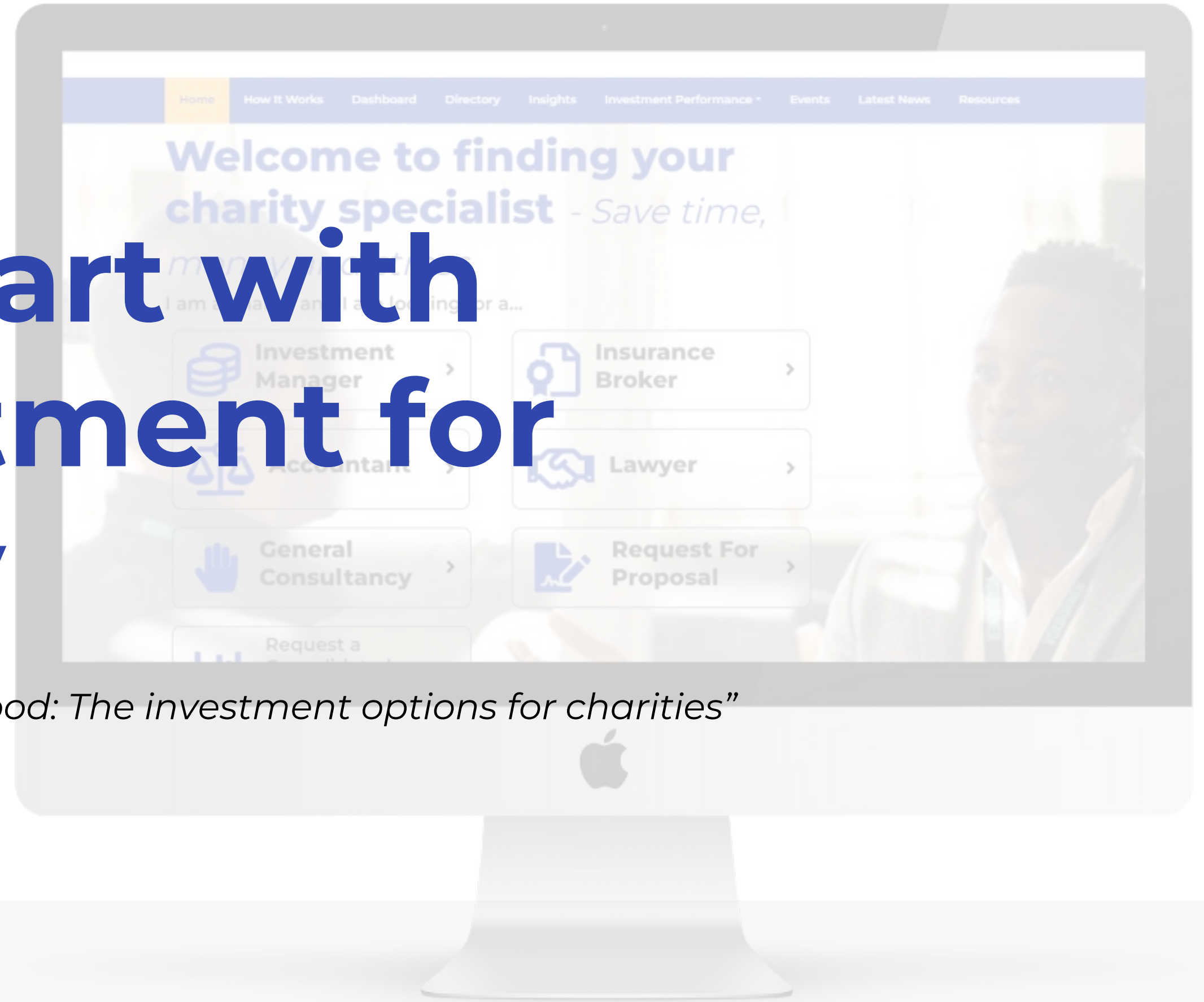


# Where to start with E.S.G. investment for your charity



*“Balancing financial return with doing good: The investment options for charities”*

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Guy Davies| Co - Founder

October 2023

# Agenda

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- Introduction
- Why do charities invest?
- What is ESG investing?
- Investment philosophy
- ESG principles
- The power of the investor
- Impact of negative screening
- Financial impact
- Framework
- Examples

