

'Bad' investments are putting charity donations at risk

Research shows that the public expect high standards for how charities invest. Charlene Cranny explains how to match your money to your mission.



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CHARITIES COULD lose supporters if they don't ensure that environmental and social issues are considered when it comes to investing their charity's pension, endowment or other assets. Research for Good Money Week by YouGov last year found that 77 per cent of GB public would be likely to withhold donations if they found out that a charity invested its endowment or other assets contrary to its mission. High profile charities such as Comic Relief have faced criticism in recent years on this issue.

The poll found that over half the public support a new law that would compel charities to disclose details of the companies in which they are investing to donors (54 per cent, rising to 60 per cent among over 55s).

The results come during a boom in responsible investment elsewhere. The UK ethical and environmental funds market was valued at around £1.5tn by Eurosif in 2016, and inflows of capital into ESG (environmental, social and governance) index-trackers on BlackRock's iShares platform reached a record \$390m (280m) in July. In addition, 57 per cent of those responding to the YouGov poll

believe investment managers have a responsibility to ensure their holdings are managed in a way that is positive for society and the environment.

A surprising number of charities don't realise that they *can* match investments to their mission, instead thinking they have a legal obligation to seek whatever will deliver the best return. Being a responsible charity investor means seeking market rate returns while sticking to your principles and retaining supporters who are looking very closely now at where their charitable donations go.

As UKSIF's chief executive Simon Howard put it: "The public has sent a clear message to charities that they can and should consider their charitable mission when deciding how to invest their assets. Those who choose to ignore this message could well find themselves facing a donor revolt. All charities should be looking at how they can use their investments to achieve their charitable goals."

MATCHING MONEY TO MISSION

So how do you ensure that your investments are in line with your mission? These eight steps will help:

- Know what investments you hold;
- Assess how your investment decisions align with your charitable mission;
- Identify two to three core issues (such as climate change, armed conflict, land degradation etc) and pursue them by asking asset managers pertinent questions about relevant investee companies;
- Request voting reports from investment managers which include rationales for those cast on contentious votes, whether

for or against management;

- Collaborate with other asset owners to maximise impact. UKSIF has knowledge of sector activity if you need more information;
- Ensure that these matters aren't forgotten. We would suggest putting the matter on your risk register and raising the issue annually with your advisers and/or fund managers;
- Become an UKSIF affiliate and join a friendly network of supportive sustainable and ethical investors. Charity affiliation is free.

QUESTIONS FOR MANAGERS

Of course, the vast majority of charities will be investing through a fund manager. So how do you hold them to account? The following are some questions to ask of your managers.

- "We want to ensure all our investments are, and continue to be, aligned with our charitable mission. What combination of exclusion, engagement and ESG integration will you use to ensure this happens without losing value?"
- "Voting and engagement: Do you have examples of where you have engaged a company and what you have achieved?"
- "What newly available sustainable, ethical and positive impact investment options do you have available?"
- If you feel your manager isn't responding to your requests and is trying to railroad you into a particular approach, ask: "Are you familiar with the most recent version of the Charity Commission's *CC14 Charities and investment matters: a guide for trustees*, including our statutory power to make social investments and the legal requirement to select investments that are 'right for' our charity?" This document makes it clear what you need to do and why you are asking the questions. It will ensure a professional debate. ●