards.
- it may be a good time to develop a pooled charity fund that focuses on high impact mission related investment.

The FSA is likely to take over the regulation of charity pooled funds in 2010. If CIFs are no longer registered charities there could be more scope to include responsible investment criteria in funds provided. Some fund managers maintain that current Charity Commission regulation prevents them from offering any form of responsible investment CIF. The Charity Commission's CC14 guidance on the investment of charity funds is also under review. Changes in guidance on ethical investment and changes in the regulation of funds could increase the scope for responsible investment charity funds and bring clarity to the limitations and opportunities that trustees have around responsible investment.

Fund managers are only likely to develop new funds or adapt the policies of existing funds if they perceive that there is demand from charities. Charities should therefore communicate clearly to fund managers and advisers if there are no charity pooled funds which meet their responsible investment objectives.

[1] FairPensions (2008) 'Investor Responsibility? UK Fund Managers' Performance and Accountability on 'Extra-Financial' Risks'

1 Introduction

Charity pooled funds, such as Common Investment Funds (CIFs), are a central component of many charities' investment approaches. This guide explores how well they cater for the increasing number of charities that are developing responsible investment policies.

This guide has been prepared primarily for charity trustees. It is hoped that it will help trustees to consider how their social, environmental or ethical concerns can be incorporated into their charity's investment choices.

The first edition of this guide was produced in October 2006 in partnership with UKSIF. Since then there have been many developments in the responsible investment sector, including new initiatives, approaches and participants. The EIRIS Foundation Charity Project, which provides responsible investment resources and events for charities, has facilitated greater interest, debate and take up of responsible investment from across the charity sector.

Since its launch in April 2006 the UN Principles for Responsible Investment has played an increasingly significant role in promoting good practice in the integration of environmental, social and governance (ESG) issues into investment decisions and ownership practices. Over 560 organisations, representing US$18 trillion in assets, have now signed up to the principles – an indication of the growing recognition amongst mainstream investors that ESG issues can impact long-term financial value.[2]

Increasing numbers of individuals and institutional investors are looking to invest responsibly. By the end of 2008, £6.8 billion was invested in green and ethical retail funds in the UK.[3] At the end of 2007 the broad SRI market in Europe reached 2.7 trillion. This represented as much as 17.5% of the asset management industry in Europe and reflected a growth of 102% in two years.[4]

Within the charity and foundation sector a lot of discussion has focused on mission investment – investing to meet social and environmental goals as well as financial goals. There are now more opportunities to invest in line with mission and more initiatives exist to increase the opportunities and appetite for mission investment. The More for Mission campaign, for example, challenges foundations to increase the percentage of their endowment allocated to mission investments, and to help other foundation endowments to do the same.[5]

A survey conducted by the Charity Finance Directors Group and EIRIS Foundation in early 2009 revealed that 60% of charities with investments over £1 million had an ethical investment policy, but only 25% of charities with investments of less than £1 million had such a policy. The survey found encouraging signs that more charities were planning to adopt ethical investment, 32% of charities that did not currently invest ethically were planning to discuss the issue in the coming year.[6]

Since the first edition of this guide was produced the credit crunch and financial crisis has hit the investment community. The stock market turmoil caused many investors to reflect on the risks that they may be exposed to and the ways that companies were managing risks. It drew attention to the role of shareholders as owners, and the significance of acting as responsible owners.

The prominence of climate change as an issue that requires the urgent attention of governments, business, society and investors has also risen significantly in the last three years. Nicholas Stern[7], amongst many others, has warned that the economic consequences of not addressing climate change will be greater than those of the recent financial crisis. There is a growing consensus that climate change will have financial implications for all companies and poses a systemic risk to investors. Investor initiatives such as the Carbon Disclosure Project and Institutional Investors Group on Climate Change are working with companies to understand and address the impacts of climate change.

[2] See UNPRI, www.unpri.org
[3] http://www.eiris.org/news/statistics.html
[4] Eurosif (2008) "European SRI Study 2008"
[5] See More for Mission, www.moreformission.org
[6] see www.charitysri.org/homearea/news.html#CFDG_survey Full survey results available in 2010.
[7] Stern, N. (2006) "Stern Review: The Economics of Climate Change"

1.1 What is Responsible Investment?

The term 'responsible investment' refers to the incorporation of environmental, social, governance or ethical issues into investment decisions and ownership practices.

The terms ethical, sustainable or socially responsible investment (SRI) can also be used for these investment strategies. Responsible investment can encompass a range of approaches. These can be used individually or in combination:

Positive screening

Positive screening involves investing in companies with a commitment to responsible business practices, that produce positive products and services or that address environmental or social challenges. It can be used to further the aims of your charity and to encourage responsible business practices. Forms of positive screening include:

- investing in companies that sell positive products – for example educational materials or essential necessities of life (food, clothing, electricity, water, housing)
- thematic investing – focussed on specific areas such as environmental technology
- a best-in-class approach – favouring investments with best practice amongst sector peers.

Negative screening

Negative screening involves avoiding investments that do not meet your ESG or ethical criteria. Negative screening can involve avoiding investments in certain companies or sectors. It is possible to set materiality thresholds to determine which investments will be excluded – for example avoiding companies which derive more than 10% of turnover from gambling, rather than avoiding companies with any involvement in gambling. It is also possible to avoid the worst performing companies within a particular sector, for example those with the poorest human rights record.

Engagement and voting

Engagement is the process by which investors seek to maintain or improve corporate ESG or ethical policy, management or performance. Engagement can be used to encourage more responsible business practices. It usually takes the form of dialogue with companies or voting at Annual General Meetings (AGMs) and is typically carried out by fund managers on behalf of investors.

Integration

Integration is the process by which fund managers include potentially material ESG and ethical risks and opportunities into normal investment analysis, stock weighting and/or stock selection processes. It is based on the premise that extra financial criteria can have an impact on the financial bottom line in the long-term.

Sections two and three of this guide explore how managers of charity pooled funds may use a combination of these approaches.

1.2 Why Choose Responsible Investment?

The main reasons for adopting responsible investment include:

- avoiding risks to your reputation
- concern about alienating supporters, beneficiaries and staff
- avoiding conflict with your charity's aims
- using investments to further the work of your charity
- using investments to influence corporate behaviour
- addressing financially-relevant ESG and ethical risks
- acting as a responsible owner

1.3 What are the Financial and Legal Implications of Responsible Investment?

Legal issues

Trustees are required to invest to further the purposes of the charity. This is usually seen as being achieved by seeking the best return from investments at an acceptable level of risk. The Charity Commission recognises that an ethical investment policy may be entirely consistent with this.

The Charity Commission currently recognises three situations where the investment strategy can be governed by considerations other than level of investment return. These are where:

- investment in a particular type of business would conflict with the charity's aims
- an investment might hamper its work, either by making potential beneficiaries unwilling to be helped because of the source of the charity's money, or by alienating supporters
- if an investment does not come into either of the previous two categories, trustees can accommodate the views of those who consider it to be inappropriate on moral grounds, provided that they are satisfied that this would not involve 'a risk of significant financial detriment'.

The Commission recognises that a charity may wish to influence a company both to ensure that its business is conducted in the charity's best financial interests and that its business does not conflict with the charity's responsible investment policy.

The Charity Commission has been consulting on its ethical investment guidance and is due to revise its investment guidance (CC14) in late 2009.

A study by leading international law firm Freshfields Bruckhaus Deringer for the United Nations Environment Programme's Finance Initiative (UNEP FI) also considered the legal implications of integrating ESG considerations into investment decisions. The study was primarily focused on pension funds but its findings are relevant for all long-term institutional investors, which can include foundations and charities.

In the firm's legal opinion, 'it may be a breach of fiduciary duties to fail to take account of ESG considerations that are relevant and to give them appropriate weight, bearing in mind that some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG performance and good financial performance exists.' Freshfields also states that, 'we think there is a strong argument that there will be a class of investments that could reasonably be assumed offensive to the average beneficiary such that they could lawfully be excluded from an investment portfolio without all the beneficiaries' express consent. That class of investments will not be fixed and a conservative approach is advisable, but the types of investment that might fall into that class include investments that are linked to clear breaches of widely recognised norms, such as international conventions on human rights, labour conditions, tackling corruption and environmental protection.'[8]

A 2009 sequel to the report extends the legal arguments for ESG responsibility and provides a legal roadmap for fiduciaries looking for concrete steps to operationalise their commitment to responsible investment. It also asserts that Institutional investment consultants and fund managers face a "very real risk" of being sued for negligence if they are not proactive in incorporating ESG factors into legal contracts with clients. The report highlights commentary from Lord McKenzie during the passage of the UK Pensions Bill in 2008 that there was no reason in law why trustees could not consider social and moral criteria in addition to their usual criteria of financial returns, security and diversification.[9]

[8] Freshfields Bruckhaus Deringer (2005) "A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment" (UNEP Finance Initiative).
[9] Asset Management Working group of the UNEP FI (2009) "Fiduciary Responsibility – Legal and Practical Aspects of Integrating Environmental, Social and Governance Issues into Institutional Investment"

Financial returns

All charities will be concerned that their investments provide good financial returns. There are now many years of practical experience that demonstrate that ethical funds need not under-perform. In fact a well-managed, balanced ethical portfolio can outperform its non-ethical peers.

