Church Commissioners for England

Responsible and Ethical Investment Policy

Investment Division

Responsible Investment Team
April 2024

Contents

Document Control

Version	Author	Reason for Change	Date
1.0	Edward Mason	Initial version	July 2015
2.0	Bess Joffe	Update given industry progression & team expansion	March 2021
3.0	Bess Joffe	Update given strategy progression	November 2022
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Introduction

The Church Commissioners exist to provide sustainable funding to support the mission and ministry of the Church of England in perpetuity. We do this through responsible and ethical management of a diverse investment portfolio which enables us to maximise our sustainable support for the Church. Our ethical investment approach is advised by the Church's Ethical Investment Advisory Group (EIAG) which aims to enable the National Investing Bodies of the Church to act as distinctly Christian – and Anglican – institutional investors. Moreover, an ethical approach to investments enables alignment of our activities to the Anglican Church's Five Marks of Mission.

We aim through our investing activities to *increase positive outcomes, reduce negative outcomes* and *manage the exposure to risk*, with the goal of delivering target returns and positive impacts on people and planet. But we recognise and accept that we may need to be invested in areas that carry a degree of investment and reputational risk.

Within our investment portfolio, we expect investee companies and our real estate tenants to manifest ethical and responsible business conduct practices, including good governance, respect for people, and respect for the planet. We believe that good governance is at the heart of successful business, underpinning sustainable wealth creation, the protection of shareholders' capital, and the integrity and attractiveness of investment. We will work with relevant stakeholders, including fund managers, companies, commercial tenants and managing agents to advance this agenda and support our aims.

This Responsible and Ethical Investment Policy (RI Policy) details how the Church Commissioners ('we') achieve our aims and commitments relating to responsible and ethical investment.

Scope

The commitments and processes described in this, and any named subordinate policies, apply to the Church Commissioners' investment activities in respect of the endowment fund that it manages on behalf of the wider Church of England. They do not apply to the distributions made by the Church Commissioners' endowment fund, or to the investing activities of the other National Investing Bodies of the Church of England, the Church of England's Social Impact Investment Programme, or any other Church body.

Governance and Responsibility

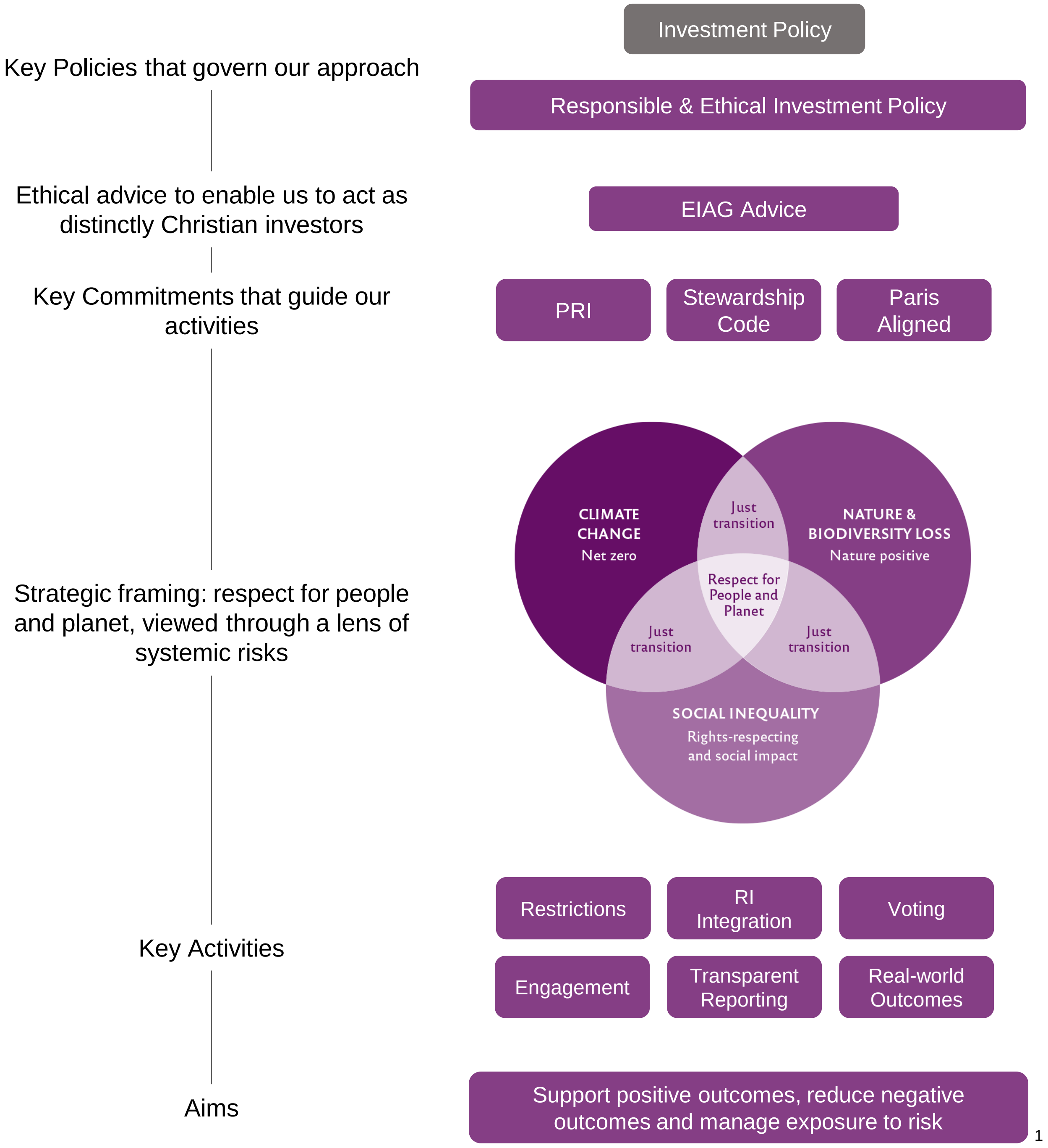
Adherence to, and implementation of, the RI Policy is a shared responsibility of all parts of the Church Commissioners' investments function; individual investment teams lead on ESG integration and active ownership for the area of investments for which they are responsible. The governance of responsible investment is overseen by our Assets Committee.

