

# Ethical Investment Policy<sup>1</sup>

09/11/2019



## Introduction

1. The mission of the Jesuits in Britain is to work as part of the worldwide Catholic Church for the service of faith and the promotion of justice<sup>2</sup>. In terms of our charitable objects as a registered trust nationally in the U.K., our work includes all that helps promote the mission of the Catholic Church, its life and its service to the world.
2. This policy provides a set of principles, looking forward to the type of world *which we want to promote through our investments*; intentionally investing in line with our fundamental ideals as a body; supporting policies and initiatives in companies that promote the values of Catholic moral and social teaching in particular policies consistently advocated by the Jesuits where they yet earn a just and sufficient return to help fund our works. In particular, we seek to:
  - Honour and advance the principles of Catholic Social Thought
  - Improve the lives of the poorest and attend to the needs of those in want
  - Show concern for human life in all its stages
  - Protect our common home, as invoked by Pope Francis<sup>3</sup>
  - Support good environmental, social and governance ('ESG') practice

## Investing for Good

3. Financial administration in the Society is both spiritual and apostolic. It must be animated by a sense of service and by a spirit of solidarity and participation with those in greatest need, both inside and outside the Society<sup>4</sup>.
4. The Society's policies are also informed by the *UK Stewardship Code* of the Financial Reporting Council, which promotes seven helpful principles for institutional investors<sup>5</sup>. The Trustees also work to uphold the *United Nations Principles for Responsible Investment* (PRI)<sup>6</sup> 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.
5. Good stewardship of investment assets needs:
  - An Ethical and Socially Responsible Policy

We invest for 'an economic system within which business and capital seek to maximise long-term value creation, accounting for all material ESG metrics.'<sup>7</sup>

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<sup>1</sup> See also the controls of the Investment Policy Statement 16.4.16

<sup>2</sup> GC32, d4

<sup>3</sup> Encyclical Letter, *Laudato Si'*, May 2015

<sup>4</sup> IAG [15] Cf. Est. pob, nn 9-10.

<sup>5</sup> See Appendix 1

<sup>6</sup> [www.unpri.org](http://www.unpri.org); see Appendix 1

<sup>7</sup> Allocating Capital for Long-Term Returns; The Strengthened case for Sustainable Capitalism, May 2015, The Generation Foundation

- The Responsible Management of Assets for Good Financial Returns

It is the responsibility of the Trustees, with the guidance of its Investment Committee to get good returns from investment assets as long as those investments accord with these ethical principles.

## **Principles & Strategies**

6. Our ethical investment policy combines the following elements: Positive investment, Stakeholder activism and corporate engagement and Negative screening (appendix 2)

### *Promotion of the Common Good*

7. We are willing to make investments that promote social development. In some cases these may result in a lower rate of return, because they give expression to the Church's preferential option for the poor or produce some truly significant social good.
8. Thus we support companies and financial institutions which, along with their investment advantages, have strong records in such areas as human rights & development<sup>8</sup>, labour relations including the living wage, climate change policy, ethical approaches to medicine and health, affordable housing. This positive screening is complementary to the negative screening which seeks to eliminate directly unethical investment.

### *Preferential Option for the Poor*

9. 'When we attend to the needs of those in want, we give them what is theirs, not ours. More than performing works of mercy, we are paying a debt of justice'<sup>9</sup>. We shall apply this principle for the wise investment of our assets. Responsible investment ought ideally to improve the lives of the poorest in society.

### *Do no harm*

10. There is a need for negative screening; not investing in companies whose products and/or policies are counter to the values of Catholic moral teaching. (Appendix 2) All investment managers are expected to screen our portfolios (using agencies such as Eiris) to eliminate such stocks.

### *Corporate Engagement*

11. We seek to exercise shareholder responsibilities, especially casting informed votes on shareholders' resolutions in accordance with our ethical policies. Failure to vote in such situations could count, in effect, as implicit support for the corporate policy proposed.
12. As shareholders, we shall use our position and resources seeking to influence the corporate culture and to shape corporate policies and decisions. These activities may include dialogue with corporate leadership; initiating or supporting shareholder resolutions; working with various religious and other groups which promote corporate responsibility; writing letters to corporate executives and

<sup>8</sup> See 'Transforming Our World Through Investment', ShareAction; on supporting the Sustainable Development Goals

<sup>9</sup> Saint Gregory the Great, *Regula Pastoralis*, 3, 21: PL 77, 87: "Nam cum qualibet necessaria indigentibus ministramus, sua illis reddimus, non nostra largimur; iustitiae potius debitum soluimus, quam misericordiae opera implemus"

board members to advocate specific steps, or to support or raise objections to a corporation's activities or policies.

