



Developing an SRI Policy

How and why to invest in line with
Church mission and work

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Churches & Charities are under increasing pressure to be accountable and responsible

- your Church's profile and reputation are valuable assets
- public and member expectations are high
- people want to know how you invest your money
- pressure from campaign groups and civil society
- an opportunity to align investments with Church policy & work



What is ethical or socially responsible investment (SRI)

It is about:

- aligning investments with mission and faith
- achieving the greatest impact from investments
- pursuing financial return and using investments for non-financial gain
- using investments to complement rather than counter Church policy
- considering social, environmental and/or ethical issues
- finding the right approach for your Church



Why invest ethically?

- avoid risks to your reputation
- use investments to further the work of your Church
- avoid conflict with your Church's aims
- use investments to influence company behaviour
- concern about alienating congregations, clergy and staff
- address financially relevant social, environmental and ethical risks



Negative screening

- can be used to protect your church's reputation, avoid conflict with its faith-based doctrine and objectives or contradictions with your work.
- it is about avoiding investments that do not meet your social, environmental or ethical (SEE) criteria.
- you can set materiality thresholds or avoid the worst performers within a sector or “breachers” of norms
- Can be a starting point



Positive screening

- can be used to further the aims of the Church and encourage responsible business practices
- involves investing in companies
 - with a commitment to responsible business practices
 - that produce positive products and services
 - that address environmental or social challenges.
- can involve favouring companies with best practice amongst sector peers





Engagement

- can be used to encourage more responsible business practices
- usually takes the form of dialogue with companies or voting at Annual General Meetings (AGMs)
- is typically carried out by fund managers on behalf of investors but also by Churches



Is ethical investment allowed?

In UK the Charity Commission recognises three situations where the investment strategy can be governed by considerations other than level of investment return.

- 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 or by alienating supporters
- trustees can accommodate the views of those who consider investments to be inappropriate on moral grounds, provided that this would not involve 'a risk of significant financial detriment'



Will you lose out financially?

- many years of practical experience demonstrate that ethical funds need not underperform
- a well-managed, balanced ethical portfolio can outperform its non-ethical peers.
- the skill of the fund manager and their stock selection abilities are critical
- a focus on SRI issues can help investors to identify risks and opportunities that could be materially significant in the long-term.
- ethical investment doesn't have to mean exclusion and divestment - positive screening and engagement can also be used



Where to start?

www.charitysri.org

a new free online resource providing clear, accessible and detailed information on why and how to invest ethically. Includes details of:

- how to adopt ethical or socially responsible investment (SRI)
- social, environmental and ethical issues
- the kinds of investments available
- the legal context
- financial performance
- information on responsible investment products and services

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invest responsibly

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“
trustees must report
on 'the extent to
which social,
environmental or
ethical considerations
are taken into account'
”

Welcome to Charity SRI

This website provides information and resources on Responsible Investment - what it is, reasons for doing it and how to go about it. Responsible Investment is about aligning investments with mission and incorporating social, environmental and ethical issues into investments. It is also known as ethical or socially responsible investment (SRI).

This website is for:

Charities

Staff and trustees can find out why Responsible Investment is relevant for your charity and how to implement it.

Service Providers

Fund managers and advisers can find out more about Responsible Investment and how to meet the needs of charities.

Supporters

Charity supporters can find out why Responsible Investment is important for charities, how to discover if a charity is doing it and how to encourage more charities to invest responsibly.

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Responsible Investment for charities

This section of the website is for charity staff and trustees wishing to know more about Responsible Investment.

Responsible Investment can enable you to

- **align your investments with your charity's mission**
- **use investments to further rather than counter your work**
- **avoid potential risks to your reputation**
- **avoid alienating supporters and donors**

Responsible investment can be adopted by charities of all shapes and sizes.

What do you want to know?

- [Why Responsible Investment is important for your charity](#)
- [How Responsible Investment fits with fiduciary duties](#)
- [The implications for financial performance](#)
- [The approaches to Responsible Investment](#)
- [Which social, environmental and ethical issues may be most relevant to your charity](#)
- [How to develop a Responsible Investment policy](#)
- [How Responsible Investment can be applied to different asset classes](#)
- [Where to go for advice](#)

You are in: Charities

Find out why and how to invest responsibly

Find out what's right for your charity?

Get tailored information relevant to your charity's needs...

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Key Publications



**Investing Responsibly
Non-equity investments**

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**Investing Responsibly
Common investment funds**

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Toolkit for charity trustees

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Charity SRI Newsletter



trustees must report on 'the extent to

...which social



Step 1: Gather information

On ethical investment

gather information that will answer the initial questions of investment board

- what is it?
- why do it?
- will it affect financial returns?
- is it allowed?

On your church's current investments

understand your starting point

review your church's current position and resources.



Step 2: Agree to move forward

Gain support

- discuss and become familiar with the information collected in step one
- share resources with other church bodies and learn from them
- invite 'experts' on ethical investment to your investment board or equivalent meetings to answer key questions

Set aims

consider links to

- objects
- values
- strategy
- investment approach
- risk assessment (particularly reputation risk)



Step 3: Develop a policy

Set out:

1. The church's overall social, environmental and ethical aims and values
2. Investment objectives
3. Social, environmental and ethical considerations
 - identify the issues most relevant to your mission, activities and stakeholders
 - decide on the most important and significant
 - decide if any are 'negotiable'



Step 3: Develop a policy: SEE issues

- **Environment** - management, policy, reporting and performance, climate change, mining and quarrying, nuclear power, pollution, sustainable timber
- **Human rights**
- **Corporate ethics** - bribery and corruption, codes of ethics
- **Positive products and services**
- **Labour issues** – supply chains, trade unions, equal opportunities
- **Community Involvement**
- **Ethical issues** - alcohol, contraception and abortion, gambling, pornography and adult entertainment services, tobacco
- **Military**
- **Animals** - animal testing, fur, Intensive farming and meat sale
- **Genetic engineering**
- **Developing countries** - commodity extraction, debt, breast milk substitutes, access to medicines, tobacco marketing



Step 3: Develop a policy

4. Approach to adopt

- positive screening
- negative screening
- engagement
- a combination of these
- Also share voting and AGM resolutions

REMEMBER – there is no one “correct” policy but be consistent and realistic – it is better not to create “false expectations”



Step 4: Implement ethical investment

Clarify roles and communicate policy

Select funds and fund managers

- investigate ethical investment competencies and experience of current fund manager(s) and/or review own fund management procedures
- if appropriate, review the services provided by other fund managers
- www.charitysri.org & EIRIS can help you to:
 - find information on the ethical Investment services provided by a range of fund managers in the UK and elsewhere
 - find details of pooled investment funds that incorporate ethical Investment criteria of relevance to your charity
 - gather suggestions of the questions to ask fund managers



Step 5: Report and review

Report on the policy and its impact

- to Church “members” (and public)
- communicate to stakeholders
- be clear, transparent and accountable

Review fund manager and investment performance

- To see if they are implementing your strategy as you wish



What others are doing

- Joseph Rowntree Charitable Trust (Quaker based) has invested ethically since 1975, and employs a combination of positive screening, negative screening and engagement.
- Methodist Church – policy papers based on doctrine inform policy of screening & dialogue.
- Baptist Union and Churches of Norway, Ireland, Wales – straightforward screening
- CCLA offer screened common investment funds for wide range of church bodies and manage CofE money



Further ethical approaches could involve:

- investment – bonds, property, venture capital
- banking
- pensions
- corporate partner screening



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