It is the responsibility of individual team heads to ensure that proposed investments are appropriate on both investment and ethical/responsible investment grounds. The role of the Head of Responsible Investment and the RI team is to support, monitor and report on implementation of this policy. Oversight of the Commissioners' adherence to and implementation of the RI Policy is the responsibility of the Assets Committee.

This Policy is underpinned by a number of internal policies, and regularly reviewed by the Head of Responsible Investment, the CIO and the Assets Committee, typically every two years.

Responsible and Ethical Investment Overview

The overall approach to responsible and ethical investment is summarised in the diagram below:



The remainder of the Policy speaks to the commitments, strategic framing and activities that are undertaken in support of responsible and ethical investment at the Church Commissioners.

[1] Ethical Investment Advisory Group (EIAG); Principles for Responsible Investment (PRI)

EIAG Advice

The Church Commissioners receives advice and support on ethical investment from the Church's Ethical Investment Advisory Group (EIAG). The purpose of the EIAG is to enable the National Investment Bodies of the Church of England (NIBs) to act as distinctively Christian – and Anglican – institutional investors. The EIAG provides support and develops non-binding advice to the NIBs relating to ethical investment.

The EIAG's membership is comprised of Independent Members, appointed by the EIAG's Nominations Committee, and Members appointed by the National Investing Bodies. Meetings are also attended by observers from the Archbishops' Council's Faith and Public Life team and the NIBs. The adoption of any Policies drafted as a result of the EIAG's advice shall remain the responsibility of each NIB and legal responsibility for all investment decisions rests solely with the NIBs.

Key Commitments

The Church Commissioners are committed to responsible and ethical investment and the active stewardship of our assets. We have made three key external framework commitments as set out below:

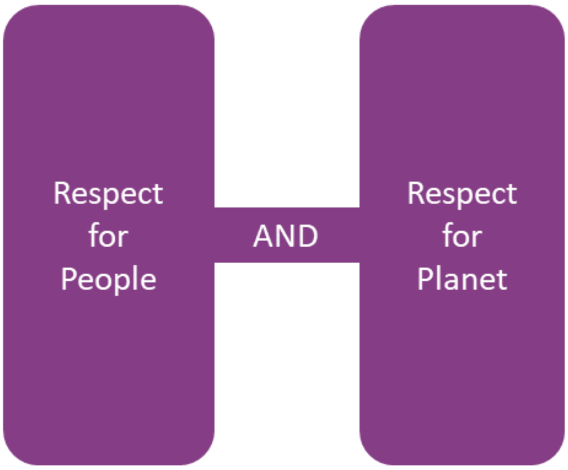
- **PRI -** We commit to the Principles for Responsible Investment and will remain members of the UN convened Principles for Responsible Investment (PRI), recognising the potential for material ESG issues to affect portfolio performance, and to incorporate ESG issues into investment analysis, decision making and active ownership. The full text of the PRI's investor member commitments is at Annex A.