The degree to which a particular responsible investment approach has a beneficial or a detrimental impact on performance will primarily rest with the skill of the fund manager and their team – and in particular their stock selection abilities.

Studies of responsible investment and financial performance include:

- Margolis and Walsh synthesised 80 studies on SRI portfolios, and found that more than 50% of the studies indicated a positive link between CSR practice by companies and SRI fund performance. 5% of these studies showed a negative link, whilst the remainder failed to evidence the link. Thus, the conclusions testify largely to a neutral or positive link.[10]
- An analysis of 52 quantitative studies produced over 30 years, by the University of Sydney found a statistically significant association between corporate social performance and financial performance exists, which varies "from highly positive to modestly positive."[11]
- A 2008 survey conducted by independent investment consultants Jewson Associates reported that investment in ethical funds does not automatically lead to poor performance. The survey, commissioned by Oxford University, found that SRI funds can perform better than non-SRI funds, but levels of volatility or risk may be higher. The review compared UK, US, European and global equity SRI funds with non-SRI funds over a ten year period.[12]
- In 2007, UNEP FI and Mercer reviewed academic and broker research on the relationship between ESG factors and portfolio performance. Of 20 academic studies, it found evidence of a positive relationship in half of these, with seven reporting a neutral effect and three a negative association. The study also comments 'we are already seeing evidence of materiality in the returns that ESG integrated strategies are producing amongst practitioners (as evidenced by the broker studies also reviewed in this report).'[13]

A focus on ESG issues can enhance understanding of how companies are likely to adapt, excel or suffer in a changing context. The inclusion of ESG factors in investment analysis can help to mitigate risks and take advantage of opportunities, and thus can have an impact on financial performance. The UNEP FI Asset Management Working Group commissioned a study into the links between ESG issues, financial value and company profitability. The study concludes:

1) ESG issues are material – there is robust evidence that ESG issues affect shareholder value in both the short and long term.
2) The impact of ESG issues on share price can be valued and quantified.[14]

1.4 How to Develop a Responsible Investment Policy

Any charity wishing to align their investments and mission and looking to consider ESG and ethical issues in their investment decisions, should have a responsible investment policy. Developing a policy enables trustees to agree and articulate the motivation for investing responsibly, the ESG and ethical issues they wish to address and the preferred approach to positive and negative screening, engagement, voting and integration. Advisers, research providers

[10] Margolis, J. D. and Walsh, J. P. (2001) "People and Profits? The Search for a Link between a Company's Social and Financial Performance
[11] Orlitzky, M (University of Sydney) and Schmidt, F and Rynes, S (University of Iowa). (2003) "Corporate Social and Financial Performance"
[12] Jewson Associates (2008), "An SRI Paper"
[13] United Nations Environment Programme Finance Initiative and Mercer (2007) 'Demystifying Responsible investment Performance: A review of key academic and broker research on ESG factors'
[14] UNEP Finance Initiative Asset Management Working Group (2006) 'Show Me The Money: Linking Environmental, Social and Governance Issues to Company Value'

and investment managers can help charities to ensure that their policy is realistic and implementable. A pragmatic approach may be needed, particularly if your charity is investing in pooled funds.

Further guidance on the process of developing and implementing a policy and on the selection of funds and fund managers can be found at **www.charitysri.org/for_charities/developing.html**

As with other parts of the investment process, many trustees delegate responsible investment to fund managers. Therefore the transparency of fund managers and clear mandates are important – trustees are not necessarily expected to become complete experts in responsible investment.

1.5 What are Common Investment Funds (CIFs)?

CIFs, constituted as charities in their own right, are pooled investment vehicles –similar to unit trusts – specifically set up for charities. Charities in the UK can invest in CIFs, which offer investment opportunities in equities, cash, fixed interest, property and hedge fund asset classes.

CIFs have proved to be popular investment vehicles for charities. As of July 2008, there were 45 CIFs with total assets under management of just over £8.2 billion.[15] The advantages of investing in CIFs include:

- they qualify for the charitable exemptions from income tax and capital gains tax
- they are exempt from stamp duty on the purchase of UK equities
- they provide diversification to reduce risk
- minimum investment levels are low
- they allow charities to invest together with other charities with similar risk profiles and income requirements
- they are administratively simple as they are able to distribute income gross of tax where applicable (avoiding the need to make a reclaim)

Many charities also invest through other forms of pooled funds, such as OEICs and unit trusts, which are not specifically for charities. Whilst these funds do not provide the same tax relief as CIFs, they can give access to a wide range of cost effective investment choices which also provide diversification and reduce risk.[16]

Whilst CIFs are currently regulated by the Charity Commission it should be noted that this does not mean the Charity Commission makes any judgement on the acceptability of risk or performance and it is not a 'kitemark' of quality. Charities must take proper advice when making investments.

The rules on charities and responsible investment discussed above equally apply to CIFs. The trustees of a CIF have a duty to ensure that any responsible investment policy is consistent with the above principles (and their general duties as trustees). Likewise the trustees of any charity investing in that CIF would have the same duty.

The Budget statement of April 2009 proposed changes to the regulation of CIFs. HM Treasury issued a proposal in July 2009 to replace CIFs and common deposit funds with a new type of authorised investment fund (AIF), the charity AIF, which would be open only to charity investors and authorised and regulated by the Financial Services Authority (FSA). Under the proposals the charity AIF would not be a registered charity, but a generous tax regime would be preserved. Consultation on the proposal closed in October 2009.

[15] http://www.charity-commission.gov.uk/supportingcharities/cifs.asp
[16] It should be noted that this paper does not represent an endorsement of CIFs over any other type of investment.

1.6 How this Guide was Constructed

The Charity Commission lists all CIFs in its booklet Common Investment Funds – A basic guide to their regulation. For this guide, we contacted all of the providers of the 45 CIFs to ask for information about their funds, particularly information on any responsible investment approach. Two additional pooled funds which are offered only to charities were also included in the survey, along with a CIF due to be launched in early 2010.

Information was obtained on 44 funds. Before this guide was completed, each fund manager was given an opportunity to comment on the information regarding their funds.

2 Environmental, Social, Governance and Ethical Issues

Pooled investment funds strive to cater for the needs and approaches of a variety of investors. Individual investors may have limited influence over the responsible investment strategies employed. It is therefore, important that charities seek sufficient information from fund managers to make an informed and balanced judgement on whether the responsible investment policy of a pooled fund meets trustee expectations.

ESG and ethical issues can be considered by fund managers through positive and negative screens, engagement and integration. This section looks at the most common ESG and ethical issues that are explicitly part of the responsible investment strategy of charity pooled funds. Whilst this has led to a focus on "traditional" negative screening issues, there is a recognition that broader environmental and social challenges can affect corporate financial performance as well as being integrally linked to the mission of many charities and foundations.

2.1 Environment

The issue

The environment is a very broad issue and can encompass a variety of factors and activities including:

- environmental management, policy, reporting and performance
- chemicals of concern
- climate change and greenhouse gases
- mining and quarrying
- nuclear power
- sustainable timber
- pollution
- water pollution
- biodiversity

Its relevance for charities

Environmental issues are likely to be of relevance to all charities especially as companies that have a poor record of environmental management or performance could be a riskier investment financially and/or subject to future litigation. Such companies may not be well placed to deal with the environmental challenges facing them and the planet. The issue is of particular concern to environmental, wildlife and conservation charities.

As highlighted earlier, the implications of climate change will be relevant for all investors, and all companies. Factors such as regulation, licence to operate, the price of energy and carbon trading schemes, changing weather patterns and the resulting impact on resources, reputational issues as well as the cost (and opportunity) of the transition to a post-carbon economy all serve to underline the substantial financial relevance of climate change for investors. It is therefore surprising that very few charity pooled funds mention climate change in their investment policy.

How fund managers may incorporate the issue into investments

It is possible to use positive screening, negative screening and engagement approaches in relation to environmental issues. If a fund manager is approaching responsible investment from the perspective of ESG or ethical risk management, it is likely to pay particular attention to companies which have a high exposure to this area and seek to understand how these companies will manage and mitigate the resulting risks in order to better safeguard longer term investments.

Funds with an environment screen
CAF Socially Responsible Portfolio
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities

In addition, the CCLA funds will focus on climate change disclosure in their engagement approach.