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# About Charity Intelligence



# WHY DO CHARITIES INVEST?

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- **Duty of care to current beneficiaries**
- **Duty of care to future beneficiaries**
- **Maintain purchasing power**
- **Diversify income streams**
- **Increase impact with financial returns**
- **Create & maintain stability**
- **Duty of care to donors**

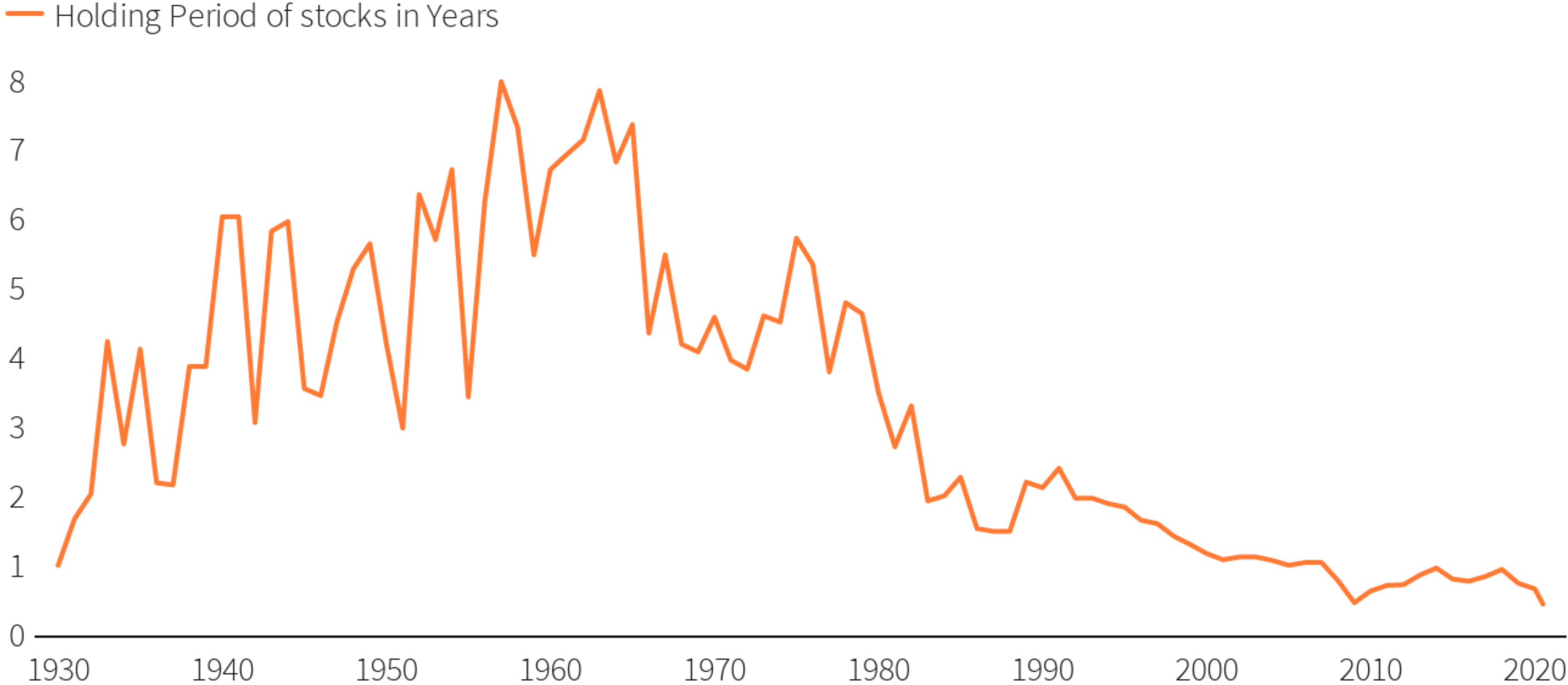


# IMPORTANT UPDATES

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- **Butler-Sloss v Charity Commission (2022)**
  - **What matters to you – your charitable mission?**
  - **What matters to your reputation - you're your stakeholders?**
- **Investing charity money: a guide for trustees (CC14)**
  - **Simplification – financial and social investment**