- **Stewardship Code -** We will be active stewards of our assets and aim to remain signatories to the UK FRC's Stewardship Code, which sets high standards for stewardship (defined as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society). The twelve principles of the Stewardship Code which we commit to are included at Annex B.

- **Paris Alignment -** The Commissioners support the goal of the Paris Agreement and the international community to restrict the global average temperature rise to a maximum of 1.5 degrees Celsius above pre-industrial temperatures. We base our overall strategy towards this as members of the UN-convened Net Zero Asset Owner Alliance. As part of this, we will commit to interim portfolio carbon reduction targets, and detailed reporting on our progress, every five years from 2025 to 2050.

The Church Commissioners have made additional commitments and positions that inform our activities and decision making, relating to issues such as human rights due diligence, achieving a net-zero portfolio by 2050 and engaging on specific ethical issues. These are summarised in Annex C.

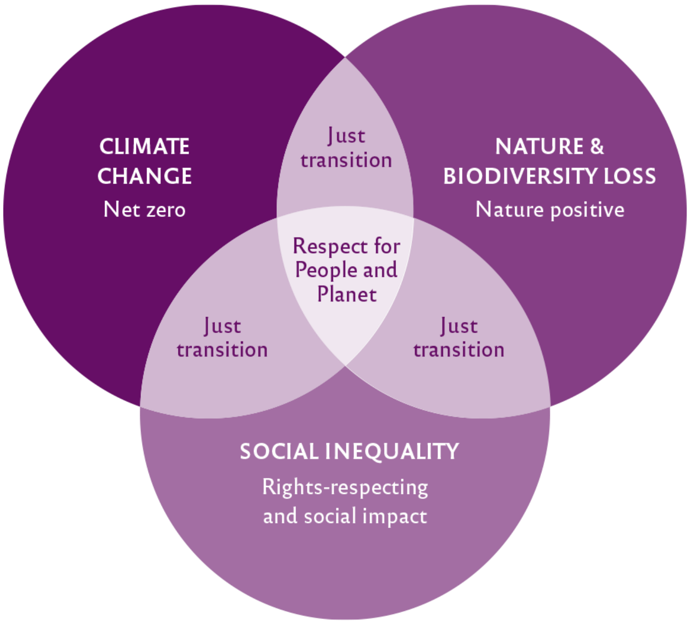
Strategic Framing – People, Planet & Systemic Risks



Our approach to Responsible Investment is based on connected pillars of **Respect for People** and **Respect for Planet** and have been guided by the fourth[2] and fifth[3] Marks of Mission.

The Church Commissioners also recognise that there are **systemic risks** that will likely cause significant disruption to the financial system, the economy and wider society[4]. We believe that a critical part of our role as responsible asset owners is to address systemic risks relevant to our portfolio. We recognise that that ESG factors are interlinked, interdependent and that all investments balance positive and negative impacts. Every organisation will have some positive and some negative outcomes and every organisation is exposed to risks.

Climate change, nature degradation and **social inequality** represent three key systemic risks whose effects are already being seen across the planet and societies. These interconnected systemic risks provide a lens through which to focus and guide our Responsible Investment activities when building on the pillars of Respect for People and Respect for Planet.



[2] To seek to transform unjust structures of society, to challenge violence of every kind and to pursue peace and reconciliation
[3] To strive to safeguard the integrity of creation and sustain and renew the life of the earth
[4] As per Stewardship Code Principle 4 - Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Respect for the Planet is aligned with the Fifth Mark of Mission and guided by the recognition that humanity, and by extension financial markets, do not adequately value all of the services and resources that the natural world currently provides. This leads to a range of environmental issues that pose significant risks not only for economic stability and future financial returns, but also the survival of the global ecosystem:

- Greenhouse gas emissions which exceed the Planet's ability to absorb these gasses, leading to a changing climate, including an increase in global temperatures, destabilisation of global weather patterns and increasing sea levels, among many other factors.