2.2 Human Rights

The issue
Human rights have become central to the corporate social responsibility agenda over the last few years. This is partly driven by the debate about whether globalisation is detrimental or beneficial for developing countries. It is also partly driven by concern about whether corporate behaviour is reinforcing or undermining human rights.

A number of campaigns focusing on corporate behaviour, recently in Burma and Sudan, have placed the spotlight on particular countries where human rights are seen as most at risk (whilst not detracting from the fact that violations of human rights may occur in all countries).

While governments have primary responsibility to promote and protect human rights, corporations and other organs of society also have responsibilities. Companies are increasingly assessed on their wider impact on fundamental human rights in their operations in countries where oppressive regimes, weak governance and conflict hold sway. Investors have traditionally boycotted certain countries however it is argued more and more that countries need investment to improve basic social and economic rights. Increasingly, it is what the company does in a country that is of interest.

Its relevance for charities
Allegations of human rights abuses can potentially damage a company's reputation and financial returns so all charities may want to be sure that such companies have appropriately managed these risks. This issue may be of particular interest to charities working in the areas of international development, aid and human rights, as well as to religious groups.

How fund managers may incorporate the issue into investments
Assessing a company's performance on human rights issues is not always straightforward. It is possible to avoid investing in or engaging with companies that poorly manage the risks associated with:

- operating in countries with "oppressive regimes" or specific countries – such as Burma
- operating in such countries but with insufficient human rights policies and systems

  or companies which:
- have been the subject of allegations of breaches of human rights principles
- have been the subject of allegations of breaches of international labour standards

Some fund managers adopt a best in class approach to the issue – investing in companies with the best record on human rights issues within their sector or geographic area.

Funds with a human rights screen
CAF Socially Responsible Portfolio
CCLA COIF Charities Ethical Investment Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities

In addition, the CCLA funds have a focus on violations of international conventions and norms in the area of human rights in their engagement approach.

2.3 Labour Standards and Supply Chains

The issue

The quality of working conditions and the use of child labour in global supply chains is a high profile issue. An ever growing number of products are being assembled or processed in multiple countries. More attention is now being paid to the working conditions prevalent in developing countries and/or those with poor human rights records. These countries may be less able, due to factors including lack of resources, to ensure that basic minimum standards are maintained in all workplaces. Whilst many cases of abuse and exploitative conditions have been located in poorer countries, it is also widely acknowledged that trade and foreign investment generate far more employment and wealth in developing countries than is provided by foreign aid projects. Hence, many development organisations consider it vital to ensure that raising concerns about working conditions does not unduly undermine such benefits or lead to 'back door protectionism' by wealthy countries.

John Ruggie, the UN Special Representative of the Secretary General on business and human rights has indicated that supply chain labour standards come under the 'protect, respect and remedy' framework that he has outlined for human rights. In his 2009 report to the Human Rights Council he states that 'supply chains pose their own issues. It is often overlooked that suppliers are also companies, subject to the same responsibility to respect human rights as any other business. The challenge for buyers is to ensure they are not complicit in violations by their suppliers'.[17]

Its relevance for charities

The good management of labour standards and supply chains can avoid or minimise potential reputational and litigation risks. It is also seen by some as a proxy for good management. This issue may be of particular interest to charities working on issues of human rights, equal opportunities, child welfare and health and safety.

Alleged breaches of labour rights in company supply chains tend to be high profile. To mitigate potential financial risk all investors might want to consider ensuring that companies with a high exposure to this area – like retailers and clothing makers – have properly managed these risks. This issue may be particularly relevant to development and human rights charities, and those working to alleviate poverty in developing countries.

How fund managers may incorporate the issue into investments

It is possible to assess companies on their labour standards and supply chains. Such information could be used to screen out the worst performing companies, or screen in the best performers. In addition companies can be engaged with to improve their policies and management of such risks. Specific criteria could include:

Evidence of policies, systems and reporting on:

- maintaining good relations with customers and/or suppliers
- labour standards in their own operations
- global supply chain standards

It may also be possible to screen out companies which have allegations of breaches of international labour standards in their supply chains and to engage with companies on stakeholder issues.

Broader labour and employment issues are also recognised as being fundamental to the financial success of companies. Good management of "Human Capital" can result in optimum staff recruitment and retention, greater productivity and an enhanced reputation. Issues and criteria include:

- treatment of stakeholders, including engagement and relationships
- equal opportunity and diversity issues
- job creation and security

[17] Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises (2009), 'Business and human rights: Towards operationalizing the "protect, respect and remedy" framework'

- maintaining good relations with customers and/or suppliers
- global supply chain standards
- employee relations
- employee training and development
- health and safety

Funds with a labour standards/supply chains screen

BlackRock Charifaith CIF
CAF Socially Responsible Portfolio

In addition, the CCLA funds will focus on violations of norms and conventions on employment practices in their engagement approach.

2.4 Tobacco

The issue

Tobacco is the largest cause of preventable death in the UK, claiming over 100,000 lives every year. It is responsible for at least 90% of deaths from lung cancer, chronic bronchitis and emphysema, and it is a factor in over 20% of all deaths from heart disease.

Its relevance for charities

The significant health impacts of tobacco may be of interest to all charities but will be of most concern to health charities.

How fund managers may incorporate the issue into investments

It is possible to use negative screens to avoid investing in companies that produce or sell tobacco. It is possible to focus only on tobacco producers, or apply materiality thresholds to exclude only companies that derive a particular proportion of their turnover from tobacco, for example avoiding only companies that derive 33% or above of turnover from tobacco sale or manufacture. It may also be possible to engage with companies on tobacco issues – for example in relation to the marketing of tobacco in the UK or developing countries.

Funds with tobacco screens

Tobacco is the most common negative screen employed by charity pooled funds.

Baring Targeted Return Fund
BlackRock Charifaith CIF
BlackRock Charishare Tobacco Restricted Fund
CAF Socially Responsible Portfolio
CAF UK Equity Growth Fund
Cazenove Equity Income Trust for Charities
Cazenove Growth Trust for Charities
Cazenove Income Trust for Charities
CCLA COIF Charities Fixed Interest Fund
CCLA COIF Charities Global Equity Income Fund
CCLA COIF Charities Ethical Investment Fund
CCLA COIF Charities Investment Fund
CCLA COIF Charities Property Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities
JP Morgan Bond Fund for Charities

JP Morgan UK Equity Fund for Charities
Lazard Diversified Charity Fund
M & G Charibond Common Investment Fund
M & G Charifund
National Association of Almshouses CIF
Newton Global Growth and Income Fund for Charities
Sarasin Alpha Common Investment Fund for Endowments
Sarasin Alpha Common Investment Fund for Income and Reserves
Schroder Charity Equity Fund
Schroder Charity Fixed Interest Fund
The Charities Property Fund

2.5 Alcohol

The issue

Although alcohol can be consumed without harm, it is also a toxic and addictive substance which causes illness, accidents, violence and family suffering. As evidence of the health risks associated with alcohol consumption becomes more widespread, manufacturers have sought replacement consumers and launched new products.

Its relevance for charities

Alcohol has been a long standing concern for some charity investors who are opposed to it on moral and religious grounds, for example Muslim organisations and some Christian organisations. Health, welfare and social services charities are also often concerned about this issue owing to its health and social effects.

How fund managers may incorporate the issue into investments

It is possible to apply negative screens in relation to alcohol. This can be focused on companies that manufacture and/or sell alcohol products. A materiality threshold can be applied – for example avoiding only companies that derive 33% or above of turnover from alcohol sale or manufacture. It is also possible to engage with companies in relation to issues such as the marketing of alcoholic drinks.

Funds with alcohol screens

CAF Socially Responsible Portfolio
CCLA COIF Charities Ethical Investment Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities
Sarasin Alpha Common Investment Fund for Endowments
Sarasin Alpha Common Investment Fund for Income and Reserves
The Charities Property Fund

In addition, the CCLA COIF Charities Investment Fund, COIF Charities Fixed Interest Fund and COIF Charities Global Equity Income Fund will focus on poor sales and marketing practices relating to alcohol in its engagement with companies. This process could lead to exclusion from 2013.

2.6 Gambling

The issue

With the advent of the National Lottery and the deregulation of the UK gambling industry there have been claims that addiction to gambling is on the increase in the UK. Interest in gambling has been highlighted by recent concerns over the increased accessibility of gambling, particularly through the internet and interactive TV, and the discussion over the development of a ‘super-casino’.

Its relevance for charities

Gambling is of concern for charity investors that are opposed to the activity on moral and religious grounds. Social service charities, particularly those dealing with addiction and its social impacts, are also often concerned about gambling.

Gambling concern groups, church bodies and the medical profession have criticised the lottery for encouraging compulsive behaviour, greed, poverty and illness. Children's organisations have also been critical of the lottery for encouraging under-age gambling.

