

WHAT DOES COVID-19 MEAN FOR NFP BOARDS AND INVESTMENT GOVERNANCE?



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The current malaise in the financial markets is unnerving, and a very sharp contrast to the long bull market in financial assets that has driven investment returns since 2009. It's been exaggerated by the very rapid onset of the coronavirus (COVID-19) pandemic, with the future path of the virus remaining uncertain. In this article, Scott Hawker, National Manager, Not for Profit Endowments at Perpetual Private discusses what the pandemic means for not-for-profit (NFP) boards in the context of investment governance.

Considerations for NFP Boards

The impact on the operations of not-for-profit organisations will likely be substantial if economic conditions worsen:

- there may be more call on social services in the medium-term;
- fundraising activities may be pressured by the impact of changing markets on traditional donors, cancellation of events and inability to engage with donors face to face; and
- aged care providers in particular may have to face into changes in the need for liquidity.

All these factors and more may influence the short to medium-term investment risk

appetite of not-for-profit boards as it becomes more important than ever for those organisations to have flexibility to respond to the demands of their mission. The problems that not-for-profits seek to solve do not go away, and in weaker economic conditions they may indeed intensify, so investment strategies need to be liquid and reasonably uncorrelated with financial market movements.

Directors will need to consider all aspects of the investment strategy and ask their board *“have our long-term goals been impacted by the COVID-19 pandemic or can we ride out this intense market cycle with confidence?”*

In this context, this article [An update on COVID-19 for NFPs](#) from Kyle Lidbury, Head of Investment Research at Perpetual Private provides a valuable perspective.

Where to from here?

A crisis is an opportunity for leadership; the impact of the coronavirus is an opportunity for not-for-profit Boards to show resilience and vision in order to underpin their organisational stability and to create a framework for growth in support of their long-term mission.

Board decisions

Investing critical financial reserves on behalf of stakeholders is a long game; successful investing requires patience and experience. It is also a well-ordered process: directors need to be able to point to a defined decision-making framework. While the Board is always ultimately responsible for oversight of the investment process, their decisions are guided by experienced advisers and recommended by an appropriately-qualified delegated committee. It is the Board’s role to ensure that the right questions have been asked of experienced advisers in the field, and that well-informed decisions are successfully implemented.

The decision-making framework is an open-ended one – directors are responsible for the successful implementation of a long-term strategy that supports the goals of the organisation. They need to ask themselves, with reference to their own governance practices:

- Is our investment policy statement up to date, and do the articulated goals of the policy support our long-term mission?
- Does the investment policy clearly describe the decision-making framework – does it specify accountability and responsibility for investment decisions?
- Is the investment committee articulate and engaged in the development of investment strategy?
- How does the policy protect our hard-earned capital?

We’re here to help

Good advice is always needed, but essential during these types of market events. We encourage you to remain in contact with your adviser as this latest crisis plays out and we’ll keep you informed as the situation develops.

In line with Australian Government COVID-19 Guidelines, the majority of our teams are now working remotely to help minimise the spread of the virus. We are applying all aspects of the COVID-19 Guidelines throughout our business.

You can find more detail on Perpetual’s COVID-19 response plan [here](#), which will be updated regularly.

Further reading

An update on COVID-19

Perpetual discusses the implications for NFPs.

[Read More](#)





COVID-19 stimulus package

Perpetual discusses what the economic stimulus means for Australians.

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