

## **Ethical Funding Policy**

*This policy documents builds on LGEC Funding Guidelines, adopted at management committee meeting 13.6.94. Last updated April 2008.*

### **Background**

Past discussions at LGEC have recognised that Ethical Funding is a complex area with many “grey” areas. LGEC have agreed that we needed to follow a middle course that neither accepts money from any source, nor where a policy was so stringent that it would be impossible for us to seek money from any commercial source.

### **1. Seeking Funding**

In seeking funding from companies, their ethical standing will to be assessed against the indicators used by the Ethical Consumer Magazine:

- Environment (Environmental Reporting, Nuclear Power, Climate Change, Pollution & Toxics, Habitats & Resources)
- People (Human Rights, Workers' Rights, Supply Chain Policy, Irresponsible Marketing, Armaments)
- Animals (Animal Testing, Factory Farming, Other Animal Rights)
- Politics (Political Activity, Boycott Call, Genetic Engineering, Anti-Social Finance, Company Ethos)
- Product Sustainability (Organic, Fairtrade, Positive Environmental Features, Other Sustainability)

Few companies are ‘squeaky clean’ and an assessment will be made based on the overall performance on the above criteria. Companies may be assessed using free online tools such as [www.corporatecritic.org/](http://www.corporatecritic.org/).

### **2. Charitable Trusts**

Although the original source of money now vested with a charitable trust may not always be ‘ethically sound’, money from charitable trusts would be acceptable unless the source is easily identifiable as being from a particularly ‘unethical source.’

### **3. Funding received by LGEC**

Funders or individual donors are entitled to know how LGEC spends the money they give transparently. An annual statement of accounts will be published, and in addition, all reasonable requests for information on expenditure will be welcomed, and details supplied.

Donors are entitled to anonymity, if they ask for it, although not where its purpose is to conceal a vested interest. Wholly anonymous donations will be accepted provided there is no reason to suggest that to do so would expose LGEC to bad publicity.

#### **4. In asking**

Grant funding requests or individual requests for donations will always give actual and never fictional examples of LGEC's work. Donors are entitled to expect administration costs to be kept to the minimum needed to perform an effective service.

#### **5. In recording**

Funds raised expressly for particular work will be regarded as "restricted", and the expenditure they give rise to, will be accounted for separately.

Trustees have a duty to maximize resources for their charity. If they choose to refuse a donation, they have to be able to demonstrate to the Charity Commission that they have acted in line with the charity's objects. The position of a charity towards a contentious donor is not the sum total of the personal beliefs of staff members. Rather, it is determined by whether its charitable objects are affected by association with that donor. It is the role of the Trustees to determine this. Trustees may argue for refusing a donation on one of three grounds:

- The money is associated with criminal sources
- The donor's objects are entirely opposed to those of the charity
- Receipt of the donation would lead to a decline in support for the charity and could be shown to result in a fall in the resources available to beneficiaries or users.

A matter of judgment does arise in those circumstances where an association with a donor can be shown to weaken LGEC, perhaps by alienating other donors, partners, staff, members, volunteers or potential volunteers. If on balance, acceptance of the donation weakens LGEC more than the money would strengthen it, then the funds should be declined. In making this difficult decision, recognition needs to be made that different forms of association bring different degrees of benefit to donors, and different implications for LGEC in terms of bad, or good publicity.

#### **6. Ethical investments and banking**

Ethical considerations arise where LGEC is investing its reserves in a bank or another company. This is because providing the resources for a company implies a level of responsibility for the subsequent actions of that company.

LGEC will therefore use its reserves only with ethical banking or ethical investment companies, which should be assessed and compared with other companies based on their ethical standing, taking into account the competitiveness of the likely financial return on the investment. At present, LGEC invests its financial reserves with the Ecology Building Society and banks with Triodos Bank.