How fund managers may incorporate the issue into investments

It is possible to apply negative screens in relation to gambling, screening out companies involved in gambling. A materiality threshold can be applied – for example avoiding only companies that derive 33% of turnover from gambling. This can include companies involved in the National Lottery. It may also be possible to engage with companies – for example, to assess how they are addressing issues of under-age gambling.

Funds with gambling screens

CAF Socially Responsible Portfolio
CCLA COIF Charities Fixed Interest Fund
CCLA COIF Charities Global Equity Income Fund
CCLA COIF Charities Ethical Investment Fund
CCLA COIF Charities Investment Fund
CCLA COIF Charities Property Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities
Sarasin Alpha Common Investment Fund for Endowments
Sarasin Alpha Common Investment Fund for Income and Reserves
The Charities Property Fund

2.7 Military

The issue

Military investments can cause concern to charity investors in both absolute and specific ways. Some people share the fundamental conviction that as the taking of human life is wrong, warfare is wrong also. For others, the use of military force is unacceptable when for offensive purposes. For many people, a specific area of concern is the proliferation of weapons in areas of political instability or conflict. In recent years there has been considerable public outcry over landmines and over arms exports to oppressive regimes.

Its relevance for charities

This issue may be of particular interest to social and religious groups that campaign for arms reduction, or object to arms trading on moral grounds. Other charities may have more specific concerns relating to the sale of specific military products (e.g. landmines or nuclear weapons systems) or exports to oppressive regimes.

Investment by charities in arms-exporting companies has been focused on by some campaigning groups. This may make the issue relevant to any charity concerned about potential risks to their reputation.

How fund managers may incorporate the issue into investments

It is possible to screen out companies involved in military production or sale. The exact criteria used for negative screens can vary. Considerations include:

- the nature of products or services sold to the military (whether this includes civilian products or services, such as non combat clothing, accommodation and office facilities)
- whether the company's products or services constitute all or part of a weapons system or a nuclear weapons system
- what international military sales activities the company is involved in
- the proportion of turnover received from military sales

It may also be possible to engage with companies on military issues.

Funds with a military screen

BlackRock Charifaith CIF
CAF Socially Responsible Portfolio
CCLA COIF Charities Fixed Interest Fund
CCLA COIF Charities Global Equity Income Fund
CCLA COIF Charities Ethical Investment Fund
CCLA COIF Charities Investment Fund
CCLA COIF Charities Property Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities
Lazard Diversified Charity Fund
Sarasin Alpha Common Investment Fund for Endowments
Sarasin Alpha Common Investment Fund for Income and Reserves
The Charities PropertyFund

2.8 Pornography

The issue

Current opponents of pornography argue that it is degrading to both men and women, transmitting the message that women are sex objects available solely for male gratification without any form of emotional attachment. There has been rising public concern recently about internet pornography, especially child pornography which is illegal, and also concern about children using the internet and accessing offensive material.

Its relevance for charities

Religious organisations and charities working on social welfare issues may find this issue of concern.

How fund managers may incorporate the issue into investments

It is possible to use negative screens to avoid investing in companies involved in pornography or adult entertainment services. Negative screens or engagement activity could focus on companies which:

- publish or wholesale pornographic magazines or newspapers
- distribute cut 18 certificate films or videos
- provide adult entertainment services (such as adult entertainment TV programmes or channels, table-dancing or lap-dancing, and sex shops)
- distribute pornographic material (e.g. via mobile phones)

Funds with a pornography screen

Baring Targeted Return Fund
BlackRock Charifaith CIF
CAF Socially Responsible Portfolio
CCLA COIF Charities Fixed Interest Fund
CCLA COIF Charities Global Equity Income Fund

CCLA COIF Charities Investment Fund
CCLA COIF Charities Ethical Investment Fund
CCLA COIF Charities Property Fund
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities
Sarasin Alpha Common Investment Fund for Endowments
Sarasin Alpha Common Investment Fund for Income and Reserves
The Charities Property Fund

2.9 Animal Testing

The issue

Animal welfare organisations have long campaigned against the use of laboratory animals to test the toxicity of chemicals in consumer products such as toiletries and cosmetics, tobacco and household cleaning products. The European Union has agreed to ban most cosmetic tests from 2009 which will also include, importantly, a ban on import into the EU of cosmetics with ingredients tested on animals - so that the problem is not simply exported outside the EU. The animal testing of all new chemicals (not just those used in cosmetics) accounts for many more procedures - these tests include pesticides, food additives and preservatives.

However, fundamental biological research and drug research and development account for the largest proportion of animal testing procedures. Most testing occurs at the development rather than the research stage. By law, before new drugs can be tested on humans they have to be tested on two species to test the 'whole body' effect.

Its relevance for charities

This issue will be of particular concern to animal welfare charities.

How fund managers may incorporate the issue into investments

It is possible to apply negative screens in relation to animal testing, for example screening out companies which

- provide animal testing services
- have tested cosmetic products or their ingredients on animals in recent years
- have tested cosmetic products or their ingredients on animals in line with a fixed cut-off date policy
- have tested medicines on animals in recent years
- have tested other products on animals in recent years

Funds with an animal testing screen

CAF Socially Responsible Portfolio
Epworth Affirmative Equity Fund for Charities
Epworth Affirmative Fixed Interest Fund for Charities

3 Responsible Investment Strategies

3.1 Negative Screens

Negative screens are a popular responsible investment strategy for pooled funds. By far the most common negative screen deployed by the pooled funds included in our survey is tobacco. This is screened out by 27 funds. Fourteen of these funds go beyond this to employ other negative screens. Here the focus tends to be on 'sin stocks' such as alcohol, gambling and pornography as well as armaments. The following funds employ a number of negative screens; details of their policies can be found in the appendix.

BlackRock Charifaith CIF
Baring Targeted Return Fund
Epworth Affirmative Equity Fund for Charities and Affirmative Fixed Interest Fund for Charities
CAF Socially Responsible Portfolio
CCLA COIF Charities Ethical Investment Fund, COIF Charities Investment Fund, COIF Charities Fixed Interest Fund and COIF Charities Global Equity Income Fund
CCLA COIF Charities Property Fund
Lazard Diversified Charity Fund
Sarasin Alpha Common Investment Fund for Endowments and Alpha Common Investment Fund for Income and Reserves
The Charities Property Fund

3.2 Positive Screens

Positive screens are only employed by a handful of funds. These are the following:

The **CAF Socially Responsible Portfolio** includes positive screens on the following issues:

- Provision of basic necessities or environmental / socially positive products or services; environment Improvement; conservation of natural resources; quality and safety of products; good employee management, including equal opportunities; community involvement; disclosure; openness about company activities; good stakeholder relations

The **Epworth Affirmative Funds** can also apply positive screens in their consideration of the issues mentioned in section 2.1 above.

The **CCLA COIF Charities Ethical Investment and COIF Charities Investment funds** will make appropriate high impact investments. In the past this has included investment in microfinance.

There is therefore a lot of scope for a greater focus on positive screens, thematic investments and mission-related issues.

3.3 Engagement and Voting

All funds, including tracker funds, are able to engage with companies on ESG and ethical concerns. The influence that an individual charity is able to have on the engagement approach of a pooled fund may be limited. Trustees may therefore wish to consider the engagement approach of a fund before deciding to invest.

The fund's engagement policy is often in line with the engagement policy of the fund manager across all of the funds that they manage. Some fund managers may be more inclined to consult with clients about their engagement policy. Fund managers may publish engagement reports and provide details to their investors of their voting record and of any meetings with companies. If such reports are not available, trustees may wish to encourage fund managers to be more transparent about their engagement activities.

Some fund managers mainly focus on corporate governance issues around the management of the company (such as directors' remuneration, separation of chair and chief executive functions, non-executive directors and audit committees) whereas others include an assessment of other ESG and ethical factors in their engagement approach. It could be argued that a proper understanding of corporate governance logically leads to a broader appreciation of risk management that incorporates environmental and social issues as well as corporate governance therefore these engagement priorities are linked.

The engagement and voting policies of funds can vary greatly. The following fund managers provided details of the engagement and voting policies in relation to ESG or ethical issues that apply to their charity funds. To give a sense of current approaches, below is a synopsis of the responses, rather than an interpretation:

Baring Asset Management
Baring states that it believes that the exercise of voting rights is an important expression of shareholders' rights and recognition of shareholders' responsibilities. It states that it was one of the first UK fund management houses to seek clients' authority to vote on their behalf on every occasion where it is possible to do so.

BlackRock
BlackRock's engagement and voting policies focus on raising standards in corporate governance and protecting the economic interests of clients. It states that it may engage in a dialogue with executive management, non-executive directors and company advisers and if circumstances warrant, BlackRock may also consider either contacting other shareholders to discuss joint intervention, selling the shares to protect clients' capital investment or publicly opposing management who refuse to act on its concerns.

