

By email

13 September 2018

Dear Sir/Madam,

### **ICSA response to OSCR's consultation draft: Charity investments - guidance and good practice**

On behalf of ICSA, I am pleased to respond to your consultation on the above document. ICSA: The Governance Institute is the international professional body for governance, with more than 125 years' experience and with members in all sectors. Our purpose is defined in our Royal Charter as 'leadership in the effective governance and efficient administration of commerce, industry and public affairs' and we work with regulators and policy-makers to champion high standards of governance, providing qualifications, training and guidance.

We are the professional membership and qualifying body supporting chartered secretaries and governance, risk and compliance professionals in all sectors of the UK economy. Members are educated in a range of topics including finance, company law, administration and governance, which enables them to add value to any organisation.

ICSA has an extensive pedigree in the governance arena, advising governments and regulators on company law, charity law and governance issues. The breadth and experience of our membership enables ICSA to access their practical knowledge in order to provide insights into effective practices across a range of organisations. This, together with detailed understanding of charity and company legislation and regulation, has informed our response.

#### **Responses to specific questions**

***In your opinion do you think the guidance is clear and easy to understand for charities of all shapes and sizes?***

The guidance provides a fundamental overview of the issues involved when boards first consider investing their charitable assets and covers the relevant legal and governance aspects. As such, the guidance is likely to be of more use and interest to those just thinking about investing or new to the trustee role. More established charities and experienced trustees are likely to seek further guidance elsewhere to meet their more complex demands.

The first case study is useful, but does give the impression that the board 'rubber stamped' the recommendation of the committee. This contradicts paragraphs on page 11 regarding the collective responsibility of boards in decision making.

***Do you think the guidance covers the key issues that charity trustees experience in relation to investments? If not, please explain what else you think it should cover.***

There may be some benefit in covering ethical investment concerns from the perspectives of different charities. For example, a charity working with animals may wish to establish an ethical investment policy that does not include products that have been tested on animals, but will consider arms manufacturers. Conversely, an international aid and development charity may not wish to invest in arms manufacturers but is content to be part of a group with shares in a pharmaceutical companies.



Further information should be included to cover those trustees who may have relevant and professional experience relating to investments and how that experience and expertise could impact the charity and the individual trustee.

Finally, the document should cover the balance between the risks of investing and not investing assets. While leaving sums in a low interest account may be safe, it may not always be in the best interests of the charity.

***Do you have a case study relating to charity investments that you are happy to share, for possible inclusion on our website?***

ICSA is not a charity and therefore does not have any relevant case studies it could share.

***What other resources do you think it would be helpful for us to include on our website to help charity trustees in relation to investments?***

As with other aspects of the role of trustees, the importance of good governance and compliance is paramount to the success and sustainability of a charity. Signposts and references to good governance practice and guidance on other websites would be beneficial for all trustees looking to improve their understanding and effectiveness.

I hope that these comments are helpful and contribute to your deliberations on the development of this guidance. Should you wish to discuss them further or require any clarification, please feel free to contact me on [lthomson@icsa.org.uk](mailto:lthomson@icsa.org.uk) or on 0207 612 7040.

Yours sincerely,

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ICSA: The Governance Institute