Charity Investment Governance Principles Self-Assessment Tool

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Charity Investment Governance Principles – Self-Assessment Tool

The Principles are intended to be used by trustees, staff and committee members involved in charity governance in England and Wales. This tool provides a practical way to assess whether investment governance procedures and oversight are working well. The tool is aimed at larger charities holding investments. If a charity mainly has cash (ie in a bank account), see the resource 'Smaller charities that mainly invest cash'.

Disclaimer
The Charity Investment Governance Principles, and all of the related content, whether published on this website or elsewhere, are for information and general guidance only. The Principles and related content do not constitute investment advice or any other form of advice. Charity investors applying the Principles remain responsible for their own decisions and should consider whether to seek investment or other professional advice in relation to their specific circumstances.

Using the Self-Assessment Tool

This tool sets out how charities can demonstrate that they are meeting the key outcomes outlined in the Principles. The CIGP website cigp.org.uk has more information and sources of additional help. In demonstrating that key outcomes have been met, users should consider actions which are proportionate to the charity's size and the nature of the charity's investments, see Using the Principles cigp.org.uk/using-the-principles. The Principles do not need to be used sequentially; users can head to the section most relevant to their needs

Legal and regulatory requirements

The Principles are not a legal or regulatory requirement. The Charity Commission's Investing charity money: guidance for trustees (CC14) provides advice on the legal and regulatory expectations of charities in England and Wales in relation to investments. The Principles build on CC14, enabling trustees and staff to explore investment governance in their charity's context. If users are not already familiar with CC14, they are advised to review this prior to using this tool.

The CIGP website indicates which practice is a Must and where practice is Recommended, or for Consideration. Where practice is a Must is noted below (see references to CC14) but users should also consult CC14.

Trustees, staff and committee members

'Trustees' refers to those individuals with control over, and legal responsibility for, the charity's management and administration. Trustees may also be known as board members, directors, governors and by other terms. In practice there may be a range of individuals internally who have a delegated role in overseeing governance of the charity's investments. This might include:

- members of staff such as a CEO, head of finance or head of investment
- a sub-committee of the board, for example the 'Finance and Investment Committee', or a treasurer, who is usually a trustee

Many activities relating to a charity's investments day-to-day may be delegated externally (for example to an investment manager or investment adviser), but governance responsibilities remain with the Trustees.

Principle 1. Purpose of investments

The trustee board has a shared understanding of why the charity makes investments, how those investments further the charity's purposes, legal and practical considerations relating to investments and the charity's time horizon. For more information, explanations and sources of help, see: Principle 1.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
All trustees have a shared understanding of the charity's purposes, that investments are a tool to deliver those purposes, and how investments further the charity's purposes. (CC14: Trustees' principal duty is to further the charity's purposes. Investment decisions must be made to further those purposes and in the interests of the charity.)	Are Trustees given an understanding of the charity's purposes (may be referred to as objectives, aims, mission) and how investments further the charity's purposes as part of an induction or at a board meeting? Are investments held to ensure the charity is sustainable through holding sufficient reserves, to provide financial returns (eg as an endowment) and/or to further the purposes via responsible, impact, social investment?		
All trustees understand their legal responsibilities, investment powers and how investments are held. (CC14: Trustees must comply with the legal duties and requirements set out in CC14, make decisions in the best interests of the charity and keep the investment approach under regular review.)	Have all trustees been sent a link and encouraged to read the Charity Commission's 'Investing charity money: guidance for trustees (CC14)'? Are Trustees signposted to where they can find further information and training? For example, guidance from and training courses run by charity umbrella bodies, law firms and investment managers/advisers.		