Cazenove Capital Management
If its assessment indicates that a company's approach to social, environmental and ethical (SEE) issues could have an adverse impact on shareholder value, Cazenove Capital states it will try to reduce this risk. Cazenove Capital says it highlights its assessment of the SEE risks to the company in bespoke meetings/conference calls and aims to promote best practice, if this 'dialogue' proves futile and the risk increases, as a last resort Cazenove Capital may sell its holding.

CCLA Investment Management
The COIF Charities Ethical Investment Fund has an engagement approach that could lead to exclusion of some companies from 2013. This approach will focus on poor practice in any remaining companies with exposure to the products and services covered by its exclusion criteria as well as violations of international conventions and norms in the areas of human rights, employment practices and climate change disclosure. CCLA's other funds employ an engagement approach (which could also lead to exclusion of some companies from 2013) that will focus on poor sales and marketing practices relating to alcohol, and violations of international conventions and norms in the areas of human rights, employment practices and climate change disclosure.

Epworth Investment Management Ltd
The CFB/ Epworth states that its ethical approach involves engaging in constructive dialogue with the management of companies to influence their behaviour. This may be by meeting with management or by visiting the company's operations on site. This is done either directly, or by working with other groups such as the Institutional Investors Group on Climate Change or the Church Investors Group. The engagement policy aims to achieve the ethical stance of the Methodist Church.

F&C Asset Management
(Manager of CAF Socially Responsible Portfolio)
F&C states it aims to promote the adoption of better environmental, social and governance practices through its Responsible Engagement Overlay (REO®), which is applied to all equity funds that are managed in-house. F&C states that it seeks to encourage best practice through constructive and credible dialogue with company management and by fully exercising voting rights in all global markets. In addition, it participates in the public policy process to communicate what types of policies will improve ESG standards in a way that also enhances value and business competitiveness.

M & G Securities Limited
M&G says that it believes that they should maintain a constructive dialogue with the companies in which they have a significant interest and consequently they state that they recognise the value of getting to know the management of those companies. M&G feel that this helps them to monitor the activities of the companies in which they invest and enables them to keep abreast of any developments. If, in its view, a company's actions seem likely to jeopardise the interests of shareholders, M&G states that they find constructive intervention can often be preferable to disposing of holdings.

Newton Investment Management
Newton states that voting and engagement is part of its core investment process. The work of analysts to examine social, environmental and ethical issues contributes to their views on and assessments of companies.

RCM
RCM states that it considers proxy voting to be a key part of its fiduciary responsibility to clients. When important or contentious corporate governance-related proposals appear on proxy ballots, RCM reviews them on a case-by-case basis and votes according to the best interests of clients. In cases where there are issues of concern, RCM analysts and portfolio managers may hold a discussion with corporate management to discuss the proposal. RCM's UK Proxy Voting Committee has established formal guidelines for voting on a variety of corporate governance issues, including board of director and board committee independence, executive compensation, and anti-takeover provisions.

Sarasin and Partners
Sarasin states that both its CIFs will be active in voting on company resolutions and will engage in direct dialogue with companies where appropriate.

Schroders Charities
Schroders states that it applies an ESG engagement policy to its pan European equities holdings, including its charity pooled funds. Schroders' voting activity is informed by its corporate governance policy. In relation to shareholder resolutions on environmental and other related issues, Schroders reviews the proposal and the company's performance before making a voting decision.

Rather than analyse the engagement approach and reporting of fund providers from an EIRIS perspective we have produced a list of questions that trustees may wish to ask fund managers so as to help ascertain which fund's engagement approach best fits with their charity's mission and reflects their issues of interest or concern.

Questions for Fund Managers on Engagement:

1) What is the focus and emphasis of the engagement policy? What are the main themes and priorities and how are they decided? What is the strategy to select companies for engagement? Does the engagement policy only apply to UK equities?

2) What engagement methods are used? Is it one-to-one meetings, letters, or attendance at company presentations and AGMs?
3) What is the fund manager's voting record at AGMs and Extraordinary General Meetings?
4) What kinds of resources are devoted to engagement? Does the fund manager have a dedicated in-house team, purchase independent data and/or use an external engagement specialist?
5) How does the fund manager report on their engagement activities? How much information is made available to clients? (Good reports demonstrate that the fund manager has a full understanding of ESG and ethical issues and, equally importantly, how this impacts the company's bottom line.)
6) How does the fund manager measure the impact of their engagement?
7) Is the fund manager involved in any responsible investment initiatives (e.g. member of UKSIF, Institutional Investors Group on Climate Change, Responsible Investors' Network, UN Principles for Responsible Investment or Carbon Disclosure Project)?
8) What independent review is there of engagement activity?

3.4 Integration

A broad range of non-financial factors can affect the sustainability of a business and its ability to deliver long-term financial return for investors. Integration occurs when the fund manager includes potentially material ESG risks and opportunities into the normal investment analysis, stock weighting and/or stock selection processes. There is growing evidence that the consideration of ESG factors in investment management and ownership processes is an astute financial decision and can be used to safeguard and enhance returns.[18]

Trustees agreeing with this view may wish to ensure that their fund provider is taking account of ESG risks and opportunities in their investment decisions. Integration can be carried out alongside the use of positive and negative screens.

Policies of fund providers

Again, the approaches of fund managers to integration can vary. Only seven fund providers gave information on their approach to ESG integration. Again, we have provided a summary of every response rather than an analysis or judgement:

BlackRock
BlackRock states that it is committed to an integrated approach to ESG issues as part of its overall investment management process, and ESG resources are embedded in the general infrastructure of the firm. Its investment professionals take responsible investment into consideration when carrying out their research duties. BlackRock use external vendors including investment banking research, environmental and other specialist consultants, and external screening services (e.g. EIRIS) to supplement its research.

Cazenove Capital Management
Cazenove Capital states that its investment process ensures that all its Pan-European analysts and fund managers are aware of the Social, Environmental and Ethical (SEE) issues effecting their sectors and stocks. This knowledge is gleaned from specialist research providers, brokers, company meetings, conference calls, publicly available information, government sources, industry bodies, non-governmental organisations and CSR & SRI networks. It is distributed via daily morning pan - European team meetings, weekly UK team meetings and regular emails/informal conversations. Cazenove Capital states that it's SEE analysts have autonomy to access any mainstream company meeting and to organise specialist engagement meetings with companies when necessary.

[18] See this paper pages 8-9, for the financial and legal implications of responsible investment.

CCLA Investment Management
CCLA states that climate change and corporate governance are integrated into its core investment processes.

F&C Asset Management
F&C state that they integrate ESG issues into their investment practices in the following ways, Integration is carried out through voting. Research is key. Within high impact sectors, fund managers have to be aware of ESG issues and so they use the expertise of their Governance and Sustainable Investment (GSI) team. The GSI teams are able to add specific questions to company research meetings conducted by the fund managers.

Newton Investment Management
Newton states that its approach to responsible investment is integral to its investment process. Newton's responsible investment team is charged with exercising voting rights, conducting research and carrying out engagement activities on ESG matters.

Newton's global sector analysts search for companies that deliver superior long-term performance. Newton aims to ensure that its investment rationale for a company is supported through research into ESG matters, voting decisions and engagement work. The work of Newton's responsible investment team is not necessarily geared towards the exclusion of potential investments; rather it aims to achieve a better understanding of the relevant ESG risks or seeks an improvement in the behaviour of the investee company.

RCM
RCM has a dedicated Sustainability Research Team which focuses on sector research and analysis, considering factors such as technological development, policy and legislation, social trends and global presence. RCM says that such research enables the team to ensure that stocks in respective sectors are evaluated against relevant and representative indicators, allowing for a systematic and comparable process to apply sustainability ranking to its stocks. In addition it states that a fundamental role of the team is to share its expertise in the consideration of these ESG factors alongside mainstream company analysis in order to identify risks and opportunities that, as yet, have not been fully priced by the markets, thus supporting enhanced stock selection for the benefit of the investment decision makers, and providing a best in class solution to stock selection.

On-going engagement between the Sustainable Research Team and RCM's fundamental analysts takes place in the following ways:
- both fundamental analysis and ESG analysis are made available in real-time to both analysts and fund managers
- joint participation in company meetings, where both fundamental and ESG relevant questions may be raised with company management and discussed afterwards

Schroders Charities
Schroders states that it integrates ESG issues into its investment process in a range of ways: The SRI and corporate governance (CG) teams liaise closely with research and fund management teams. ESG matters are raised at financial meetings or during specialist ESG meetings. Financial analysts are involved in the development of ESG sector reports. All thematic, sector and company specific ESG reports are posted onto its Global Research Investment Database (GRiD).ESG briefing documents are prepared for financial analysts. There is an ESG company comment on GRiD for global financial analysts to complete. The funds research development programme includes SRI training. Both SRI and CG intranet sites have been developed. Annual and quarterly SRI and CG reports are disseminated to investors.

