People Feature

Firms step up charity partnerships to show social credentials

By Ed Moisson 16 April 2019

Asset managers are stepping up long-term partnerships with charities as they seek to show their credentials as social and sustainable investors.

Barings, BlackRock, Candriam and Robeco are among firms working with charities in ways other than volunteering and one-off donations.

Last month Barings announced a partnership with Change Please, a coffee company that trains homeless people, as well as helping them with accommodation and mental wellbeing.

The asset manager will support Change Please with advice and support relating to its growth and strategy, as well as relationship building with partners.

The collaboration between Barings and Change Please has already resulted in the opening of a coffee kiosk at Goodge Street underground station in London. A second kiosk is planned for the summer.

Erin Branstrom, head of social impact at Barings, says the firm's social impact program aims to lift up under-served communities and "bring meaning to the investment industry".

She adds that asset managers have a duty to help those less fortunate in society.

Larry Fink, BlackRock's chief executive officer, wrote in his latest annual letter to shareholders that the firm "must be a vibrant and engaged member of every country and community where we operate".

BlackRock has a social impact team which partners with non-profit organisations and start-ups, as well as clients and employees, "to identify, fund and create programs that help people access better jobs and build savings".

The asset manager's social activities include support for RefuAid, a loan distribution program for refugees in the UK.

Elsewhere, Candriam gives 10 per cent of the fees across its €3bn environmental, social and governance fund range to its sustainable development institute, which aims to reduce inequalities through support for non-governmental organisations and research and education funding.

Dutch asset manager Robeco has also tied activities in the wider community to its ESG credentials through its partnership with City to Sea, an environmental company that campaigns to prevent marine plastic pollution.

Robeco's "primary objective is to demonstrate the depth of our commitment to sustainability as an organisation", a spokesperson says.

Caroline Fiennes, a director at Giving Evidence, a consultancy for charitable giving, says long-term giving is important as it helps charities to plan their activities.

Giving to a cause over the long-term is also one way to demonstrate that a firm is more interested in the aims of the charity, rather than its own public relations profile.

However, experts warn of pitfalls when supporting charities in that manner.

Firms can best help charities by resisting the temptation to specify how their donations should be spent, Ms Fiennes says.

“The charity knows best, particularly because that can change over time. It’s bizarre if a company tells a charity what to do,” she says.

“You’re there to help the charity’s aims, rather than to help your firm’s PR.”

No amount of charitable giving is “going to make the public love you”, Ms Fiennes adds.

However, Naïm Abou-Jaoudé, chief executive officer of Candriam, says that giving to charity “can’t hurt” in improving the popular perception of highly paid fund managers.

“The best way for asset managers to become popular is to be useful to society and therefore to direct capital in the interest of the client, but also of the greatest number of people,” Mr Abou-Jaoudé says.

Recent research has raised questions about the motives of charitable donations from some fund managers.

The study*, prepared by academics at Georgia State University, University of Central Florida and the University of Alabama, found that hedge fund managers’ charitable donations are “driven by poor fund net flows and performance”.

Hedge fund managers’ charitable donations have a positive impact on their businesses, the researchers found, with donors’ poorly performing funds experiencing “significantly lower outflows compared to […] non-donating peers”.

However, the motivations for giving to charity may be less important than the act of giving itself, says Leon Kamhi, head of responsibility at Hermes Investment Management.

Mr Kamhi says: “As long as the manoeuvre is not brazenly manipulative, it is better to give than not to.

“There is a school of thought that [says] those who give for the wrong reasons will ultimately give for the right reasons.”

* *Are hedge fund managers’ charitable donations strategic?* (December 2018)