Any restrictions or requirements relating to the charity's investment approach (as required by CC14)	Has a Trustee or member of staff checked for any restrictions or requirements, for example in the governing document (depending on your charity the governing document may be a 'constitution', 'memorandum and articles of association', 'trust deed or will') or stated by a donor, that affect the charity's ability to make investments? For example, not being able to invest in particular industries or investment products. Is this recorded in writing?		
The charity's structure and the type of funds held are understood by trustees/staff/committee members. (as required by CC14)	Does a Trustee or member of staff understand (and if needed can explain to Trustees/staff/committee): • the charity's structure (for example whether it is incorporated or unincorporated), and the implications of this for holding investments? • understand the type of funds held by the charity, for example unrestricted funds, endowment funds • whether the charity holds permanent endowment or expendable endowment funds If the charity intends to make social investments, has a Trustee or member of staff checked and followed any governing document rules about whether or how the charity can make social investments.		

Trustees/staff/committee members understand when money might be needed, and choose an investment approach appropriate to the charity's overall time horizon.	Do all Trustees have a shared understanding of the charity's time horizon? For example, whether the charity's purposes are achievable within a certain time frame, how the charity plans to balance current and future needs, whether the charity might achieve its purposes in different ways and how that might affect the charity's time horizon. Have trustees, staff or committee members reviewed the charity's investments in relation to its time horizon? Are the investments suitable for meeting the charity's need over the short, medium and longer term?		
Where a charity is accumulating significant investments, trustees/staff/committee members explore how this furthers the charity's purposes.	If the charity is accumulating funds beyond its reserves policy, how does this further the charity's purposes more than spending funds on the purposes? Where an expendable endowment is held, do trustees have a shared understanding of whether the intention is to spend, preserve or grow the endowment over time? Why does the chosen approach best serve the charity's purposes?		

Principle 2. Leadership
The board provides leadership on investments, supported by a strong governance structure and delegation framework (see below). For more information, explanations and sources of help, see: Principle 2.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
All trustees understand their duties in relation to investments. CC14: Trustees must follow the principles of good decision making, act with reasonable care and skill and keep a record of decisions made and how these were reached.	Do all trustees understand the Trustee duties, as set out in the Charity Commission's CC14 Investing charity money guidance, that trustees must follow the principles of good decision making, act with reasonable care and skill and keep a record of decisions made regarding investments and how these were reached? How are Trustee decisions recorded? For example in meeting minutes.		
The charity has a governance structure and mechanisms for governing investments which reflect the size and complexity of the investments held.	Does the charity have sufficient finance/investment expertise, among trustees, staff or committee, commensurate with the size and complexity of the investments held? Three examples are given below: • limited investments in a bank account, oversight and control by a minimum of two individuals or a committee with finance responsibilities OR • investments beyond a bank account, which are not substantial or complex, oversight by a minimum of two individuals, one of whom has some financial understanding, or by a committee with finance responsibilities OR • where investments are substantial or complex, a board sub-committee is established with oversight of the investments. This committee may oversee finance and investment and include trustees, staff and co-opted members. Individuals with expertise in the charity's purposes are included.		

	Does any committee with oversight responsibilities have a clear Terms of Reference setting out the tasks and responsibilities of committee members, and the relationship between the committee and the board? Are the Terms of Reference reviewed and updated at appropriate intervals? For example every 4-5 years in line with a review of professional providers (eg investment managers/advisers) If the charity intends to make social investments, are Trustees confident the charity has access to sufficient expertise to make and oversee any social investments?		
There is a framework for delegation appropriate to the charity's size and the complexity of the investments held. CC14: Any trustees, staff or committee members with delegated investment oversight responsibilities report to the board at appropriate intervals so that the board maintains responsibility and oversight. For more on delegation frameworks see below and Principle 2: Leadership	Has a delegation framework for investments been approved, for example in a Financial Controls Policy, Committee Terms of Reference and/or Investment Policy? Does the delegation framework set out which decisions are taken at board level, by staff, by a committee (if applicable) and by external organisations such as investment managers or investment advisers? Does the delegation framework set an appropriate level of control depending on the size and complexity of the charity's investments? Is the delegation framework reviewed on an annual basis or whenever changes are made? Do any trustees, staff or committee members with delegated investment oversight responsibilities report to the board at appropriate intervals so that the board maintains responsibility and oversight?		