United Nations Principles for Responsible Investment (UNPRI)

The UN PRI encourages investors to integrate ESG factors into investment and become active shareholders. It is one of the largest ever institutional investment coalitions.

Signatories to the UN PRI commit to a series of voluntary and aspirational principles which provide a menu of possible actions for incorporating ESG issues into mainstream investment decision-making and ownership practices.

PRI signatories may join collaborative engagements that seek to improve company behaviour, policies or systemic conditions. The PRI Clearinghouse is specifically designed to facilitate these joint initiatives, and supports over 50 collaborative engagements each year.

Several charity fund providers are UN PRI signatories. Whilst this does not necessarily mean that the charity fund has an SRI approach, it does signify that the investment manager has made a commitment to ESG integration

The following investment managers are signatories:

Aberdeen Asset Management
BlackRock
Cazenove Capital Management
CCLA Investment Management
Epworth Investment Management
F&C Asset Management - manager of the CAF Socially Responsible Portfolio
HSBC Group Investment Businesses
Insight Investment – manager of the CAF Bond Income Fund
J P Morgan Asset Management
Newton Investment Management
RCM
Sarasin and Partners
Schroder Investment Management
UBS Global Asset Management - manager of the CAF UK Equity Growth Fund

4 Other Pooled Funds

For charities that invest in or are looking to invest in pooled funds other than CIFs, there are an increasing range of responsible investment funds that are available to them. A number of these funds are marketed to charities, often with discounts or with gross share classes. These pooled funds may offer an approach which fits with a charity's responsible investment policy or its investment strategy more generally more than any CIF currently available. Available funds include:

Ethical Funds - The majority of these employ negative screens but it is also possible to invest in funds which focus instead on positive screens, a best in class approach or engagement – or in many cases a combination of these.

Green Tech/Climate Change Funds - These seek to invest in companies in specific sectors like renewable/alternative energy, carbon offsetting, sustainable timber and waste management.

Shariah Funds - These funds may be of interest to Muslim and non-Muslim ethical investors alike, as they tend to avoid investment in areas like alcohol, tobacco, gambling and pornography. In addition to this, investing in banks or other similar financial institutions is not allowed due to the restriction on excessive 'gearing' or interest charging.

A charity's existing fund manager may be able to offer responsible investment funds either through the funds they manage in-house or through an 'open architecture' approach where they can buy into a fund to gain exposure to the market as required.

The EIRIS Foundation's consumer website (**www.yourethicalmoney.org)** provides details of over 80 UK-domiciled green and ethical retail funds, including unit trusts/ OEICs and Investment Trusts. It provides fund profiles and is intended to assist investors and their advisers who want to compare the policies and practices of retail green and ethical funds.

The Eurosif SRI Funds Service (**www.eurosif.org/sri**) provides details of European SRI funds, including information on performance and risk measures.

5 Conclusions

This guide has been designed to help trustees consider how suited their pooled fund investments are (or could be) to their charity's views on ESG and ethical issues.

The charity sector is diverse and so a wide range of investment products are needed to meet its needs – both in terms of financial and ESG criteria. The most relevant and significant ESG issues will vary according to the missions and activities of charities. However, there remains a limited choice of pooled charity funds with responsible investment criteria beyond tobacco screens. Funds with responsible investment criteria tend to be faith-based and focus on 'sin stocks' such as alcohol, gambling and pornography.

Responsible investment is not just about screening out companies. It relates to the whole investment process – the decisions over which companies or products to invest in and the ownership practices relating to engagement and voting. As described above, there is a growing recognition that ESG factors can potentially be financially material and the consideration of such issues can help to mitigate risks and identify opportunities. We could therefore expect that a growing number of fund managers will integrate ESG factors into their investment processes. Relatively few of the fund managers included in our survey provided details of a clear policy on engagement, voting and integration.

Given its financial relevance, all charity investors should consider how their fund manager integrates ESG risks and opportunities into their investment decisions and ownership practices. There are a number of sources of information on this, as well as the above information. An example of this is a study carried out by the FairPensions charity that ranks fund managers according to responsible investment issues, including engagement, integration of environmental and social issues, and transparency.[19]

For charity trustees making investment decisions, the transparency of a charity pooled fund regarding its portfolio holdings and engagement and integration practices is important. Trustees may wish to encourage fund managers to be more transparent and explicit about their responsible investment policies and practices.

Some charities may be satisfied that the adoption of an overall ESG integration strategy by their fund manager meets their responsible investment requirements. For others, an approach more connected with their mission may be sought.

Issues such as international norms and conventions on human rights, labour standards, bribery and corruption are increasingly seen as key considerations for responsible investors. Breaches of such standards can be used as the basis for screening or engagement with companies. It is striking that few charity pooled funds make reference to such issues in their policy statements.

It is also surprising that very few charity pooled funds make any explicit reference to climate change as a responsible investment issue. Given its financial relevance, and its prominence as a widespread societal concern, this could be an issue that charity pooled funds should consider in future.

Therefore, there is scope for more charity pooled funds to reflect current trends in responsible investment. It is likely that there is an emerging latent demand for funds which focus on issues such as climate change, human rights and labour standards.

The funds which have applied multiple screens have done so in response to their investors' wishes. For example, CCLA Investment Management has recently conducted a client consultation which has resulted in a change of policy for its funds. The survey revealed strong and polarised views about ethical exclusions which led CCLA to offer two new investment funds with different responsible investment criteria. This shift recognises that the needs of charity clients differ and evolve over time.

The FSA is likely to take over the regulation of charity pooled funds in 2010. If CIFs are no longer registered charities

[19] FairPensions (2008) 'Investor Responsibility? UK Fund Managers' Performance and Accountability on 'Extra-Financial' Risks'

there could be more scope to include responsible investment criteria in the funds provided, for example some fund managers maintain that current Charity Commission regulation prevents them from offering any form of responsible investment CIF.

The Charity Commission CC14 guidance on the investment of charity funds is also under review. Changes in guidance on ethical investment and changes in the regulation of funds could increase the scope for responsible investment charity funds and bring clarity to the limitations and opportunities that trustees have when it comes to investing responsibly.

More charities are looking to make mission investments and are seeking to make a positive impact with their investments as well as a financial return. Opportunities to do this are currently limited and tend to require large investment sums and a high level of commitment to research and due diligence. It may be a good time to develop a pooled charity fund that focuses on high impact social investment. Initiatives such as the planned Social Stock Exchange could help to increase the availability and liquidity of such investments. A new fund may engage the rising interest in this area and enable more charities to make mission investments.

Fund managers are only likely to develop new funds or adapt the policies of existing funds if they perceive there is demand from charities. Charities should therefore clearly communicate to fund managers and advisers if there are no charity pooled funds which meet their responsible investment objectives. They should feel able to encourage their fund managers to address a broader range of material and mission-related ESG issues in their fund offering and in their overall investment practice.

Summary of conclusions and recommendations

- there remains a limited choice of pooled charity funds with responsible investment criteria beyond tobacco screens.
- the funds with responsible investment criteria tend to be faith-based and focus on ‘sin stocks’ such as alcohol, gambling and pornography.
- relatively few of the fund managers included in our survey provided details of a clear policy on engagement, voting and integration.
- given its financial relevance, all charity investors should consider how their fund manager integrates ESG risks and opportunities into their investment decisions and ownership practices.
- trustees may wish to encourage fund managers to be more transparent and explicit about their responsible investment policies and practices.
- there may be latent demand for more charity pooled funds that reflect current trends in responsible investment and focus on climate change, human rights and labour standards.
- it may be a good time to develop a pooled charity fund that focuses on high impact mission-related investment.
- charities should clearly communicate to fund managers and advisers if there are no charity pooled funds which meet their responsible investment objectives.