- The unsustainable exploitation of natural resources, running up significant "debts" to the planet without allowing or encouraging them to recover.

- Over-exploitation which damages the planet's ability to provide ecosystem services, such as water and climate regulation, or the growth of food and fibres.

These factors lead to acute and chronic phenomena such as resource shortages, lower agricultural yields, and damage to buildings and people directly or following natural disasters. To mitigate these risks, the world needs to move towards a net zero greenhouse gas-emissions and nature-positive world.

Respect for People is intrinsic to the Fourth Mark of Mission and is a critical aspect of addressing the systemic risks of climate change, nature loss and, especially, social inequality. Underpinning this approach is the expectation that investee companies respect human rights. Respect for human rights enables the management of risks and impacts on people during the transition to tech-enabled, net-zero, nature-positive economies, and provides the starting point for companies to help address social inequalities via their impacts on workers, consumers and broader society.

We are committed to tackling climate change, nature loss and social inequality to mitigate the significant and complex portfolio-wide risks they pose and encourage a societal shift to more sustainable practices for the benefit of all life on Earth. We recognise that for transitions to net-zero and nature-positive economies to succeed, they must be 'just transitions' grounded in respect for people.

We see opportunities to encourage corporate and regulatory/policy action that tackle these multiple challenges and unlock significant opportunities for sustainable value creation and social development. This also applies to actions we can take to enhance the positive impact of the portfolio through the management of direct and indirect holdings and investing in opportunities.

Key RI Activities

We support the achievement of our aims and enable our commitments through multiple activities, as shown in the diagram below:

Restrictions

The Church Commissioners do not wish to directly profit from, or provide capital to, activities that are materially inconsistent with Christian values. To achieve this we implement a range of restrictions across the fund in ways appropriate to the diversified portfolio and investment objectives via a **Restrictions Process**. The thresholds and application across asset classes are included in Annex D of this policy.

Guided by advice from the EIAG, the Church Commissioners excludes companies based on their involvement in ethically problematic business models and activities, such as indiscriminate weaponry, firearms and defence, pornography, tobacco, gambling, high interest rate lending, extraction of thermal coal, and exploration, production and refinement of oil and gas, subject to revenue thresholds. Restrictions act as the first line in avoiding being linked to negative impacts and reputational risks via our investments.

Controversies Process - We regularly screen our portfolio for violations of international norms. Where issues are identified, we aim to engage with the companies or relevant stakeholders. Where the company is non-responsive to engagement, or we do not see a route to meaningfully engage with the company, we may restrict investment in the company.

RI Integration

We are committed to the integration of material ESG issues into investment analysis and decision-making across all asset classes.

Indirect investments - Most of the portfolio is externally managed. When selecting external investment managers, we take into account the extent to which a manager is able to manage ethical investment restrictions and integrate ESG issues in their investment analysis and decision-making through our proprietary Responsible Investment Manager Framework. Additionally, we assess the diversity of the investment teams and the manager's policies and oversight of diversity and inclusion.

Our RI Manager Framework specifies minimum standards that all investment managers must meet and enables us to identify managers who are strong performers already, and managers who will need to improve their integration of ESG issues.

We specify RI requirements in Investment Management Agreements, side letters for pooled funds/indirect investment vehicles and other appropriate legal documentation. We expect our asset managers to report to us regularly in line with the asset manager RI reporting requirements.

Direct investments - For direct investments we integrate RI as appropriate to the investment strategy. We seek to manage RI issues effectively across our direct real estate portfolio – commercial property, residential property, rural land, strategic land and forestry – to achieve outcomes consistent with both our investment management objectives and our ethical investment policies. For real assets, including forestry, we aim to achieve this through the development and implementation of a Real Estate Sustainability approach[5].

[5] E.g. Church Commissioners for England publishes report on real assets sustainability strategy | The Church of England

Engagement

We believe that engagement supports good stewardship, organisational reputation and risk management. Engagement happens at multiple levels including at the individual investments, the fund managers and agents, community and Church stakeholders, peers, industry bodies, and policy makers.

Asset level - We believe engagement is a primary mechanism through which investors can effect substantial improvements in an individual company or asset's environmental, social or governance practices and outcomes. Accordingly, shareholder engagement and asset-stewardship can lead to an increase in returns.

