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## Banking, Investments and Staff Pension Schemes

The voluntary sector was pioneering ethical investment as far back as the 18<sup>th</sup> Century when Quakers in the UK chose to avoid investing in industries including gambling, alcohol, tobacco and the slave trade.

In 2005, the ethical finance sector had a market value of £11.6 billion, up from £5.2 billion in 1999 (Ethical Purchasing Index 2006, nef). A recent EIRIS (Ethical Investment Research Services) survey found that three quarters of people want their investments to be more socially responsible – though only 37% would be prepared to accept a lower rate of return.

As market demand for ethical finance has grown, so has the range of products available. There is a growing range of ethical banking services, investments and staff pension schemes.

As a voluntary sector organisation, you are likely to be particularly concerned that your money is invested in line with your objectives and values. For instance, there would be a huge reputational risk to an organisation working with children or families investing in companies that use child labour, or a cancer charity investing in tobacco.

The first step in improving the ethical performance of your money is to agree your criteria for selecting financial products. There are broadly two main approaches to this. You can either identify activities that you do not wish to invest in, such as the arms trade, pornography, tobacco or oppressive regimes, or you can select on a positive 'best in class' basis – seeking out companies that perform strongly on ethical criteria relative to other companies in the sector. Your criteria could well be a combination of these two approaches.

From these criteria you can begin to develop an investment policy. You may want to involve staff, donors, beneficiaries or other stakeholders in developing this policy. You can seek expert advice in developing the policy – but also in seeking out investments that are in line with your policy.

### 1. Banking services

The main high street provider offering ethical banking is the Co-operative Bank, [www.co-operativebank.co.uk](http://www.co-operativebank.co.uk). Other ethical bankers include Triodos, [www.triodos.co.uk](http://www.triodos.co.uk). CAF Bank, [www.cafonline.org/Default.aspx?page=6880](http://www.cafonline.org/Default.aspx?page=6880), provides charity specific banking services whilst Unity Trust Bank, [www.unity.uk.com](http://www.unity.uk.com), works only with trade unions, charities and voluntary organisations, credit unions and membership organisations.

### 2. Lending

Charities looking to borrow money also have a range of options. These include the Co-operative Bank, [www.co-operativebank.co.uk](http://www.co-operativebank.co.uk), Triodos, [www.triodos.co.uk](http://www.triodos.co.uk), Charity Bank, [www.charitybank.org](http://www.charitybank.org), Ecology Building Society, [www.ecologybuildingsociety.co.uk](http://www.ecologybuildingsociety.co.uk).

There are also an increasing range of specialist lenders to the sector including the Adventure Capital Fund, [www.adventurecapitalfund.org.uk](http://www.adventurecapitalfund.org.uk), Futurebuilders, [www.futurebuilders-england.org.uk](http://www.futurebuilders-england.org.uk), BIGinvest, <http://www.biginvest.co.uk>, Venturesome, [www.cafonline.org](http://www.cafonline.org), and the Co-operative and Community Fund, [www.icof.co.uk](http://www.icof.co.uk).

### 3. Investments

The Trustee Act 2000 includes a duty to take property advice in relation to investments. As well as suitable financial advice, this includes any relevant ethical considerations as to the kind of investments that are appropriate to the charity.

### 4. Pension schemes

Pension funds are increasingly adopting Responsible Investment (RI) strategies following various developments such as the 2000 SRI Pensions Disclosure Regulation and more recently, the launch of the United Nations' Principles of Responsible Investment.

Sources of advice and information:

- Charity SRI - [www.charitysri.org](http://www.charitysri.org), website launched by EIRIS and the UK Social Investment Forum Ethical Investment Research Services, [www.eiris.org](http://www.eiris.org)
- UK Social Investment Forum – [www.uksif.org/uksif](http://www.uksif.org/uksif).