Delegation Framework

A delegation framework sets out how decisions will be made and certain functions carried out, including who will make decisions. The delegation framework may be recorded in different documents, for example the Financial Controls Policy, Investment Committee Terms of Reference and/or Investment Policy. The delegation framework must be approved by the trustees. Trustees should review the delegation framework on an annual basis. Trustees retain the power to override or revoke any delegation of their powers. The framework can include:

Responsibilities of the Trustees:

- the board of Trustees (or equivalent) has ultimate responsibility for investment governance within the Charity (and listing any other body with investment governance responsibilities within the charity, for example a Local Authority)
- Trustees, with advice from staff and committee members as needed, set the financial targets for the investments. This will typically involve determining the financial needs of the organisation and understanding to what extent these will be met by the investments (for many charities financial needs will be met from fundraising rather than investment returns).
- Trustees approve the appointment of professional providers (for example investment managers/ advisers) and approve the investment policy
- Trustees approve asset allocation and risk appetite, typically based on recommendations from a committee, staff member or professional provider
- Trustees have the power to delegate certain responsibilities (as in the governing document or as a legal power) to a committee or staff member

Responsibilities delegated to a committee or staff member which are subject to board approval might include:

- setting investment targets in line with the financial needs of the charity and realistic predictions of investment performance
- conducting a search for a professional provider and a review every 4-5 years
- recommending appropriate asset allocation and risk levels for investments
- writing and updating the investment policy

Decisions taken at committee level not subject to board approval might include:

- identifying benchmarks; monitoring the performance of professional providers

Decisions taken by professional provider subject to committee approval might include:

- request to change asset class boundaries

Decisions taken by professional provider not subject to approval might include:

- making investment decisions (buying or selling particular investments) in line with the investment policy
- day-to-day management of the investments

Responsibilities delegated to a staff member might include:

- overseeing and liaising with professional providers on a day-to-day basis
- working with the committee to discharge the responsibilities listed above

Principle 3. Integrity

The charity's purposes are placed at the forefront of investment decision-making. For more on managing conflicts between the charity's purposes and its investments, or reputational risks, in a way which is proportionate to the charity's size and the nature of the charity's investments see Principle 3: Integrity.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
CC14: Trustees, staff and committee members are solely guided by the interests of the charity and do not allow personal motives, opinions, or interests to affect the decisions they make in relation to the charity's investments.	Is there an opportunity for trustees, staff and committee members to reflect on whether and how their personal motives, opinions or interests could affect decisions being made in relation to the charity's investments? Have trustees and staff explored and enacted methods to ensure that the charity's investment decision-making is inclusive and involves those with a broad range of expertise and experience, not just finance and investments?		
Conflicts of interest in relation to the charity's investments are identified, managed and recorded.	Does the charity's policy for disclosure include identifying, managing and recording potential and actual conflicts of interest in relation to investments? CC14: If the charity is considering investing in a company connected to a trustee, has the Charity Commission's guidance been followed?		
Potential circumstances for private benefit to be received by trustees (or staff or committee members) in relation to the charity's investments are identified and properly addressed.	CC14: Are trustees/staff/committee members aware of where private benefit in relation to the charity's investments might occur? CC14: Do they use their judgement to determine whether any private benefit is: no more than incidental, necessary in the circumstances, reasonable in amount, in the best interests of the charity?		

The full range of options available to further the charity's purposes are considered.	Have Trustees, staff or committee members explored methods by which investments could further the charity's purposes beyond financial returns, for example via responsible, impact or social investment?		
CC14: Where you identify that an investment (current or planned) could conflict with your charity's purposes or harm its reputation, this is a relevant factor for your decision-making. The law says that it is up to you to decide whether to make or not make the investment, acting in compliance with your trustee duties, and balancing the following: all the factors that are relevant to your charity's circumstances and investment decisions, the extent of any potential conflict and how likely and serious it is, any potential financial effect of a decision to exclude the investment and how likely and serious this is. However you decide to invest, you must balance the potential benefits of taking a particular approach with any risks it brings to your charity. Your approach must be in the best interests of your charity.			
Conflicts between the charity's purposes and its investments are explored and recorded, and appropriate action to manage any conflicts is determined and taken.	Are a broad range of trustees and staff involved in identifying and considering conflicts between the charity's purposes and its investments? Have Trustees balanced all relevant factors, including the extent of the conflict and any financial effect resulting from addressing the conflict? Where conflicts have been identified and it has been determined that these need to be avoided or managed, have these been recorded in the investment policy and acted upon?		
Reputational risks in relation to the charity's investments are explored and recorded, and appropriate action to manage any reputational risks is determined and taken.	Are a broad range of trustees and staff involved in identifying and considering potential risks to the charity's reputation posed by particular investments? Have Trustees balanced all relevant factors, including the extent of the reputational risk and any financial effect resulting from addressing reputational risk?		