We believe that as responsible investors, we should monitor the investments and that the longer the expected holding period, the greater the responsibility to assume stewardship responsibilities. It is for this reason that we engage with companies and relevant tenants, rather than immediately divest if a potentially remediable issue exists or emerges.

In identifying themes or issues for potential engagement, we believe we have a responsibility to ensure that a programme of ethical engagement is conducted with investee companies and assets that is appropriate for a national investing body of the Church of England, cognisant of the guidance of the EIAG, and informed by ESG risk assessments where relevant.

In the Real Estate portfolio, this may involve direct engagement with tenants, such as the farmers in our rural portfolio, or with wider stakeholders who have an interest in our portfolio, such as the communities and local government.

Investment fund managers and managing agents - As an asset owner, our fund managers and managing agents are critical to ensuring that we achieve our aims. To enable the implementation of our restrictions and support RI Integration, we engage with relevant investment managers and managing agents.

Policy makers - We believe that market wide and systemic risks can best be addressed by engaging with policy makers to respond to these risks, both to promote well-functioning financial markets and strong environmental and social frameworks within which to operate. We leverage our member organisations to collectively engage with public policy makers. We aim to respond to relevant public policies and regulatory consultations. In the majority of cases, this will be done via our membership organisations. Where we can uniquely influence change directly, we will input directly.

Collaborative groups - We believe that by working with other stakeholders in the industry including industry bodies, civil society and academia, and standard setting bodies, RI objectives can be better achieved. As such, we believe it is important to collaborate with others and therefore we are active members of groups and membership bodies which we believe contribute to our goals to support both asset level and policy engagement. We engage with other market participants both to adopt best practice, and to leverage the market to collaborate to pursue RI goals.

External Stakeholders - The Church Commissioners is a unique organisation with a diverse set of stakeholders linked to its roles as an asset owner and investor, a charity, an employer, and a National Church Institution of the established Church of England.

Our stakeholders are varied and can be as broad as the entire Anglican Communion, which has approximately 85 million members spread across the world, and other faith-based investors who may look to the Church of England to see how we approach ethical investing. We regularly engage with a wide range of Church of England stakeholders representing our beneficiaries, on a variety of salient issues, through in-person outreach and written correspondence. These views and priorities are discussed with senior management and our Assets Committee in setting our stewardship preferences.

Voting

Within listed equities, we believe that shareholders should always vote at companies' general meetings, except when doing so impedes the ability of investors to deal in the shares (in so called share-blocking markets). Our approach is in line with Principle 5 of the International Corporate Governance Network (ICGN)'s Global Stewardship Principles, which states that ''investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients".

Where we hold shares directly, we vote ourselves rather than delegating this responsibility to the asset managers to whom we give investment mandates. We have a voting approach that adapts the Church Investors Group's voting guidelines. We seek to use our vote in a way that encourages companies to comply with best practices in corporate governance, ethics and sustainability. When we believe that standards of best practice are not in place, we vote against management on appropriate ballot items and may seek to explain why we disagree with management recommendations.

Where we hold shares indirectly in pooled funds, we expect managers to vote their shares. We run a stock lending programme, and we recall all shares in line with the ICGN best practices.

Real World Outcomes

All investments have an impact on the world. We continue to develop an understanding of the positive and negative real-world outcomes of the entire portfolio, in an effort to manage and increase its overall positive influence. We believe that investments and assets which positively influence real-world outcomes can have a positive impact on the performance of investments, particularly over the longer term. In addition to RI integration and engagement, our focus areas for real-world outcomes are:

- Develop our understanding of the positive and negative outcomes of the entire portfolio; and
- Invest into solutions where possible.

Transparent Reporting

We are transparent about our own RI activities and performance. We report in detail to the codes and standards we sign up to: annually for the FRC's Stewardship Code and annually or as required by the PRI. The PRI and FRC publish annual reports on their websites containing the public elements of our disclosures. We welcome this. In addition, we report in depth regarding our commitment to Paris Alignment at least every five years.

Finally, we disclose in our annual report and/or on the Church of England website sufficient information for stakeholders to understand:

- Investment restrictions;
- The selection and monitoring of external asset managers;
- The ESG characteristics of our listed equity portfolio compared to the wider market, including its carbon footprint ;
- Voting activity;
- Engagement activities and those of our managers, including engagement successes we have achieved;
- The extent to which our portfolio includes investments with strong sustainability characteristics;
- The approach to climate change risk, in line with the recommendations of the TCFD;
- The organisations we work with on RI; and
- Plans for RI activities.

