Ethical Investment Policy statements 2010-19

Mission Council, meeting in March 2010, received a report on ethical investment principles for use by the United Reformed Church. These principles are based on theological reflection on how to express mission responsibility through investment and developments in ethical investment policy and practice to reflect both positive and negative screening criteria based on social, environmental, governance and ethical concerns. General Assembly 2010 adopted these principles in the following terms: *General Assembly welcomes the statement 'Ethical investment principles for the use of the United Reformed Church' for the guidance of those responsible for making investment decisions and commends the summary statement 'Recommended Mandate for Investors'.*

Additional material was added in 2013 and 2015 as described in Appendices 1 and 2 and amendments made in 2017 and 2019. A revised Recommended Mandate for Investors taking account of these is attached as Appendix 3.

The oversight and monitoring of these guidelines, given to the Ethical Investment Advisory Group in 2010, is now the responsibility of the Investment Committee under the general oversight of the Mission and Finance Committees.

Ethical Investment principles for use by the United Reformed Church:

1. The General Assembly of the United Reformed Church considers investment decisions to be an integral part of the Church's mission and witness and is committed, as far as it is legal and practical, to expressing Christian responsibility through investment decisions. Towards this end, Assembly requests that those responsible for investment decisions on behalf of the URC and its Trust bodies are guided by the principles set out below.

2. Assembly wishes the basic, aspirational ethical principles outlined below to inform all investment decisions:
   - mission integrity - the URC will, in all investment related activities, aim to avoid undermining the credibility, effectiveness and unity of its mission and witness;
   - stewardship - those entrusted with responsibility for investment decisions on behalf of the URC, its Trust bodies and their agents will exercise due diligence and care in the exercise of their duty to ensure that mission and fiduciary responsibilities are creatively and effectively balanced;
   - legality - all investment decisions will comply with the legal requirements for trustees as outlined in the Charity Acts and other legislation;
   - sustainability – investment decisions will be guided by the principle of financial and environmental sustainability, with a view to the long-term maintenance of well-being for the economic, social and natural environments;

- solidarity – investment decisions will be guided by the biblical principle of solidarity with those who are poor and marginalised and seek social justice as expressed in Statement 9 of the URC's Mission Framework[1];
- accountability - URC trustees, working in liaison with fund managers, will aspire to the highest level of compliance with this policy which can be achieved;
- transparency - reputational risk will be minimised by ensuring openness and transparency in reporting on URC investment portfolios and compliance with this policy;
- partnership - the URC recognises the value of collaborative action in terms of effecting change in companies' policies and practices and commits to working with the other members of the Church Investors Group (CIG), the Ecumenical Council for Corporate Responsibility (ECCR) and other ecumenical agencies to engage with companies and, where relevant, to act in support of their initiatives.

3. Expression will be given to these principles through both negative and positive screening of companies as well as through selective direct engagement with companies. Each of these investment strategies is outlined below, and should be considered as part of an integral approach to ethical investment by the URC.

4. The existing URC Ethical Investment policy will be developed to guide our investments in terms of negative screening. This policy states:

   General Assembly recommends that trustees and all those with investment responsibilities connected with the United Reformed Church should avoid any investment in:
   a) companies directly engaged in the manufacture or supply of weapons of destruction;
   b) companies a significant part of whose business is in the supply of alcoholic drinks or tobacco products or military equipment (other than weapons of destruction); or the provision of gambling facilities; or the publication or distribution of pornography.

   General Assembly notes that the definition of these activities, or of what constitutes a significant part of a company's business, requires judgement and the Ethical Investment Advisory Group (EIAG) of Mission Council [now the Investment Committee] is available to offer advice. In general, EIAG will deem 'significant' to mean where the share of turnover derived from the activity concerned is more than around 10-20% of the company's total turnover.

General Assembly recognises that this policy can only be advisory as the responsibility of specific investment decisions remains with each body of trustees. However, in addition to the criteria listed above, the URC's investment bodies are encouraged to avoid investment in companies whose management practices are deemed to be unacceptable or whose operations are deemed to:

- contribute to the oppressive nature of regimes which are guilty of gross human rights violations;
- contribute to a harmful impact on the social or natural environment;
- harm the society in which they operate more than they benefit it;

[1] See p.22 of the Vision 2020 – planning for growth in the URC booklet for details - http://www.urc.org.uk/what_we_do/mission/images/vision2020_booklet_colour.pdf

the Investment Committee]. However, such decisions will be subject to periodic review in the light of these principles to maintain the integrity and credibility of the policy.

9. **Monitoring of policy -** The monitoring of these principles on behalf of the URC is principally the task of Mission Council's Ethical Investment Advisory Group, (EIAG) [now the Investment Committee], which is required to report on issues of concern and develop policy statements on various issues related to ethical investment as necessary. However, every investment body and officer within the URC family (whether at assembly, synod or local church level) needs to share in this responsibility to ensure the Church retains its mission integrity.

Appendix one

Ethical Investment: Usury

Background

1. The 2010 General Assembly agreed a substantial statement of ethical investment principles for the use of the United Reformed Church (see the first section of this paper).

2. The mandate was always intended to be kept under review and this Appendix gives the background to the 2013 addition relating to usury.

The usury debate

3. In the law of Moses, the charging of interest on loans between Israelites is forbidden (e.g. Deuteronomy 23.19-20) with a suggestion that this principle is especially important when lending to the poor (e.g. Exodus 22.25). How far such teachings should apply to Christians, and to communities where Christians have influence, has been a perennial debate over the centuries. Some contemporary Christian economists argue that when Jesus said **“**Lend, expecting nothing in return” (Luke 6.35) he was endorsing exactly the same principle; others find it harder to hear any clear guidance in the New Testament.