	Where reputational risks have been identified and it has been determined that these need to be avoided or managed, have these been recorded in the investment policy and acted upon?		
Opportunities for influence and collective action are considered. (Whilst there are opportunities for charities of all sizes to use their voice and choices, there will typically be more opportunities for those charities with significant assets.)	Do trustees/staff/committee members: • understand how holding investments can provide opportunities for leadership and influence • consider opportunities to further the charity's purposes via collective action on investments • are aware of collaborations and initiatives the charity's investment managers or investment advisers are participating in • decide and record which trustees/staff/committee members are responsible for committing to participation in responsible investment initiatives		

Principle 4. Decision-making, risk and control
Effective systems are established, appropriate to the charity's size and the complexity of investments held. For more information, explanations and sources of help, see Principle 4.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
Advice or guidance is sought where needed from individuals/organisations with suitable expertise (on a paid or voluntary basis) and considered objectively. (The Charity Commission's CC14 guidance lists taking advice and delegating as one of four specific trustee duties in relation to financial investments.)	Have trustees (with the help of staff and committee members where needed) identified whether they need to take advice on the charity's investments and recorded the outcome? Has advice been given by an individual or organisation with suitable expertise? Advice can be given on a voluntary basis, for example by a trustee or committee member, and/or on a paid basis by an external professional (such as an investment manager or investment adviser). Advice may be needed on areas such as: • investment strategy and approach • investment policy, for example liquidity needs, risk appetite and asset allocation • appointing external providers • reviewing the charity's investments		
The charity's investment approach is appropriate to its strategy and goals.	**Strategy and investment approach** Have trustees, staff or committee members determined and recorded the charity's financial position and set targets to meet the financial needs? Are these reviewed at least annually?		

CC14 lists: • considering whether the investments are suitable for your charity and whether they will meet its investment objectives • considering the need to diversify investments, if appropriate to your charity, to spread the risk as two of four specific trustee duties in relation to financial investments.	Have trustees/staff/committee members, taking advice (see above) when necessary: • understood the charity's financial needs over the short, medium and longer-term; liquidity needs; and which investment approaches are available and might be appropriate to meet those needs? • explored, determined and recorded the charity's risk appetite in relation to investments and have sufficient understanding of the relationship between risk and returns, and the need to diversify investments? • determined the asset allocation appropriate to the financial targets and risk appetite? • understood whether and how the charity's investment managers intend to: ➢ undertake responsible investment practices (eg divestment, screening, stewardship and engagement) to avoid conflicts with the purposes and manage reputational risks ➢ undertake responsible investment and monitor ESG factors to manage risk and strengthen financial performance ➢ undertake responsible or impact investment as a way of furthering the charity's purposes		
	For permanently endowed charities, have trustees/staff/committee members considered whether to adopt a total return approach? Has the approach taken been recorded in the investment policy which is approved by all trustees?		

