

# The Case for Responsible Investment

“Investing ethically does not mean that you have to sacrifice investment performance.” (IMA’s Guide to Ethical Investment, July 2006). In fact, it is now a widely held view that those companies that improve their corporate social responsibility policy and sustainability may perform more profitably in the longer term.

Many charities are acutely conscious that their investments may not support, or indeed even conflict with their aims and objectives of the organisation. Smaller and medium sized Charities however will often feel that they do not have the knowledge or experience required to make such an assessment of their current arrangements and future plans. Indeed, when considered in the wider context of investment planning and the need for diversification, asset allocation and tax planning, the alignment of investments with charitable objectives can appear to be difficult to achieve.

## ■ The Legal Considerations

As Charity Trustees will be aware, any investment decisions must comply with their general and specific duties as set out in the Trustee Act 2000. Whilst this power applies specifically to investments held on trust, the Charity Commission recognises that Charity Trustees have similar obligations and further that a responsible investment policy may be entirely consistent with the fiduciary duty of maximising return. The Commission identifies three specific scenarios where the investment strategy can be governed by considerations other than pure investment returns:

1. Where a particular investment would directly conflict with the Charity’s aims
2. Where certain investments might hamper the Charity’s activities; either by alienating supporters or beneficiaries
3. On moral grounds where the Trustees are satisfied that it would not involve a “risk of significant financial detriment”

## ■ Investment Approaches

“Ethical” Fund managers will use one or more of the broad approaches outlined below:

### Positive Screening

supporting investment in companies with positive products / policies for example environmental technology suppliers

### Negative Screening

the avoidance of investment in companies with negative products / services for example tobacco companies or arms manufacturers

### Engagement

fund managers aim to encourage / support more responsible business practice with reliance on the influence of investors

## ■ Understanding the issues

As an Independent Employee Benefits Consultancy, our role is to understand the ethics and beliefs of your Charity in order that our advice can encompass your views as well as your financial objectives. Your concerns could be social, environmental or ethical and every organisation will have its own view.

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