

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

11/03/2023



## Introduction

1. The mission of the Jesuits in Britain (JiB) 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 Great Britain, our work includes all that helps promote the mission of the Catholic Church, its life and its service around the world.
2. This policy provides a set of principles, looking to the type of world which we want to promote by ensuring our investment portfolio earns a just and sufficient return to help fund our work whilst investing in companies and sectors that are consistent with the values of Catholic Social Teaching. In particular we seek to:
  - Assist the poorest improve their lives
  - Show concern for human life in all its stages
  - Care for our common home, as invoked by Pope Francis<sup>3</sup>
  - Support good environmental, social and governance ('ESG') practice, to be followed by our investment managers
  - Ensure we promote positive impact by our investments, and
  - Be aware of any harm caused by the same, with a view to its elimination

## Investing for Good

3. Financial administration for the Jesuits in Britain 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 (FRC), which promotes twelve principles for institutional investors<sup>5</sup>. The Trustees work to uphold the *United Nations Principles for Responsible Investment* (PRI)<sup>6</sup> under which investors incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes, and are active owners, across all asset classes.
5. Good stewardship of investment assets needs:
  - An Ethical and Socially Responsible Investment 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>

  - The Responsible Management of Assets for Good Financial Returns

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

<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

It is the responsibility of the Trustees, with the guidance of its Investment Committee to get good returns from the investment portfolio consistent with the Responsible Investment Policy.

## 6. Impact

We want our investments to have a positive impact. There is a variety of ways to understand this term, as far as our assets are concerned:

- We need our investments to succeed in providing for the works the JIB directly operates and supports. The impact of our investment portfolios for these works has been very beneficial.
- We want the companies and assets in which we invest to have positive impact on the world at large. Our managers should realistically try to link the effects of the companies in which we invest to further the UN Sustainable Development Goals (SDGs). Concern for environmental, social and governance issues (ESG) is promoted in our investment process.
- We also look for particular impact investment vehicles which are focused on the SDGs or investing to support the sustainable economy of the future, such as in renewable energy, health & wellbeing, social housing.

*‘Positive and proactive social and environmental impact investing strategies have always been considered a part of faith-based commitments, chosen because their specific objective is to contribute to the promotion of the universal common good or the care of creation.’<sup>8</sup>*

## Principles & Strategies

6. Our Responsible Investment Policy combines the following elements: positive investment, 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. We support companies and financial institutions which, along with their investment advantages, have positive records in such areas as human rights & development<sup>9</sup>, labour relations (inc. the living wage), climate change policy, ethical approaches in medicine and healthcare, affordable housing and good governance.

### *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>10</sup>. We shall apply this principle for the wise investment of our portfolio.

### *Do no harm*

10. In reviewing our investment portfolio and underlying companies, we assess the relative harm some companies might be producing, for instance in their level of carbon emissions or in their

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<sup>8</sup> Mensuram Bonam, [42], Pontifical Academies of Sciences & of Social Sciences, 2022

<sup>9</sup> See ‘Transforming Our World Through Investment’, ShareAction; on supporting the Sustainable Development Goals

<sup>10</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”

inadequate labour provisions. There is a need for negative screening; not investing in companies whose products and/or policies are counter to the values of Catholic Social Teaching. (Appendix 2). All investment managers are expected to screen our portfolios (using screening agencies such as MSCI or Moody's ESG) to eliminate such stocks that are inconsistent with this framework.

#### *Corporate Engagement*

11. We seek to exercise our shareholder responsibilities, especially voting on shareholders' resolutions in accordance with our ethical policies. The current policy expects our managers to vote in line with the voting template of the Church Investors Group.
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 networks which promote corporate responsibility; writing letters to corporate executives and board members to advocate specific steps, or to support or raise objections to a company's activities or policies.
13. Divestment of part of all or part of a holding or company in our investment portfolio would indicate that all efforts to engage with a company or sector had failed or were sure to fail, and that continuing to invest in the holding or company would be unethical, contrary to the aims of the Responsible Investment Policy or likely to damage our reputation. That point is reached if we, or our asset managers, are convinced that a company's superior PR capacity is used to cover up matters, to radically misrepresent them, or to misdirect the public's attention.

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

#### *Transparency*

14. Our primary goal is to invest our assets directly through segregated accounts. This enables us to implement our Responsible Investment Policy: avoiding ethically restricted sectors; integrating environmental, social and governance factors into investment management; retain proxy voting rights at company meetings; and engagement with company management on ethical issues. However, we recognise the benefit of investing in pooled fund investments to obtain access to a particular asset class and strategy or where seeking a segregated solution would be inefficient or onerous from a business and operations perspective. We expect these investments to make up a small proportion of the overall investment portfolio.

#### *Corporate Information*

15. We need information on corporate policies and statistics to support our Responsible Investment Policy and help us make strong, ethical investment decisions. To this end we work together with bodies such as the Church Investors Group (CIG), ShareAction and other like-minded investor and campaign networks.

#### *Management of Investments*

16. We work closely with our investment managers to help implement our Responsible Investment Policy and articulate our goals and policies. We leverage on their expertise and knowledge, in particular their engagement and voting at the underlying companies, as well as their ESG teams and Responsible Investment Specialists.

17. Nationally, we respect the Charity Commission guidance<sup>11</sup> for registered trusts to ensure trustees meet their requirements under the law, respecting their fiduciary and the charitable objectives 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, their scale, timing and pace, will depend on the considered judgments of the JiB's financial administration and Investment Committee, always within the frame of the policy and ethical guidance of the Trustees.