	CC14: If the charity intends to make social investments, have the aims, expected returns and risk appetite in relation to social investments been recorded in the investment policy which is approved by all trustees.		
(CC14: The Charity Commission expects all charities that invest to have a written investment policy, some charities are legally required to have one due to the charity's structure, investment approach or governing document . The investment policy can be a simple document if the charity's amount for investment is small.)	**Investment policy** Does the charity have a written investment policy? Does the investment policy record the financial targets, risk appetite, asset allocation, approach to responsible investment and ESG? Has the investment policy been approved by all Trustees? Is the policy reviewed at appropriate intervals? For example every 4-5 years or whenever there are substantial changes to investments. Have trustees/staff/committee members developing the policy sought external advice if needed? Have Trustees/staff/committee members considered the relationship between the investment policy and other relevant policies? (eg reserves, treasury, modern slavery, anti-bribery, anti-fraud, tax strategy) (The Principles have more information on writing an investment policy and links to example policies).		

	Appointing external providers Is there a process for appointing professional providers (eg bank account, investment manager) which is recorded and approved by the board? If substantial investments are held, have trustees/ staff/committee conducted a tender process: • meeting with shortlisted providers (eg investment managers/advisers) with opportunities for all trustees and a cross-section of staff to be involved? • analysing whether the provider can deliver the requirements of the investment policy? • comparing fees and charges? • proportionately resourced, involving staff, trustees, committee and additional resource as needed CC14: Where decisions are delegated to an investment manager (discretionary management) is there is a formal contract with the manager?		
There is a framework for monitoring and reviewing the charity's investments, appropriate to the charity's size and the complexity of the investments held. (CC14 lists reviewing and reporting on investments as one of four specific trustee duties in relation to financial investments.)	Have Trustees/staff/committee members, taking advice when necessary: • assessed whether the investments are meeting the objectives set out in the investment policy and are suitable for the charity? • implemented suitable controls and reporting arrangements? • conducted a review/retendering for any professional providers at appropriate intervals? Is information provided by any professional provider timely, relevant, accurate and in a format those using it can understand?		

Principle 5. Effectiveness

The board is confident that trustees/staff/committee members providing delegated oversight of investments have the necessary skills, experience and knowledge and that there are processes in place for effective oversight of investments. For more information and sources of help, see: Principle 5.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
The charity has sufficient understanding of finance and investments among trustees, staff or committee members, commensurate with the size and complexity of the investments held.	Is there a transparent process to appoint those trustees, staff and committee members tasked with oversight of investments? For example a skills audit, role specification, advertising vacancies and making appointments against objective criteria. Are committee members appointed for an agreed length of time? Where a committee member has served for more than nine years is this subject to rigorous review, taking into account the need to ensure those on the committee are able to present or represent a diversity of viewpoints individually and collectively?		
Trustees are empowered to feel confident asking questions about the charity's investments of fellow trustees, staff and committee members, and learning opportunities are provided or signposted.	Do all trustees receive an induction or training to enable them to feel confident asking questions about the charity's investments? Are there opportunities for ongoing learning? Do trustees/staff/committee members with delegated investment oversight responsibilities have opportunities to access learning? For example about: • the charity's purposes and context, and how investments might conflict with the purposes or pose reputational risks • opportunities to further the charity's purposes through responsible, impact or social investment		

The board has an effective working relationship with any trustees, staff or committee members tasked with delegated investment oversight responsibilities. Investments are given sufficient time and consideration relative to other aspects of the charity's work, including at meetings of trustees.	Are investment discussions timetabled at board meetings in a way that is commensurate with the level of investments held and relative to other areas of the charity's work? Are Trustees are given time to prepare, including opportunities to go through investment related items in advance with more experienced trustees/staff/committee members, to ensure they feel confident in asking questions about the charity's investments? Are decisions recorded and delegated decisions ratified by the board?		
Trustees, staff and committee members directly involved in investment oversight can provide constructive challenge within a culture where differences and challenges are aired and resolved. Power dynamics within the board or committee are recognised and steps are taken to ensure discussions of the charity's investments are inclusive.	Are meetings with the charity's investment managers or investment advisers constructive with clear objectives and pre-agreed agendas? Do Trustees and committee members consider the power dynamics on the board or committee and any imbalances which might lead to poor decision-making in relation to the charity's investments?		