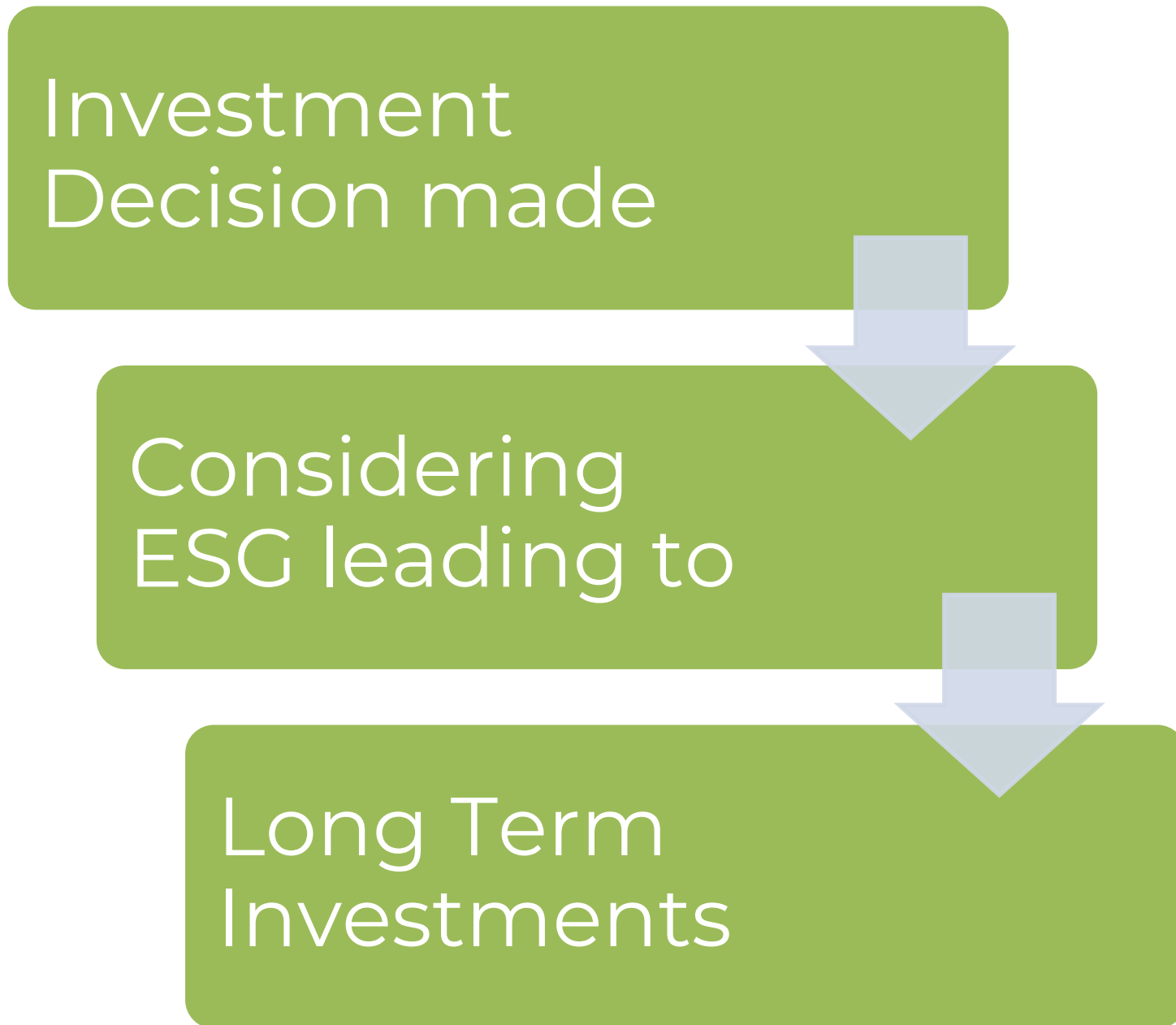
# PROFIT OVER PURPOSE



Source: NYSE, Retinitiv, Thompson Reuters

# WHAT IS ESG INVESTING?

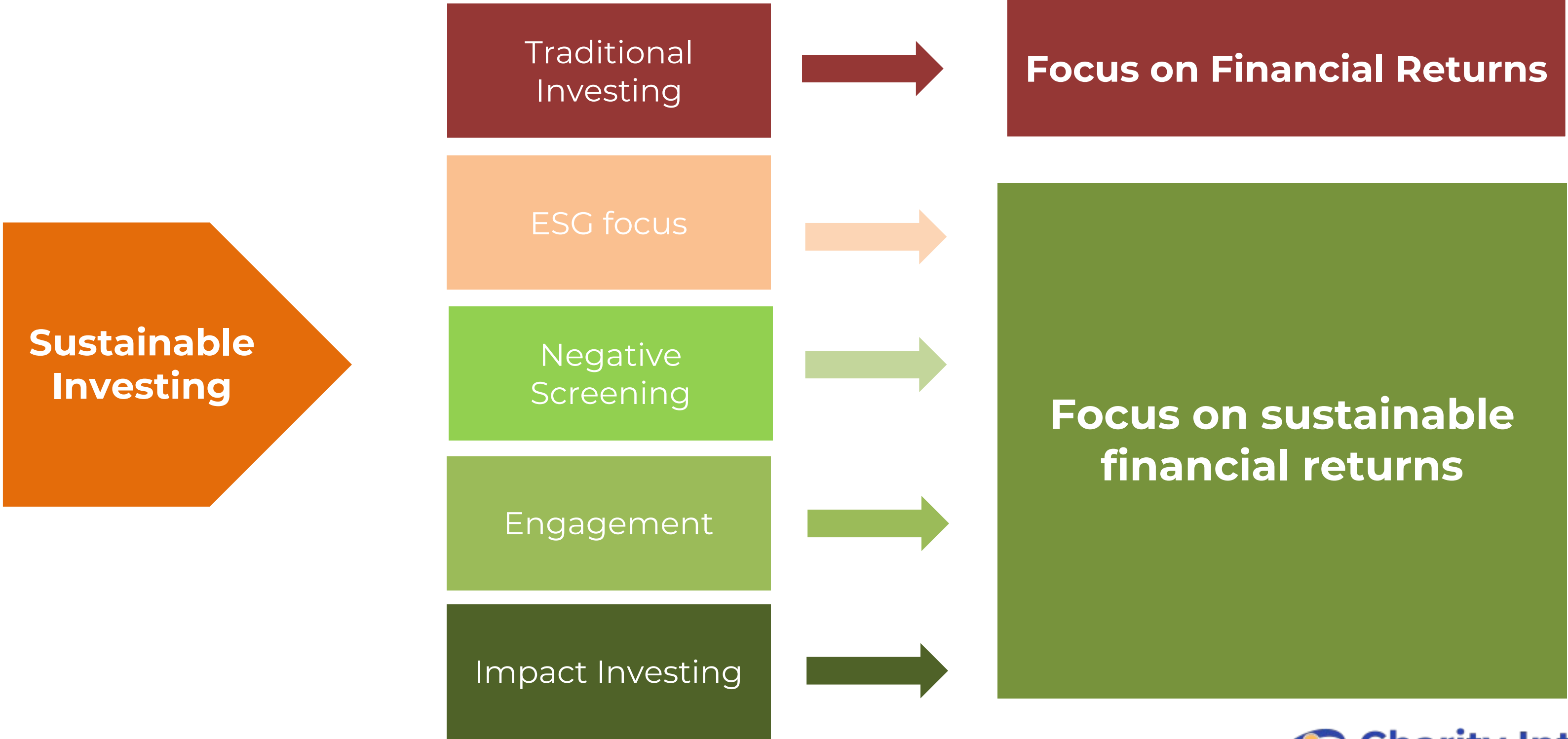
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**ESG refers to the process of taking environmental, social and governance considerations into account when making investment decisions**



# INVESTMENT PHILOSOPHY HAS EVOLVED





# MISSION-ALIGNED EXCLUSIONS REMOVE SOME ADVERSE IMPACTS

## Negative screens



Source: MSCI data as at 30.08.23

### Quantitative

**Exclude** investment in companies which are materially involved in the production and distribution of **ethically unacceptable products**, including:

- Tobacco (0.6%)
- Alcohol (1.5%)
- Gambling (0.3%)
- Adult entertainment (0.0%)
- Armaments (1.8%)
- Civilian firearms (0.6%)
- Extraction of thermal coal (0.5%)
- Production of oil from tar sands (0.2%)
- Oil and gas (5.2%)
- Predatory lending (0.4%)