13. Divestment of part or all of a portfolio would indicate our decision that all efforts at influence had failed or were sure to fail, and that we judged the retention of our investments to be unethical or likely to give damage to our reputation.

## **Pursuit of the Principles & Strategies**

### *Transparency*

14. For reporting purposes, we need information to be available on all the assets in which we invest, so that these assets can be audited ethically, as well as financially. Because of this the capacity for us to hold pooled funds and index-linked funds is likely to be very limited.

### *Corporate Information*

15. We need information of the issues that make for good, ethical investment and information of corporate policies and statistics. To this end we work together with other such bodies as the Church Investors Group (CIG), ShareAction, etc.

### *Management of Investments*

16. We work closely with our investment managers to articulate our goals and ethical policies clearly, and to insist on their implementation. Over the years, managers have become increasingly attentive to our ethical concerns. Their responsible investment personnel also have materials that can educate us.
17. Nationally, we respect the Charity Commission guidance<sup>10</sup> for registered trusts to ensure trustees meet their requirements under the law, respecting their charitable objects but also investing in an appropriate way.

### *Good Sense*

18. Our consultation of investment advisors and others interested in corporate responsibility will require our good sense or prudence. The strategies employed, and their scale and timing and pace, will depend on the considered judgments of the Society's financial administration and the Province Investment Committee, always within the frame of the policy and ethical guidance of the Jesuit Trustees.

### *Limitations*

19. Improving our policy on ethical investment will be a process rather than a once-for-all achievement, given the constantly developing understanding of key issues involved.

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<sup>10</sup> Charities & Investment Matters: A guide for Trustees; CC14

## Assets

20. For the Province, ethical investment necessitates *active* management of all assets; knowing which investments are owned, so that these assets can be analysed and checked for compliance with our policy. Where funds are held in a pool, the details of that pool need to be *transparent*.
21. Private equity is unlikely to be an asset class held by the Trustees as it can rarely be monitored in a *transparent* way.
22. All bonds and shareholdings need to be *screened* by a company (e.g. Eiris) capable of identifying those criteria which might exclude them from our portfolio.
23. Forms of investment which could be described as types of bets (e.g. returns dependent on performance of indices such as the level of the FTSE or other such factors) rather than being chosen on the basis of wise, long-term investment analysis are excluded, as Jesuit guidelines indicate.

## Process for Decisions

### *The Trustees:*

24. The Trustees have overall responsibility for determining the ethical investment policy in keeping with the Society's mission and values and in accordance with U.K. charity law and, with the support of the Treasure and Finance Director, for ensuring that investments comply with this policy..

### *The Investment Committee:*

25. The Investment Committee meets regularly throughout the year to evaluate the performance of our portfolio and its external managers, including matters relating to ethical compliance. At least one meeting a year is set aside to review ethical policy, to which others with relevant expertise may also be invited

### *Revisions of the policy*

26. This policy is subject to periodic revision as circumstances change and our understanding develops. This particularly applies to the area of climate change and fossil fuel usage. Expertise shall be provided to the Committee as and when needed to review ethical policy. At least one meeting a year will be held to audit the compliance of all investments with the ethical policy, and if necessary to develop new policy.

### *Meetings with Investment Managers:*

27. A check is made at each quarterly meeting that our ethical criteria are being upheld.

### *Networks:*

28. The Trust networks and meets with other like-minded and related groups to pursue its ethical goals; these include the Church Investors Group (CIG), ShareAction, US National Jesuit Committee on Investment Responsibility

## Advocacy Issues

### A. Development

29. The Church holds that we are all responsible for the wellbeing of humankind around the world: 'The hungry nations of the world cry out to the peoples blessed with abundance.'<sup>11</sup>
30. We accept our responsibilities not only to promote the well-being of our own people, nation or region but also to transform our world through investment.<sup>12</sup>
31. The production of armaments has a justifiable use in defence. However, the need to restrict arms manufacture and arms sales to this end justifies screening of companies to avoid the kind of investment which destroys development. (Appendix 2)
32. Information should be sought from companies on how their policies support the UN's *Sustainable Development Goals*.
33. We expect companies to report adequately on their commitment to *human rights*, including *the rights of labour*, such as a commitment to paying *a living wage*.
34. The elimination of *trafficking* and modern day forms of *slavery* is an urgent priority.