4. While Christians disagree about the basic concept of charging i he wging i he w85 -1.15 Td[()-1 (e

7. Typical indicators of potentially exploitative lending will be:

a. triple-digit, or close to triple-digit, Annual Percentage Rates (APRs);
b. 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 sometimes 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.

8. This advice was accepted in May 2013 in the following terms:
In accordance with the principles for ethical investment agreed by the General Assembly, Mission Council agrees to add to the Recommended Mandate for Investors a new clause 1(c) as follows:
"(c) Companies who benefit by offering credit at usurious rates of interest to those who do not have access to funds through normal lending channels."

Appendix two

Ethical Investment: Application of the guidelines in relation to climate change

At its meeting in November 2015 Mission Council, acting on behalf of the General Assembly resolved to add a substantial statement as an Appendix to the 2010 statement of principles asking those responsible for investment decisions on behalf of the URC to

- engage with companies making a significant contribution to global greenhouse gas emissions to encourage the shift to a low carbon economy (working with other investors where possible);
- avoid investment in companies significantly engaged in certain extractive activities; disinvest, after appropriate engagement, from companies contributing significantly to greenhouse gas emissions and not judged to be taking seriously their responsibilities to assist the transition to a low carbon economy;
- increase investment in climate change adaptation and entities facilitating a reduction in greenhouse gas emissions or a transition to a low carbon economy;
- encourage their investment managers to build climate change into their investment practices and processes; and
- monitor and report periodically on the policy.

e) encourage publicity of these actions and the rationale behind them, so that the URC can use its influence to advocate an end to the exploration for new oil and gas reserves, and the managed decline of fossil fuel production
f) advocate to the UK government and others for action to foster the transition to a net zero carbon economy
g) encourage URC synods and local URC churches with investments to divest from fossil fuels, and reinvest in clean alternatives
h) support and encourage churches and church members to reduce their consumption of fossil fuels, and so participate in a just transition to a zero-carbon future
i) request the Resources Centres for Learning to ensure that those being prepared for service and leadership are cognisant of the global and spiritual context of the climate crisis."

Accordingly, the 2015 text of Appendix 2 has now been amended to reads as follows:

Those responsible for investment decisions on behalf of the URC and its Trust bodies should:

a) engage intensively with those companies in which they are invested that make a significant contribution to global greenhouse gas emissions (such as electricity generation utilities, large energy users (e.g., the transport and distribution sectors), and producers of energy intensive products (e.g., cement)) to encourage them to assist in the transition to a low carbon economy;

b) conduct corporate and public policy engagement wherever possible in collaboration with other investors, including through the Church Investors Group (CIG), the Institutional Investors Group on Climate Change (IIGCC) and the Carbon Disclosure project (CDP);

c) not invest in any company where more than 10% of its revenues are derived from the extraction of fossil fuels, including thermal coal, natural gas or oil or the production of oil from oil sands;

d) disinvest, after appropriate engagement, from companies that make a significant contribution to emissions of greenhouse gasses and that are considered not to be taking seriously their responsibilities to assist with the transition to a low carbon economy;

e) where practicable further increase their investments in climate change adaptation, and in sectors and activities such as sustainable energy, energy efficiency, carbon capture and storage that may make a significant contribution to reducing global greenhouse gas emissions or facilitating the transition to low carbon economy;

f) continue to encourage those organisations that invest money on their behalf to build climate change into their investment practices and processes, in line with the goals and objectives set out in this climate change policy, including through integrating climate change into relevant requests for proposals and due diligence processes, making climate change an explicit part of their asset management appointment processes, integrating climate change into their investment principles, and monitoring their asset managers' approach to climate change;

g) monitor and report periodically on their implementation of this policy."

Appendix three

Summary statement – recommended mandate for investors

1. General Assembly recommends that trustees and all those with investment responsibilities connected with the United Reformed Church should avoid any investment in:
    a. companies directly engaged in the manufacture or supply of weapons;
    b. companies a significant part of whose business is in the manufacture or supply of: alcoholic drinks, or tobacco products, or military equipment (other than weapons); or the provision of gambling facilities; or the publication or distribution of pornography; or in the extraction of fossil fuels including thermal coal, natural gas and oil or the production of oil from oil sands;
    c. companies who benefit by offering credit at usurious rates of interest to those who do not have access to funds through normal lending channels.

    General Assembly is of the view that in the definition of the activities outlined in b) and c) above, 'significant' means that the share of turnover derived from the activity concerned is more than 10% of the company's total turnover.

2. In addition to the exclusions listed above, the URC's investment bodies should reserve the right to avoid investment in companies whose operations are deemed to:

- contribute directly to human rights violations or support the maintenance of oppressive regimes who are guilty of gross human rights violations;
- contribute to a systematic, harmful impact on the social or natural environment;
- harm the society in which they operate more than they benefit it;
- promote injustice.

3. Further, it is expected that governance standards of our advisers, our fund managers, their agents, and the companies in which we invest, both directly and indirectly, should meet internationally accepted norms. By focusing on these standards, investors will favour companies which will be seeking to develop their businesses sustainably in the long term interests of their shareholders and other stakeholders.

4. Nestle Clarification: for investment purposes all companies should be treated in accordance with this ethical investment policy. There is no further requirement to exclude holdings in this company.

5. General Assembly recognises that this policy cannot be binding upon those with responsibility for specific investment decisions but when these bodies seek advice on investment matters they should apply due diligence to ensure that the integrity and reputation of the United Reformed Church is, as far as is practical, protected.

November 2019