# ESG PRINCIPLES

## Environmental (Planet)

- Climate change
- Carbon emission
- Air & Water pollution
- Bio-diversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

## Social (People)

- Consumer Rights
- Data protection
- Data privacy
- Gender and diversity
- Employee engagement
- Community/stakeholder relations
- Human rights
- Supply Chain
- Health & Safety
- Product Safety
- Labour relations & standards

## Governance (People)

- Board composition
- Audit committee structure
- Director independence
- Chairman/CEO split
- Executive pay
- Shareholders rights
- Accounting/audit
- Business ethics
- Conflicts of interest
- Bribery & corruption
- Lobbying
- Political contributions
- Whistleblowing schemes



## Benefits

- Align your investments with your values
- Contribute to positive social and environmental outcomes
- Potentially reduce risk and achieve competitive returns

# PURPOSE AND PROFIT

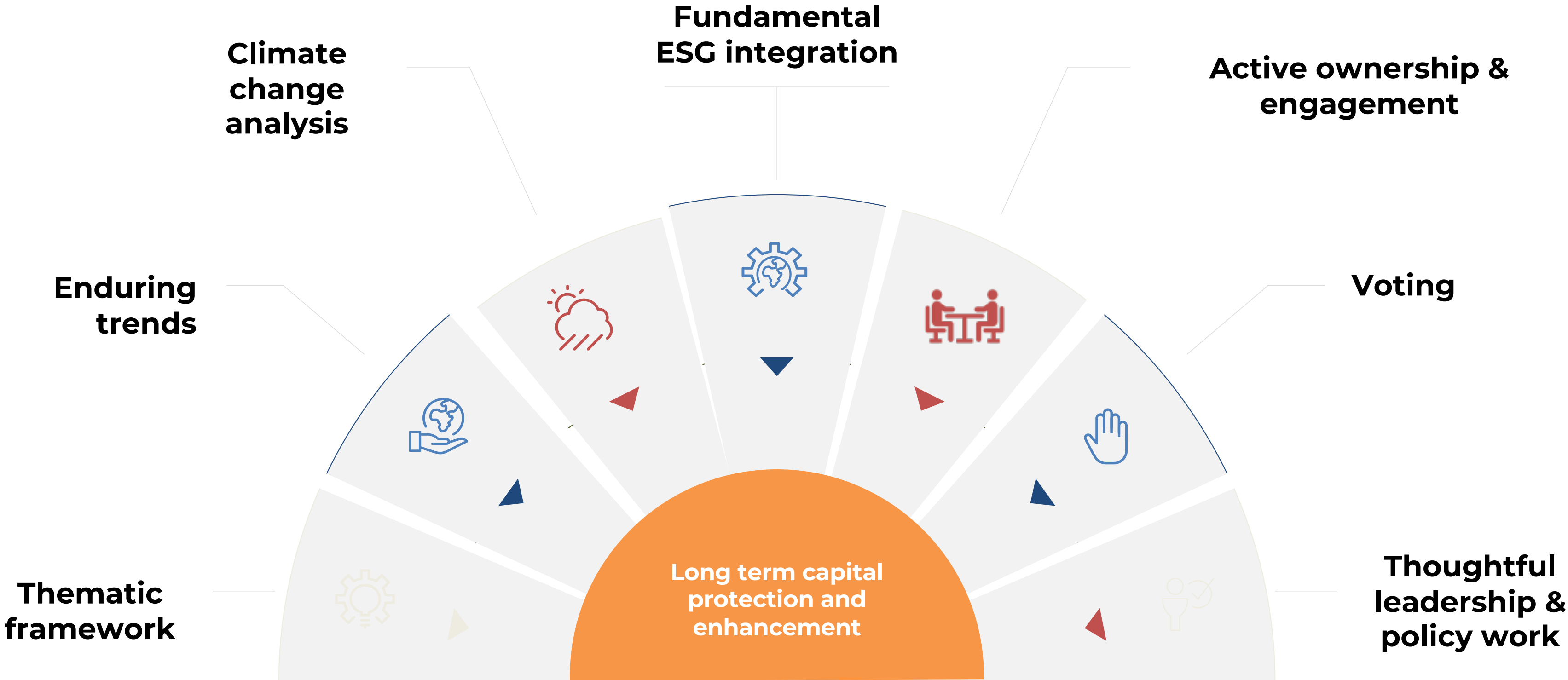


## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



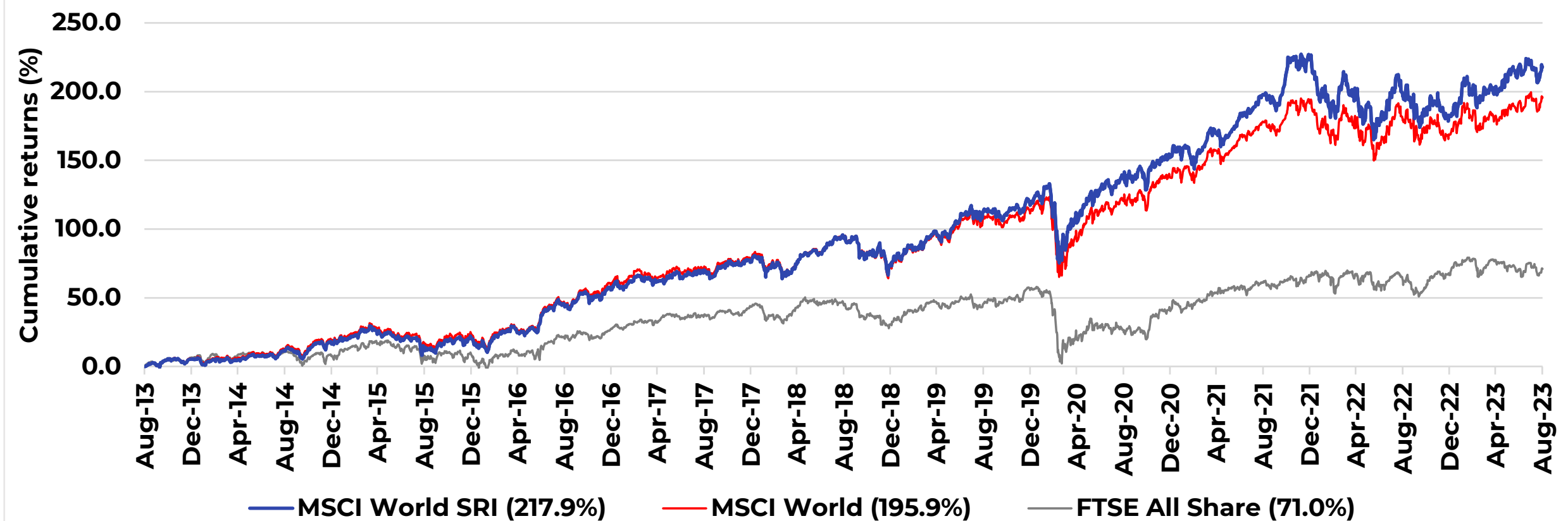
# IMPORTANCE OF ESG – THE POWER OF THE INVESTOR





# BALANCING FINANCIAL RETURNS WITH DOING GOOD – THE FINANCIAL IMPACT

**MSCI SRI Index (10 years)**  
Performance 01-Sep-2013 to 31-Aug-2023



In the first half of 2023, sustainable funds saw a median return of 6.9%, beating traditional funds' 3.8% and reversing their underperformance in 2022, according to a new “Sustainable Reality” report from the Morgan Stanley Institute for Sustainable Investing.



# HOW TO MEASURE?



Signatory of:



# EXAMPLES

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***We invest in order to finance our charitable work. We use a range of sustainable investment approaches with different financial and impact goals to support our work.***

Friends Provident Foundation

Barrow Cadbury Trust

Joseph Rowntree Foundation & Charitable Trust

John Ellerman Foundation

Thirty Percy

Cripplegate Foundation



**Profit or Purpose?**

**Both!**

**Keep it simple and develop over time**

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# Thank You

for listening - any questions?

Contact:

[guy.davies@charityintelligence.co.uk](mailto:guy.davies@charityintelligence.co.uk) or call on 07866 314400

Clarity for Charities

[www.charityintelligence.co.uk](http://www.charityintelligence.co.uk)

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