### B. Other Life Issues

35. The Jesuits in Britain, along with the whole Catholic Church, takes a concern for human life in all its stages.
36. Genetic engineering proposes some positive breakthroughs for health care in the future. However, abuse of research in genetics (e.g. in the method of sourcing human embryos) necessitates us avoiding investment in those companies.
37. Care for all life implies supporting investment that promotes good health-care and healthy lifestyles, and avoiding the opposite.
38. Screening<sup>13</sup> is used to avoid as far as possible investment in tobacco and the production of pornography.

### C. Climate Change

39. *Pope Francis has stated compelling concerns of the Church about climate change in the encyclical letter, 'Laudato Si', 'We know that technology based on the use of highly polluting fossil fuels – especially coal, but also oil and, to a lesser degree, gas – needs to be progressively replaced without delay. Until greater progress is made in developing widely accessible sources of renewable energy, it is legitimate to choose the less harmful alternative or to find short-term solutions.'*<sup>14</sup>

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<sup>11</sup> Populorum Progressio, Paul VI, 1967

<sup>12</sup> See the ShareAction report of that name, 'Transforming Our World through Investment', 2016

<sup>13</sup> Appendix 2

<sup>14</sup> Laudato Si [165]

40. We therefore advocate for the goals of the Paris Climate Change Conference, COP21 in 2015; i.e. for zero net anthropogenic<sup>15</sup> greenhouse gas emissions to be reached during the second half of the 21<sup>st</sup> century and to have the parties to pursue efforts to limit the temperature increase to 1.5 °C (above the pre-industrial level).

41. We support practical steps towards the goals of the Paris agreement, as for example:-

- Divestment from companies whose main business is the extraction of fossil fuels.
- Obtaining a measure and reviewing the carbon footprints of all our investment portfolios with a view to minimising them.
- Regularly revising policy on the use of fuels with a view to investing in only renewable energy, as far as possible.
- Ensuring investment managers monitor companies' reporting of energy
- Surveying Jesuit works and communities, especially in their properties, with a view to minimising wasteful use of energy and promoting clean energy.

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<sup>15</sup> i.e. from human sources

## **Appendix 1: Principles for Responsible Investing**

### **The Principles of the *UK Stewardship Code*<sup>16</sup>**

So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. monitor their investee companies.
4. establish clear guidelines on when and how they will escalate their stewardship activities.
5. be willing to act collectively with other investors where appropriate.
6. have a clear policy on voting and disclosure of voting activity.
7. report periodically on their stewardship and voting activities.

### **The United Nations Principles for Responsible Investing (PRI)<sup>17</sup>**

#### **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.

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<sup>16</sup> The Financial Reporting Council (FRC)

<sup>17</sup> [www.unpri.org](http://www.unpri.org)

## Appendix 2: Screening Requirements on Investments

Our policy is to screen out investments which produce goods or services contrary to the moral law of the Catholic Church, of which the Jesuits in Britain are part, and which its mission serves.

Materiality THRESHOLDS determine which investments will be excluded; for example, avoiding companies which derive more than 10% of turnover from tobacco, rather than avoiding companies with *any* involvement in tobacco. A threshold indicates a judgement that the investment for good in the company is only negated by a level of involvement in the activity of concern above that the level of that threshold.

- Threats to Life

No investment in companies that produce abortifacient materials or provide abortion services as a priority in their work (i.e. more than that which a hospital or clinic has to legally provide); or companies that utilise human embryonic stem cells for research; or in companies that manufacture contraceptives or derive a significant portion of revenues (>10%) from the sale of contraceptives

- Military

No investment in companies that produce armaments; nor in companies that derive over 10% of turnover from strategic<sup>18</sup> military sales; nor in companies that have not addressed allegations or indications of involvement with anti-personnel landmines in the past three years.

- Pornography

No investment in companies that produce pornographic materials; nor in companies that derive more than 5% of turnover from 'adult entertainment' transmission.

- Gambling

No investment in companies that derive more than 5% of turnover from gambling.

- Tobacco

No investment in tobacco production; nor in companies that derive more than 5% of turnover from the sale tobacco products.

- Fossil Fuels

No investment in companies that have the extraction of fossil fuels as more than 10% of their primary business (revenue).

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<sup>18</sup> The term 'strategic' is used to differentiate military equipment or services that, though not armaments, are essential for military operations and enhance military capability from other equipment or services that are not material to military capability or are generic products or services also widely used for non-military purposes. For example a parade ground uniform does not enhance military capability, battlefield uniform does.