

UKSIF Briefing

September 2002

In a Strategy Unit consultation document, entitled '**Private Action, Public Benefit**', the government proposes that UK Charity Law should be modernised to ensure that charities (with a total annual income of over £1 million) disclose whether or not they take social, environmental and/or ethical (SEE) considerations into account in their investment strategies.

This amendment would bring charity law in line with the SRI pensions disclosure legislation. The report also calls for improvement in the range of legal forms available for charities, building trust in the sector and maintaining that trust by independent, transparent and fair regulation. **The Strategy Unit invites any comments on the proposals by 31 December 2002.**

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For copies of the report, visit www.strategy.gov.uk

The following extract and recommendations are taken from the report 'Private Action, Public Benefit':

6.13 Currently, pension fund trustees must disclose their ethical investment stance to their members. However, donors to, or funders of, a charity have no rights to know whether that charity chooses to invest its assets ethically or not - despite the fact that these assets can often be very substantial. Ethical investment is a matter of some public interest: a recent NOP survey shows that over 40% of the members of the public surveyed would prefer to support charities who invest ethically, while 14% would only support charities which did so. Disclosure about the way in which assets are invested, as well as the size of those assets, should form an important part of the Standard Information Return.

6.14 Increased disclosure must also be accompanied by greater clarity over what investment strategies trustees are permitted to follow under charity law. The current position is that trustees can follow an ethical investment strategy - but only if this does not result in significant economic detriment for the charity. Since ethical funds, on average, produce an economic return that is very similar to non-ethical ones, this means that trustees are free to choose from the wide range of ethical funds. This choice should be made clear to them.

Recommendations:

For charities with a total annual income of over £1 million, the Charities (Accounts and Reports) Regulations 2000 should be amended

in line with the obligations of pension fund trustees to declare their ethical investment stance in their annual reports. Smaller charities which have significant holdings of equities should also make a declaration of their ethical investment stance on a voluntary basis, as a matter of good practice. The ability of charities to follow a broad ethical investment policy should be clarified.