Principle 6. Equity, Diversity and Inclusion

The board ensures that trustees/staff/committee members involved in the charity's investments commit to exploring, understanding and taking action with regard to equity, diversity and inclusion. For more information, explanations and sources of help, see: Principle 6.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
Those involved in the charity's investments understand how an inclusive approach, involving those from a diversity of backgrounds and perspectives, can lead to stronger decision-making.	Do Trustees, staff and committee members create a meeting environment where behaving inclusively is the norm and those in the meeting can constructively challenge each other in regard to the charity's investments? Do discussions within the charity about equity, diversity and inclusion include investments as a topic? If there is discomfort or a lack of understanding regarding how EDI might apply to investments, are opportunities for learning accessed?		
The input of a broad range of trustees and staff with different perspectives and experiences helps to ensure the charity's purposes are centred in its investment approach. The diversity of backgrounds and perspectives among investment decision-makers internally and externally are considered and the impact of this on investment decision-making is understood.	Are the backgrounds and perspectives among investment decision-makers both internally and at external providers such as investment managers and investment advisers considered? Could a lack of diversity and inclusive practice lead to decision-making which is narrow and rigid? Trustees/staff/committee members consider a diverse range of views and opinions on charity investment practice.		

Equity and impact are considered in the investment strategy in a way which is appropriate to the charity's size and investment approach.	Are Trustees/staff/committee members aware of evolving practice in investment strategies that consider equity and impact? If appropriate to the charity's size and resources, areas for exploration might include: • responsible, impact and social investment • the climate crisis and the just transition, including examination of systemic risks • the origins of the charity's assets and ongoing extractive practice in the investment portfolio • learning about strategies which address inequities in the broader economy, for example inequality, gender-lens or racial equity investing • exploring providing finance to groups which are marginalised within the mainstream economy Are discussions held with the charity's investment managers/advisers to understand their approach to addressing equity and impact? If a charity holds social investments, does the social investment strategy consider power imbalances with organisations receiving investment, considering: • investing on terms which are affordable, supportive, flexible and equitable • taking due regard of the risks for the investee and seeking to share risks wherever possible • exploring methods of sharing power with investees • monitoring data on the diversity of investees and having representation within the decision-making structure from individuals who reflect or can represent the experience of investees		

Principle 7. Openness and accountability

The value of openness and accountability in relation to the charity's investments is understood and acted upon. For more information, explanations and sources of help, see: Principle 7.

Key outcomes	Demonstrating key outcomes have been met	Notes on actions taken	Date
The board has a shared understanding of how including information about the charity's investment policy and approach in its annual report and on the charity's website will help to build trust and confidence.	CC14: Does the Trustees' annual report include an explanation of: • how the charity's investments have performed during the year • what the charity's investment policy is, including any non-financial aims that you have for your charity's investments Smaller charities or charities with few or less complex investments do not need to include detailed information. In addition to any requirements under the Charities Statement of Recommended Practice (SORP) and the Charity Commission's reporting and accounting guidance, is the following information made available by publishing the charity's investment policy on its website and extracts from the investment policy in the charity's annual report? • why the charity holds investments and how those investments support and further its purposes • how the charity addresses any conflicts with its purposes and any reputational risks • governance structure relating to investments, and how trustees/committee members with investment oversight responsibilities are recruited • the main external professional providers used by the charity for its investments • the approach to social investments (if made)		

	If the full investment policy isn't published on the website, have trustees/staff/committee explored the reasons for this and determined alternative ways the information could be made available, for example by publishing a simplified investment policy?		
Trustees/staff consider how the charity's investments might be regarded by the people and organisations who are involved in its work and by the wider public, and how any related reputational risks ought to be managed.	Is information published about investments provided in a way which is accessible to the charity's stakeholders where possible? Can the charity's annual report and accounts be easily located on the charity's website? Have trustees/staff/committee members explored publishing more detailed information about the investments as part of a commitment to openness? Do trustees/staff/committee members explore opportunities to share and learn about investments with other organisations in the sector and those pursuing a purpose-led approach to investment? Is there clarity about who the charity's key stakeholders are, and a plan for communicating with them about the charity's investments, including agreed processes and routes where needed?		