RI Risk Management

The Church Commissioners maintains Investment Risk arrangements. The Board of Governors is responsible for risk and is supported by the Audit & Risk Committee, which reviews the Strategic Risk Register on a six-monthly basis. Investment and operational risks, related to the portfolio, are subject to regular review by the Assets Committee. Individual departments and identified risk owners are responsible for the management of relevant risks. Risk identification, management and oversight is delivered through a range of functional management processes, such as operational due diligence, vendor and contract management, investment management agreements, incident reporting etc.

Environmental, Social and Governance issues may represent risks and opportunities for the Church Commissioners' portfolio, operations and reputation. Investments may also potentially cause, contribute to, or be linked to environmental and societal risks and impacts, which can in turn translate into risks to the Church Commissioners. Responsible Investment will support the identification, oversight and management of operational, financial, reputational and strategic risks and impacts, through the RI activities described in the Key RI Activities section. Responsible Investment considerations will also be integrated into relevant functional management processes across the investment division.

Annexes

A. Signatory Commitments to the PRI

B. UK FRC Stewardship Code Principles

C. Additional Commitments

D. Restrictions Summary

Annex A – Signatory commitment to the PRI

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1 – We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2 – We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3 – We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4 – We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5 – We will work together to enhance our effectiveness in implementing the Principles.

Principle 6 – We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.”

Annex B – UK FRC Stewardship Code Principles

Purpose and governance

Principle 1 – Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Principle 2 – Signatories' governance, resources and incentives support stewardship.

Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Investment Approach

Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Principle 8 – Signatories monitor and hold to account managers and/or service providers.

Engagement

Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets.

Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.

Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.

Exercising Rights and Responsibilities

Principle 12 – Signatories actively exercise their rights and responsibilities.

Annex C – Additional Commitments

The following additional commitments to those in Annex A and B summarise a non-exclusive list of public positions the Church Commissioners have taken on a variety of specific RI issues:

Big Tech - We commit in our **Big Tech Policy** to continue our active ownership in relation to "big tech" companies, by: direct engagement with companies; supporting improved public policy and regulation of big tech companies (consistent with EIAG advice); supporting wider Church initiatives in this area; and supporting the development of relevant industry standards if appropriate.

Deforestation - We are committed to acting on deforestation risks linked to the portfolio, as explained in the **Deforestation Policy**.

Executive Remuneration - We commit to use our voice and votes as shareholders on the issue of executive director remuneration using a set of principles set out in the **Executive Remuneration Policy**.

Human Rights - We are committed to integrating the UN Guiding Principles on Business and Human Rights (UNGPs) and other relevant international norms into our stewardship approaches, as explained in our **Human Rights Policy**.

Net Zero - We are committed to achieving a net zero investment portfolio by 2050 and aligning with the goals of the Paris Agreement, including commitments to interim portfolio carbon reduction targets and detailed reporting on our progress, every five years from 2025 to 2050.

Annex D – Summary of Church Commissioners' Restrictions

Types of Restrictions

The Church Commissioners implement three main types of restrictions based on:

1. **Business involvement** (ethical screening) **–** where severe harms to people or planet are a result of normal business activities, products or services (e.g. companies involved in the production of tobacco or cluster munitions, or the exploitation of tar sands etc). These can be seen as:
   a. *Restrictions on general business activities; and*
   b. *Restrictions on specific businesses based on their involvement in* ***restricted activities***

2. **Business conduct** (controversies) – where individual businesses are credibly linked to severe harms or breaches of international norms **and** where the business either fails to provide suitable mitigation and access to remedy, or where the Church Commissioners do not see a route to meaningfully influence the company to address those harms or norms breaches. These represent ***restrictions on specific businesses***.

3. **Government conduct** (oppressive regimes) – where governments are significantly failing to protect and respect human rights and where investing in sovereign debt would create linkages between state-led harms and the Church Commissioners. These represent ***restrictions on sovereign debt investments****.*

Our approach to restrictions is reviewed annually by the Assets Committee and approvals are delegated to the Chief Executive Officer and relevant staff, depending on the type of restriction being recommended or implemented.

The applications are summarised, along with their relevant thresholds in the table below. Detailed explanations of the restriction categories follow the scope section below.