Appendix: Summary of Charity Pooled Fund Policies on Responsible Investment

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
Aberdeen Charity Select Global (ex UK) Equity Fund	No responsible investment approach	Global growth equity	E.ON, Samsung Electronics GDR, Petroleo Brasileiro (Pref) ADR, Zurich Financial Services, Standard Chartered, TSMC ADS, Nordea, Tenaris ADR, ENI, Intel (31 July 2009)
Aberdeen Charity Select UK Bond Fund	No responsible investment approach	Fixed income	Aberdeen Global II Sterling Aggregate Bond FundA, Aberdeen Global II Sterling Credit FundA, UK Treasury 2.25% 07/03/14, Aberdeen Global II Emerging Market Fixed Income Alpha FundA, UK Treasury 8% 27/09/13, UK Treasury 4.25% 07/12/46, UK Treasury 4.25% 07/03/36, Bundesrepublik Deutsche 3.75% 04/01/19, UK Treasury 4.25% 07/06/32, UK Treasury 4.75% 07/12/30 (30 June 2009)
Aberdeen Charity Select UK Equity Fund	No responsible investment approach	UK equities	Aberdeen UK Emerging Companies Fund A, Royal Dutch Shell 'B', BP, Aberdeen UK Mid Cap FundA, British American Tobacco, Vodafone, HSBC, AstraZeneca, GlaxoSmithKline, Centrica (30 June 2009)
Accommodation Investment Fund for Charities	No information supplied		
Baring Targeted Return Fund	No direct investment in Tobacco companies or overseas pornography or prostitution	Targeted return	

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
BGI ChariTrak CIF	No responsible investment approach	Index fund	
BlackRock Armed Forces Common Investment Fund	No responsible investment approach	Mixed – UK and global equities, fixed income, property and hedge funds	
BlackRock Charifaith CIF	Charifaith reflects the ethos and beliefs of the Catholic Church and, as such, eschews investment in activities deemed contrary to these, including armaments, pornography, tobacco, abortion and contraception.	Equities, bonds, hedge funds, property and cash	BP, Vodafone, HSBC, Dexion Absolute, Royal Dutch Shell, Tesco, BHP Billiton, AstraZeneca, UK Conv Gilt 4.75% 03/07/2020, GlaxoSmithKline
BlackRock Charinco CIF	No responsible investment approach	Fixed interest	UK Treasury 8.75% Stock 2017, UK Treasury 4.25% Stock 2049, Treasury Bond 4.5% 2038, UK Treasury 4.25% Stock 2055, UK Treasury 8% Stock 2015, UK Treasury 8% Stock 2021, UK Treasury 6% Stock 2028, Germany (Fed Rep) 6.25% Bonds 2030, UK Treasury 4.5% Stock 2019, Treasury Bond 3.5% 2039 (30 June 2009)
BlackRock Charishare CIF	No responsible investment approach	Equity (mainly UK)	BP, HSBC, Vodafone, Royal Dutch Shell, AstraZeneca, BHP Billiton, BG Group, British American Tobacco, Barclays, GlaxoSmithKline (30 June 2009)
BlackRock Charishare Tobacco Restricted Fund	Excludes companies with any turnover from tobacco production and more than 10% of turnover from tobacco sale or distribution.	Equity	HSBC, Royal Dutch Shell, BP, Vodafone, AstraZeneca, BHP Billiton, Barclays, BG Group, GlaxoSmithKline, BAE Systems (30 June 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
CAF Bond Income Fund	No responsible investment approach	UK and global bond	UK Treasury 4.5% 07/03/2013, UK Treasury 4.25% 07/12/2049, European Investment Bank, FUT Sep 09 Lif Long Gilt, US Long Bond, UK Treasury 4.5 % 07/12/2042, UK Treasury Strip Principal, USA Treasury, KFW (30 June 2009)
CAF Socially Responsible Portfolio	This fund enables investors to access the following funds: F&C Stewardship Income Fund: Investment is concentrated in UK companies whose products and operations are considered to be of long term benefit to the community both at home and abroad, and will generally exclude those considered to be involved with harmful products and practices or which trade extensively with oppressive regimes. F&C Stewardship International Fund: Investment is concentrated in companies in any market whose products and operations are considered to be making a positive contribution to society, and seeks to avoid companies which, on balance, are felt to be harming the world, its people or its wildlife. F&C Stewardship Growth Fund: Investment is concentrated in UK companies whose products and operations are considered to be of long term benefit to the community both at home and abroad. F&C Ethical Bond Fund: The Fund aims to maximise returns through investment primarily in fixed interest securities of an ethically screened and diversified list of companies	UK Equity Income, Global Growth, UK all companies, UK Corporate Bond	Income Fund: HSBC, Vodafone, Scottish & Southern, BG Group, National Grid, Cairn Energy, Centrica, United Utilities, Aviva Prodesse Investment International Fund: International Heritage Fund, Benesse, Sonic Healthcare, Energen Corp, BG Group, Australian Stock Exc, Accenture Class A, Crown Castle Intl, SSI International, Computer Associates Growth Fund: HSBC, Vodafone, BG Group, Cairn Energy, Scottish & Southern, Centrica, Tesco, National Grid, Pearson, Aviva Ethical Bond: European Inv Bank 25/08/17, European Inv Bank 07/12/28, KFW 5.25% 12/01/12, European Inv Bank 15/10/18, KFW 6% 07/12/28, KFW 5.55% 21, ING BK 6.875, Network Rail, Rabobank, Axa

The Responsible Investment Approaches of Charity Pooled Funds

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
CAF UK Equitrack Fund	No responsible investment approach	UK equity	Royal Dutch Shell, BP, HSBC, Vodafone, GlaxoSmithKline, AstraZeneca, BG, British American Tobacco, Rio Tinto, BHP Billiton Tobacco, Rio Tinto, BHP Billiton (30 June 2009)
CAF UK Equity Growth Fund	Negative screen for tobacco	UK Equity	BP, GlaxoSmithKline, Vodafone Group, Royal Dutch Shell (B), Unilever, HSBC, AstraZeneca, Barclays, Prudential, Wolseley (30 June 2009)
Cazenove Absolute Return Trust for Charities	No responsible investment approach	Fund of hedge funds	Fortress macro, Explorer global macro, Wexford offshore spectrum, Lansdowne UK Equity, Ascend Partners, Elm Ridge Value Partners, Indus Europe, Harbinger Capital Offshore, Brevan Howard Fund, Shepherd International (31 July 2009)
Cazenove Equity Income Trust for Charities	Social, environmental and ethical research is integrated in the investment process. Management of companies with poor social, environmental and ethical ratings are engaged with via both mainstream investor meetings and one-on-one meetings. The CIFs exclude tobacco	UK equity	BP, GlaxoSmithKline, HSBC, Royal Dutch Shell, Vodafone, AstraZeneca, Unilever, Centrica, Scottish & Southern Energy, National Grid (31 July 2009)
Cazenove Growth Trust for Charities		UK equity	BP, HSBC Royal Dutch Shell, GlaxoSmithKline, Vodafone, AstraZeneca, Anglo American, BG, Tesco, Diageo (31 July 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
Cazenove Income Trust for Charities	Negative screen for tobacco	UK fixed income	UK Treasury 5% 2025, UK Treasury 8.75% 2017, UK Treasury 4.25% 2036, UK Treasury 6% 2028, UK Treasury 8% 2021, UK Treasury 4.75% 2038, UK Treasury 8% 2015, UK Treasury 4.25% 2032, UK Treasury 8% 2013, John Hancock Global Funding II 2009, Bank of Nova Scotia 2011(31 July 2009)
Cazenove Multi-Strategy Property Trust for Charities	No responsible investment approach	UK property	Threadneedle Property Trust and various direct properties
CCLA COIF Charities Fixed Interest Fund	From January 2010 any involvement by companies in the production of landmines or cluster bombs will lead to exclusion from these three funds. Companies with significant involvement in tobacco, the production of pornography and online gambling will also be excluded Company engagement (with the ultimate sanction of exclusion) will focus on poor sales and marketing practices relating to alcohol, and violations of international conventions and norms in the areas of human rights, employment practices and climate change disclosure	UK Fixed interest (government and corporate bonds)	
CCLA COIF Charities Global Equity Income Fund		Global equity	Vodafone, ENI , France Telecom, GlaxoSmithKline, Total, Merck, Royal Dutch Shell, Telefonica, BP, Societe Generale (30 June 2009)
CCLA COIF Charities Investment Fund		UK and global equity, fixed income, infrastructure, property and cash	BP, BG, AstraZeneca, International Public Partnerships, Vodafone, 3i Infrastructure, GlaxoSmithKline, National Grid, HSBC Infrastructure, Royal Dutch Shell (Top equity holdings 30 June 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
CCLA COIF Charities Ethical Investment Fund	The fund will exclude all companies with any involvement in supporting oppressive regimes (currently Burma and Sudan) or the production of landmines, cluster bombs or nuclear weapons Companies with significant involvement in tobacco, alcohol, pornography, gambling and conventional weapons will also be excluded. Importantly the total exposure of the Fund to any form of weapons manufacturing will not exceed 1% of total assets Company engagement (with the ultimate sanction of exclusion) will focus on poor practice by any remaining companies with exposure to the products and services above, and violations of international conventions and norms in the areas of human rights, employment practices and climate change disclosure		n/a
CCLA COIF Charities Property Fund	Will generally avoid purchasing properties with occupational leases where the main activity of such tenants contravenes the guidelines of the COIF Charities Investment Fund. The Fund will include external environmental impact assessments on its properties and environmental clauses within leases that provide an indication of the expectations and responsibilities of the tenant with regard to environmental best practice	UK property	Milton Keynes, Snowdon Drive, London, Conduit Street, London, College Hill, Glasgow, West George Street, Glasgow, West Regent Street, Chorley, Chorley Retail Park, Northampton, St. Peters Way, Reading, Kings Road, Chichester, East Street, Manchester, Stakehill Ind. Park (30 June 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
Collins Stewart Combined Charitable Capital Fund	No responsible investment approach	Mixed – including global equity, fixed interest and cash	Collins Stewart Absolute Return Plus, Schroder UK Alpha Plus, Findlay Park US Smaller Cos, Nevsky Capital, Investec Asia ex-Japan, M&G UK Select, iShares FTSE 100, Gartmore US Growth, Invesco Perpetual Income, Martin Currie North American (29 May 2009)
Collins Stewart Combined Charitable Income Fund	No responsible investment approach	Fixed income	EIB 8.75% 25/08/2016, EIB 6.25% 15/04/2014, CDC Marches 5.875% 24/02/2020, GE Capital UK Funding 5.625% 25/04/2019 KFW 5.625% 25/08/2017, Danske bank A/S 6.875% 20/06/2011, Abbey National Trsy Services 7.125% 20/06/2011, KFW 5.5% 07/12/2015, EIB 8.75% 25/08/2017, Lloyds TSB Bank plc 5.875% 20/06/2014 (29 May 2009)
Epworth Affirmative Equity Fund for Charities	The policy mirrors that of the Central Finance Board of the Methodist Church which is to construct the portfolios consistent with the moral stance and the teachings of the Christian faith. The policy is guided by the Methodist Joint Advisory Committee on the Ethics of Investments which considers and tests ethical issues and offers practical advice. It includes regular reviews of issues relating to alcohol, tobacco, gambling, military, pornography, environment, extractives and human rights	UK and global equity	BP, Royal Dutch Shell, HSBC, GlaxoSmithKline, AstraZeneca, BG Group, Rio Tinto, BHP Billiton, iShares KLD Social Index Fund, Tesco
Epworth Affirmative Fixed Interest Fund for Charities		Fixed income	
HSBC Common Fund for Growth	No information supplied		
HSBC Common Fund for Income	No information supplied		

