

 **Charity Investors Group**

31 March 2020

### **CIG Member Survey – Charity Commission’s review on Responsible Investment**

In response to the Charity Commission’s blog in January 2020 regarding responsible investment for charities, the CIG recently asked its members for their opinions on how charities may approach investing in line with their purpose and values.

While the majority of responses were gathered by fund managers, of the 66 responders who participated in the survey, 41% of those who submitted answers worked for charities or acted as a trustee.

When asked if they seek to detail specific industries to avoid investing in addition to specific ESG criteria, an overwhelming 78% of charities said this was included in their investment policy statement. Some suggested that too often charities seek to exclude sectors while they should be more focused on including companies and sectors that are demonstrably responsible and in line with the charity’s objectives.

There was a more mixed opinion regarding the measurement of the impact on portfolio’s ESG policy with 56% stating they track the impact. Reflecting the difficulty in measuring the impact of ESG or lack of any agreed framework, it was perhaps unsurprising that 44% of the charities who stated that this doesn’t yet happen. Confusing jargon in the area of responsible investing didn’t help either, leading to confusion for charity investors.

A common concern reflected the fact that responsible or ESG investment is evolving fast and as yet there are no common standards. Inevitably there is some “greenwashing” so it is hard to judge the impact if buying a fund or individual equities. As there is no common standard, investors have to make a judgement on their annual report or other third party analysis.

We asked if they believed there was a negative trade-off between investing ethically and financial returns. Interestingly there was also a split opinion here with 47% disagreeing that there is a financial detriment to ethical investment, while 44% neither agreed or disagreed and only 9% thought investing ethically had a negative impact on financial returns.

Perhaps unsurprisingly, 52% of the responses thought that the appointed investment manager is best placed to advise on how to advice responsibly given the higher numbers of fund managers who responded to the survey. Beyond this, 26% believed that an independent consultant would be more appropriate, 12% thought the trustees of the charity should make these decisions.

Interestingly, only 8% and 3% thought the CIG and Charity Commission are best placed to advice on responsible investment respectively. Despite this finding, an overwhelming majority of responses felt that the Charity Commission should give guidance on best practice on responsible investing for charities. It is encouraging for the Commission that 67% of the CIG members who responded to this survey support improved guidance for charities wishing to make responsible investment.

Given the majority of the responders came from the fund management industry it was somewhat telling that 41% felt that they required further training on responsible investing. This demonstrates that there is more to do to help charities in the UK.

Social impact continues to gather interest among charities, but it seems more work is needed to increase awareness and choice. 67% took the view that their charity might accept a lower financial return for making such a social impact investment if it was aligned with the charity's objectives. But digging further into this area, 72% have struggled to see how their charity could make a social impact investment due to lack of what they would consider appropriate options for social impact investment. Furthermore, 28% of responders felt that there was a lack of knowledge amongst the charity Executive and/or Trustees.

The CIG supports the Charity Commission in its work to offer further guidance on responsible investment, accepting it is the trustees' primary responsibility to do the best for the charity and act in the charity's best interest.

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