Scope

Our approach to restrictions apply to all our investment activities, but what it looks like in practice varies by asset class. We work with managers to explore how best to implement restrictions, but we recognise that in certain circumstances there may be 'restricted exposures' (e.g. in pooled funds) where the restrictions can't easily be applied. Any restricted exposure is monitored quarterly by the Assets Committee, and we set a 1% maximum threshold for restricted exposures across the portfolio.

Summary of Restriction Thresholds

	Restriction Category	Screening Measure	Restriction Criteria
Business Involvement	Alcohol	Responsible production, marketing and sale	Bespoke assessment
		Revenue threshold	25%
	Adult Entertainment	Revenue threshold	3%
	Cannabis - recreational	Revenue threshold	10%
	Gambling	Revenue threshold	10%
	Tobacco	Revenue threshold	10%
	High Interest Rate Lending	Revenue threshold	10%
	Indiscriminate Weapons	Revenue threshold	0%
	Firearms - general	Revenue threshold	10%
	Strategic Defence	Revenue threshold	10%
	Climate Change - thermal coal & oil sands	Revenue threshold	10%
	Climate Change - oil & gas exploration, production and refining	Revenue threshold	20%
	Climate Change - Paris alignment	TPI Assessment of high emitting companies	Bespoke assessment
Business Conduct	Severe harms & breaches of international norms	Engagement fails to achieve positive outcome	As part of controversies process
		No route to address harms or breaches through engagement	As part of controversies process
Government Conduct	Oppressive Regime – sovereign debt	Oppressive Regime List methodology	Bespoke assessment

Restriction Categories

Alcohol

The Church Commissioners will exclude from their investments any company deriving more than 25% of its turnover from the production or licensed sale of alcoholic drinks, except in the case of:

I. companies whose sole business is the provision of alcoholic drinks with food (i.e., restaurants or other food-led dining businesses);
II. companies whose policies and practices with regard to the responsible production and sale of alcohol have been assessed by the NIBs and judged to address the concerns set out in points a-h below.

In addition, the Church Commissioners may, on a case-by-case basis, exclude from their investments any company deriving less than 25% of its turnover from the production or licensed sale of alcoholic drinks if, after engagement, the company has been assessed by the Church Commissioners and judged not to address the concerns set out in points a-h below.

Points a-h below reflect the concerns held by the EIAG regarding the irresponsible production and sale of alcohol. They will guide the Church Commissioners when considering whether a company above the 25% threshold should be investible, or whether a company below the 25% threshold should be restricted:

a. lack of adequate recognition of the potential of alcoholic drinks products to cause harm (usually manifested by an insistence that harmful consumption is confined to a "tiny minority" of customers);
b. lack of labelling fully complying with official advice or good practice (e.g., in the UK, the Department of Health's labelling guidelines);
c. lack of initiatives to make it easier for consumers to stick to recommended limits (e.g., through innovation in product size or strength);
d. business models predicated upon excessive consumption of alcohol (e.g., bars designed to discourage moderate social consumption of alcohol through the removal of seating)
e. aggressive lobbying against official proposals to reduce alcohol harm (such as minimum pricing of alcohol units);
f. irresponsible products (such as alcopops, shots, and cheap beers and ciders with high alcohol content);
g. irresponsible pricing and promotions (e.g., loss leading, defining below-cost sales only as sales below the cost of duty and VAT, and promotions involving lower prices the more one buys);
h. tokenism of some initiatives (e.g., educational websites being set up that in practice have very little impact because they are not widely known about or used, educational campaigns carried out without proper outcome targets or evaluation, inadequate financial contributions to initiatives like DrinkAware).

Adult Entertainment - The Church Commissioners will exclude from their investments any company that derives ***material revenue*** from the production or distribution of pornography, the staging of live sex shows or the ownership of sex shops.

Business activities captured under this policy should include:

- Publishing or wholesaling of pornographic newspapers and magazines
- The production of pornographic videos, films and/or software
- The operation of pornographic internet portals or websites
- The offer of pornography on cable, digital and satellite television
- The provision of pornography through telecommunication networks providers with 'walled garden' facilities
- The ownership or management of sex shops and lap dancing clubs

'Pornography' should be understood as 'the sexually explicit depiction of persons, in words or images, created with the primary, proximate aim, and reasonable hope, of eliciting significant sexual arousal on the part of the consumer of such'.