The Responsible Investment Approaches of Charity Pooled Funds

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
JP Morgan Bond Fund for Charities	Will not invest in the sector directly involved in tobacco manufacturing	Fixed income	UK Treasury (31 August 2009)
JP Morgan UK Equity Fund for Charities	Will not invest in the sector directly involved in tobacco manufacturing	UK equity	BP, Royal Dutch Shell, HSBC, GlaxoSmithKline, Vodafone, AstraZeneca, BHP Billiton, Reckitt Benckiser, Unilever, Barclays (30 June 2009)
Lazard Diversified Charity Fund	Investments in companies where 5% or more of revenue is derived from tobacco, military or firearm related industries is excluded, subject to Fund Manager override if deemed inappropriately restrictive. These ethical restrictions will only be applicable to directly held equities and bonds and will not apply to ETFs or CEFs	Mixed inc. UK and global equity, bonds and alternatives	Vodafone, BP, HSBC, Royal Dutch Shell*, GlaxoSmithKline, BG, BHP Billiton, AstraZeneca, Barclays, Prudential (30 June 2009)
M & G Charibond Common Investment Fund	The focus is on the integrity of the management of companies rather than ethical exclusions, but tobacco companies will not be included in the portfolios	UK fixed interest	Treasury 6% 2028, Treasury 9% 2011, Treasury 8% 2021, European Investment Bank, France Telecom, Treasury 8.75% 2017, Treasury 8% 2015, Lloyds Banking Gp, Banco Santander, Intesa San Paolo (30 June 2009)
M & G Charifund		UK equity	BP, Vodafone, Royal Dutch Shell, HSBC, GlaxoSmithKline, AstraZeneca, BT Group, National Grid, Scottish & Southern, United Utilities (30 June 2009)
National Association of Almshouses CIF		Mixed funds: Equities, bonds, cash	Charifund Income Units Charibond Income Shares Cash

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
Newton Global Growth and Income Fund for Charities	Excludes tobacco stocks	Mixed – including UK and global equity, fixed income, cash and property	BP, Vodafone, Royal Dutch Shell, GlaxoSmithKline, HSBC Holdings, BHP Billiton, Standard Chartered, Telstra, Unilever (30 June 2009)
RCM Chariguard Overseas Equity Fund	No responsible investment approach	Global equity Index tracker	
RCM Chariguard Fixed Interest Fund	No responsible investment approach	Fixed income (gilts)	
RCM Chariguard UK Equity Fund	No responsible investment approach	UK equity index tracker	
Sarasin Alpha Common Investment Fund for Endowments	The policy is to generally avoid investment in companies with more than 10% of their turnover in alcohol manufacture, armaments, gambling or pornography. A published audit of the "sustainability" of the underlying investments is also undertaken (this includes both support and avoidance criteria). Both funds will be active in voting on company resolutions and will engage in direct dialogue with companies where appropriate	Equity, fixed interest, cash, property and alternatives	HSBC Holdings, Sarasin CI Real Estate Equity, Lloyds Banking Group, GlaxoSmithKline, Long Gilt Future Sep 09, Sarasin EmergingSar Global SICAV, BG Group, Tesco, Royal Dutch Shell, British Land (30 June 2009)
Sarasin Alpha Common Investment Fund for Income and Reserves		Mixed – fixed interest, equity and cash	Treasury 4.5% 2013, Treasury 8% 2013, Merrill Lynch 7.75% 2018, Council of Europe 3.375% 2014, F&C Commercial 5.23% 2015, Treasury 5% 2014, Wellcome Trust 4.625% 2036, KFW 5.5% 2015, Treasury 4.5% 2019, European Invt Bank 4.75% 2012. (30 June 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
Schroder Charity Equity Fund	The Fund does not invest in tobacco companies (as defined by the FTSE tobacco sector)	Predominantly UK equity	BP, Royal Dutch Shell, GlaxoSmithKline, Vodafone, AstraZeneca, Rentokil Initial, Next, Barclays PLC, Pfizer, Legal & General (31 March 2009)
Schroder Charity Fixed Interest Fund	The Fund does not invest in tobacco companies (as defined by the FTSE tobacco sector)	Fixed interest (Mainly UK gilts and corporate stocks)	UK Government Bond 6% 07.12.2028, UK Government Bond 8% 27.09.2013, UK Government Bond 4.75% 07.09.2015, UK Government Bond 4.25% 07.12.2055, UK Government Bond 8.75% 25.08.2017 (31 March 2009)
Schroder Charity Multi-Asset Fund	No responsible investment approach	Multi-asset (UK and global equity, bonds, property, hedge funds private equity Commodities, and cash)	Schroder The Charity Fixed Interest Fund, Cash, Schroder The Charity Equity Fund, Schroder UK Alpha Plus Fund, Schroder Offshore Cash Fund, JPMorgan UK Dynamic Fund, BlackRock UK Dynamic Fund, Schroder UK Equity Fund, iShares PLC FTSE 100, M & G Corporate Bond Fund (31 March 2009)
Smith & Williamson Charity Value and Income	No information supplied	Predominantly UK equity, but also fixed interest and cash	BP, Royal Dutch Shell 'B', Vodafone, GlaxoSmithKline, National Grid, BPP, HSBC, Provident Financial, Scottish & Southern Electricity, VT Group (30 June 2009)

Fund Name	Responsible Investment Approach	Type of Fund	Top 10 Holdings
The Charities Property Fund	The Fund does not have any formal SRI investment criteria. The Fund undertakes an environmental risk assessment for each property purchase and monitors the occupation of the building to assess the environmental impact. In general the fund avoids investments that are let to tenants whose main business is in tobacco, gambling, alcohol, armaments or pornography. All tenants are listed in the annual and interim Report and Accounts and the fund does have some investments, for example, where part of the building is let to tenants in the restaurant / pub sector. All investment proposals, including full tenancy details, are reviewed by an Advisory Committee which is made up of representatives of four charities that are investors in The Charities Property Fund and they would specifically consult with them for their views on whether a proposed tenant was unacceptable	Property	Denning House, Chancery Lane, WC2, Dean Farrah Street, SW1, The Tun, Holyrood, Edinburgh, Penterbach Retail Park, Merthyr Tydfil, One Crown Square, Woking, Moorgate Retail Park, Bury, Montague Centre, Worthing, Fogarty Ltd, Havenside, Boston, The Pavilions, Birmingham Business Park, Ladymead, Guildford

The Charity Project is an EIRIS Foundation initiative which encourages and assists charities and their trustees in the development of a responsible and sustainable approach to their investments through education, research and the provision of resources.

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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