#### *Limitations*

19. We recognise that ethical and responsible investment is a constantly evolving field and we need to continually develop our understanding of the key issues involved. We aim to improve and develop our Responsible Investment Policy in line with best practice.
20. We may hold pooled funds for specialist exposure to a specific asset class or strategy (such as impact investment) or where it is not practicable from a business or operations perspective. We recognise that investment in pooled funds may bring about indirect exposure to a sector or company that would otherwise be ethically restricted if held directly. These exposures will be minimised by comprehensive due diligence at fund selection and monitored over time.

c.f. A 'complication relates to mixed investments, where an enterprise may engage in positive activities, while also directly or indirectly effecting undesirable outcomes or practices. Considering these nuances, investors may decide for faith-coherence to exclude such a company. Or they may deploy engagement to influence change while setting specific thresholds for faith-consistent performance.' <sup>12</sup>

#### **Assets**

21. For JiB, responsible investment necessitates *active* management of all assets so that these holdings can be analysed, checked and monitored for compliance with our Policy. When investments are made in a pooled fund, the details of the underlying investments need to be transparent to monitor compliance.
22. All bond issuers and companies are screened by a third-party screening service (through our investment managers) capable of identifying the criteria which might exclude them from our portfolio.
23. Forms of investment which could be described as types of bets (e.g. shorting stocks) rather than being chosen on the basis of wise, long-term investment analysis are excluded, as Jesuit guidelines indicate.

#### **Process for Decisions**

##### *The Trustees*

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<sup>11</sup> Charities & Investment Matters: A guide for Trustees; CC14; being updated after the Butler-Sloss ruling that gives more detail on provision for responsible investment.

<sup>12</sup> Mensuram Bonam, [43]

24. The Trustees have overall responsibility for determining the Responsible Investment Policy in keeping with the Society's mission and values and in accordance with UK 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, particularly after each quarter, 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 this policy, to which others with relevant expertise are invited.

#### *Revisions of the policy*

26. This Policy is subject to periodic revision and approval every three years as circumstances change and our understanding develops. Expertise shall be provided to the Committee as and when needed to review the policy.

#### *Meetings with Investment Managers*

27. A check is made at each quarterly meeting that our ethical screening criteria are being upheld. Managers are required to make quarterly responsible investment reports.

#### *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 (Charities Responsible Investment Network), US National Jesuit Committee on Investment Responsibility.

### **Some Advocacy Issues**

*These issues can be carried into work on corporate engagement.*

#### **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>13</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>14</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 Sustainable Development Goals (SDGs).
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.

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<sup>13</sup> Populorum Progressio, Paul VI, 1967

<sup>14</sup> See the ShareAction report of that name, 'Transforming Our World through Investment', 2016

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 abuse of human embryos) necessitates us avoiding investment in those particular companies.

37. Care for all life implies supporting investment that promotes good healthcare and healthy lifestyles, and trying to eliminate the opposite.

38. Screening<sup>15</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>16</sup>

40. We therefore advocate for the goals of the Paris Climate Change Conference, COP21 in 2015; i.e. for zero net anthropogenic<sup>17</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) and the subsequent commitment by many parties to halve emissions by 2030 (from the baseline of 2019).

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

- Divestment from companies whose core 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 and reaching net zero carbon emissions in the requisite time.
- Regularly revising policy on the use of fuel with a view to investing in only renewable energy, as far as possible.
- Ensuring investment managers monitor companies' reporting of energy use
- Encouraging companies to change their behaviour to work towards the Paris climate agreement either by way of filing shareholder resolutions, or by co-signing letters with other investors
- Measuring the carbon footprint of all Jesuit works and communities, with a view to minimising wasteful use of energy, promoting clean energy and working towards net zero emissions as soon as is possible.

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<sup>15</sup> Appendix 2

<sup>16</sup> Laudato Si [165]

<sup>17</sup> i.e. from human sources

## Appendix 1: Other Principles for Responsible Investing

### The Principles of the *UK Stewardship Code*<sup>18</sup>

While JiB is not a formal signatory, we agree that as institutional investors:

1. our 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.
2. our governance, resources and incentives support stewardship
3. we manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. we identify and respond to market-wide and systemic risks to promote a well-functioning financial system
5. we review their policies, assure their processes and assess the effectiveness of their activities
6. we take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. we systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. we monitor and hold to account managers and/or service providers.
9. we engage with issuers to maintain or enhance the value of assets.
10. we, where necessary, participate in collaborative engagement to influence issuers.
11. we, where necessary, escalate stewardship activities to influence issuers.
12. we actively exercise their rights and responsibilities.

### The UN Principles for Responsible Investing (PRI)<sup>19</sup>

While JiB is not a formal signatory, we work to uphold the three main principles,

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.

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<sup>18</sup> The Financial Reporting Council (FRC) 2020

<sup>19</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 the mission of which it 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.

- **Threats to Life**  
No investment in companies engaging in human embryonic stem cell research • The production of drugs that have been created to be used as abortifacients • Involvement in providing 'healthcare services or information' which may relate to abortion • Deriving significant revenue (>10%) from the production or retail of contraceptive products
- **Military**  
No investment in companies that produce armaments; nor in companies that derive over 10% of turnover from strategic<sup>20</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 derive more than 10% of turnover from the extraction of fossil fuels.

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<sup>20</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.