'Material revenue' should be understood as **Group** revenue exceeding 3% of Group turnover, derived either directly or through owned subsidiaries.

Cannabis - The Church Commissioners will exclude from their investments any company that derives more than 10% of their revenue from manufacture or sale of recreational cannabis. Companies solely involved in the sale or manufacturing of medicinal cannabis or cannabis related health products are permitted investments.

Gambling - The Church Commissioners will not invest in any company where more than 10% of its revenues are derived from gambling activities, including the following:

- Companies that own or operate gambling facilities such as (but not restricted to) casinos, racetracks, bingo halls or other betting establishments, including horse, dog, or other racing events that permit wagering; lottery operations; online gambling; and sporting events that permit wagering.
- Companies that provide key products or services fundamental to gambling operations, including (but not restricted to) products manufactured exclusively for gambling, such as slot machines, roulette wheels, or lottery terminals; gambling technology and support designed for gambling applications, such as IT maintenance or software design; and gambling-related services such as credit lines and casino management and consultation.
- Companies that license their company name or brand name to gambling products.
- Companies that conduct spread betting activities.

Tobacco - The Church Commissioners will exclude from their investments:

- Any company that derives more than 10% of their revenue from the production, distribution, or retail of tobacco products.
- Companies that manufacture and supply key products necessary for the production of tobacco products, such as flavouring, filters, roll-paper, machinery and packaging fall under this restriction.
- Any company that derives more than 10% of their revenue from the production, distribution, or retail of e-cigarettes.

High Interest Rate Lending - The Church Commissioners will exclude from their investments:

- Any company, whose main business activity or focus (defined as exceeding 10% of Group turnover) is the provision of home-collected credit ('doorstep lending'), unsecured short-term loans ('payday loans') or pawnbroker loans, directly or through owned-subsidiaries.

Under this policy, investment should be avoided in specialist consumer finance businesses that may exploit, or over-burden with debt, lower income borrowers. Typical indicators of potentially exploitative lending will be triple-digit, or close to triple-digit, Annual Percentage Rates (APRs); short loan term durations (less than 18 months); and no requirement for security. The products may have associated charges and loan rollover facilities that will compound the debt burden. Lenders may provide funds without undertaking credit checks (or sufficient checks) on the borrower. In extreme cases where companies do not operate responsible collection practices there may be undue pressure on the borrower associated with repayment.

Firearms - The Church Commissioners will exclude from investments:

- Any company deriving more than 10% of its turnover from the production or sale of non-military firearms or ammunition, excepting companies specialising exclusively in products specifically designed for hunting or sporting purposes.

Defence (covering Indiscriminate Weapons and Conventional Military Weapons) - The Church Commissioners will exclude from investments:

- Any company involved in the production or supply of indiscriminate weaponry (defined as nuclear weapons, anti-personnel mines, cluster munitions, chemical weapons or biological weapons), with no turnover threshold to be applied.
- Any company involved in the production, processing, supply or storage of weapons-grade nuclear fissile materials, with no turnover threshold to be applied.
- Any company involved in the provision of strategic parts or services for anti-personnel mines, cluster munitions, chemical weapons or biological weapons, with no turnover threshold to be applied.

- Any company deriving more than 10% of its turnover from strategic[6] military sales including conventional military platforms, whole military systems, weaponry or strategic military parts or services.

Climate Change – Thermal Coal & Oil Sands - The Church Commissioners will exclude from investments:

- Any company where more than 10% of its revenues are derived from the extraction of thermal coal or the production of oil from oil sands.

Climate Change - Oil and Gas Exploration, Production and Refining - The Church Commissioners will exclude from investments:

- Companies whose primary business function is derived from exploration, production and refining oil or gas, unless it is on a genuine pathway to transition in alignment with a 1.5°C scenario. The threshold for exclusion is set at 20% of revenue for combined exploration, production and refinement.

Sovereign Debt - The Church Commissioners will identify and avoid investing in, or providing money directly to, governments who are considered 'oppressive', through sovereign-debt restrictions informed by an Oppressive Regime List. The Church Commissioners will maintain and implement an approach to create and update a list of restricted countries through an Oppressive Regime Process.

[6] The term 'strategic' is used to differentiate between military parts or services that are essential for military operations and enhance military capability and parts or services that are either not material to military capability or are generic parts or services also widely used for non-military purposes. To give an example, a parade ground uniform does not enhance military capability; battlefield uniform does.