

Church of England Ethical Investment Advisory Group

Statement of Ethical Investment Policy

**March 2017
(Revised October 2018)**

Introduction

The Church of England has three National Investing Bodies (NIBs): the Church Commissioners for England, the CBF Church of England Funds and the Church of England Pensions Board.

The NIBs are asset owners who invest on behalf of a large number of beneficiaries. The way in which they invest forms an integral part of the Church of England's witness and mission.

The NIBs receive advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the NIBs to act as distinctively Christian – and Anglican – institutional investors. The EIAG develops ethical investment policy recommendations¹ which, once agreed by the NIBs, are adopted by them, communicated to the wider Church and implemented.

The EIAG consists of representatives of the NIBs, General Synod, the Archbishops' Council and the Mission and Public Affairs Council, and certain co-opted members. Legal responsibility for all investment decisions rests solely with the NIBs.

The NIBs' ethical investment policy embraces stewardship, engagement and investment exclusions.

Stewardship

The NIBs operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Christian stewardship provides the context within which and informs the manner in which these duties are performed.

The NIBs are signatories to the UK Stewardship Code which encourages institutional investors to act as good stewards of their equity investments through active ownership (monitoring, engagement and voting)².

¹ See <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>.

² Stewardship Code Statements are published on the NIBs' websites.

The NIBs are signatories to the United Nations Principles for Responsible Investment³ (PRI) under which institutional investors pledge to incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes, and to be active owners, across all asset classes.

The NIBs recognise climate change as a distinct ethical investment issue and invest in line with a climate change policy.

Engagement

The NIBs expect companies in which they invest to manifest sustainable environmental practice, fair treatment of customers and suppliers, responsible employment practices, conscientiousness with regard to human rights, sensitivity towards the communities in which they operate and best corporate governance practice. The NIBs engage with investee companies to seek improvement in ethical standards in these areas.

There are specific policies on Executive Remuneration and Business and Engagement. From time to time, policies, papers and reports are also published to inform engagement on individual environmental and social issues.

Investment exclusions

The NIBs do not wish directly to profit from, or provide capital to, activities that are materially inconsistent with Christian values, and are also mindful of the danger of undermining the credibility, effectiveness and unity of the Church's witness were they to do so. A range of investment exclusions is therefore maintained⁴.

The EIAG may, exceptionally, recommend exclusion from investment of any individual company in any line of business on ethical grounds - normally if, after sustained dialogue, the company does not respond positively to EIAG concerns about its practices. In such cases the NIBs will determine individually whether to disinvest if they hold securities issued by the company. The EIAG and NIBs expect a recognition of responsibility and a resolve to improve, rather than perfection.

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³ Information about the PRI is available at: www.unpri.org

⁴ A summary of the NIBs' investment exclusions are annexed to this Statement, and full details are available at <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group/policies-and-reviews>

Annex 1: Investment exclusions

Direct investments in equities and corporate debt

The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover.

The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, or high interest rate lending.

A policy on alcohol is implemented by the NIBs under which companies deriving more than 5% of their revenues from alcoholic drinks are only eligible for investment if they meet EIAG standards for responsible marketing and retailing.

The climate change policy (2015) does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal.

Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church’s policy and to explain the theology, ethics and reasoning underlying the policies.⁵

Direct investments in property

The NIBs apply to direct property investments the investment exclusions applied to equities and corporate debt in line with their Property Policy⁶.

Indirect investments via pooled funds

The NIBs are only able to invest in some assets, asset classes and investment strategies through pooled funds. Pooled funds are funds in which a number of different investors invest.

Because the ethical investment policies of the EIAG and NIBs cannot be applied fully, or at all, in investments in pooled funds and indirect vehicles, it is essential that parameters are set for the use of pooled funds and indirect vehicles.

The Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment⁷.

⁵ See <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group>

⁶ See <https://www.churchofengland.org/sites/default/files/2017-11/Property%20Investments%20Policy.pdf>

⁷ See <https://www.churchofengland.org/sites/default/files/2017-11/Pooled%20Funds%20Policy.pdf>