

ROMAN CATHOLIC DIOCESE OF LANCASTER

ETHICAL INVESTMENT POLICY

Updated October 2008



Lancaster Roman Catholic Diocesan Trustees registered:
Charity Number 234331

The subordination of human well-being to economic principles, whether of left or right, was widely recognised in the Catholic Church as resulting from a distorted perception of reality. It was resistance to this economic determinism which prompted Pope Leo XIII to issue the encyclical letter Rerum Novarum in 1891.

It became the first of a series of “social encyclicals”, on the basis of which the Church set out to restore in contemporary industrial society the priority of the human over the economic, and the spiritual and moral over the material.

[“The Common Good” paragraph 26.]

The general purpose of the Church’s social teaching is to contribute to the formation of conscience as a basis for specific action. The Church’s teaching authority is comprehensive in its scope, but limited in its immediate practical application. It is for individuals and groups to decide how best to apply it in particular circumstances.

[“The Common Good” paragraph 27.]

We believe that it is in the growing priority of technology over ethics, in the growing primacy of things over persons, and in the growing superiority of matter over the spirit, that the most serious threats to British Society now lie.

[“The Common Good” paragraph 118.]

INTRODUCTION AND BACKGROUND

Reflecting on our role as Trustees, we believe that the social and gospel values of the Roman Catholic Church should be present both in the manner in which we invest the Diocese's money and in the way that it is used to enhance our spiritual and pastoral development.

The fundamental principle governing the management of the Diocesan investment portfolio is that we, the Trustees, are bound by Charity Law to seek to obtain the best financial return possible consistent with commercial prudence. As a consequence of this requirement we must maintain a diversified investment portfolio.

Our responsibilities under Charity Law and our aspirations to invest ethically are not seen as being mutually exclusive. We are satisfied that in applying this policy there is still an adequately wide range of investments from which to choose a properly diversified portfolio.

Ethical investment involves a process of making value judgements about the products, services and corporate practices of companies as well as their financial efficacy. These value judgements are based on Roman Catholic teaching. Based on these judgements decisions are then made to invest/disinvest, and/or support or avoid particular companies within the investment portfolio.

Although the Trustees are committed to applying an ethical dimension to the selection of investments, the Trustees acknowledge that it can be much more difficult to apply these ethical criteria to other aspects of daily life. For example, individuals may have employment with companies which do not satisfy the ethical criteria for investment but the Trustees are in no way critical of persons in such situations.

Wherever possible, however, we all have a duty to speak out where we find injustice in the world of business and commerce and so be "salt of the earth" and "a light to the world".

THE DIOCESAN ETHICAL INVESTMENT
POLICY STATEMENT

The Trustees of the Lancaster Diocese will, whilst remaining within the investment powers of the Diocesan Trust Deed, seek to invest in companies whose products, services and corporate practices are considered to promote the sanctity and dignity of human life, and which contribute to the positive advancement of society in general. No less importantly, the Trustees will look to support those companies which demonstrate a respect for the integrity of the created world.

It is therefore unlikely that any investment will be held in a company which fails to evidence significant positive attributes as defined by detailed criteria set out within section 1 of the Guidelines.

It is acknowledged that many of the companies that can be considered for investment are complex organisations. With this in mind the Trustees will seek to weigh the positive aspects of a company's activities against the negative aspects.

Negative aspects of a company are laid down in detail in section 2 of the Guidelines. These may be so immaterial as not to affect the investment decision; or may put into the balance the decision whether to invest; or may weigh so heavily against any positive criteria that the company will thereby be excluded from the portfolio.

Certain companies having negative aspects but nevertheless deemed acceptable for investment ought to be targeted for shareholder action in accordance with section 3 of the Guidelines.

In pursuing this ethical investment policy the Trustees will work closely with their nominated investment portfolio manager(s).

In addition to their financial management responsibilities, the managers will be required to provide a detailed written annual report on the adherence of the investment portfolio to the policy and may be requested to provide assistance in the undertaking of shareholder action.

Consequently the managers will be required to undertake significant research into companies' activities from an ethical point of view. This may involve the extensive use of external ethical investment screening agencies.

The Trustees will formally review this ethical investment policy every three years and ratify it annually. The policy was originally compiled in December 1997 and was updated in January 2001, July 2002 and October 2006.

We acknowledge that this document cannot be a fully comprehensive statement and welcome comments, observations or further suggestions on the policy.

Please write to The Secretary to the Trustees,
 Lancaster Roman Catholic Diocesan Trustees,
 Diocesan Finance Office,
 The Pastoral Centre,
 Balmoral Road,
 Lancaster
 LA1 3BT.

GUIDELINES

Section 1.

Identifying positive products, services and corporate practices

The Diocese will seek to identify and invest in companies which have one or preferably more of the following attributes:

1. Derive at least 25% of their turnover from the provision of goods or services in the following areas (which are in no order of priority):
 - § Healthcare.
 - § The saving and protection of human life.
 - § Training and education.
 - § Media and communications.
 - § Preservation of resources and the environment.
 - § Energy-efficient transport systems.
 - § The provision of utilities.
 - § The supply and distribution of the basic fundamentals of life, e.g. food, clothing or housing.
 - § Leisure and culture
 - § Support services for the above.
2. Demonstrate a genuine commitment to employee welfare.
3. Implement measures designed to help individuals at all stages of life to fulfil their potential and discharge their family and caring responsibilities.
4. Have substantial involvement in the wider community in which their business operates.
5. Seek to comply with the main elements of the Combined Code on Corporate Governance of July 2003 and any subsequent amendments.
6. Demonstrate a commitment to assess and respond positively to the impact of their business on their consumers and the environment.
7. Promote fair trade.
8. Apply ethical criteria 2 – 7 above in selecting other organisations with which to have commercial relationships.

Section 2.

Identifying negative products, services and corporate practices

The Diocese, via its investment portfolio manager(s), will examine the products, services and practices of a company being considered for investment, to identify whether the company is involved adversely in any of the following areas:

1. Environment

- a. Exploitative use of natural resources.
- b. Activities involving environmentally damaging products, by-products or impacts.

2. Life

- a. Undertaking or facilitating abortions.
- b. Undertaking or facilitating human embryo experimentation or usage thereof.
- c. Manufacturing, distributing or selling all contraceptive pills or devices
- d. Making significant donations to any charitable groups involved in population control by abortion or artificial means.
- e. Producing, publishing, broadcasting, distributing or selling pornographic or gratuitously violent material.
- f. Lacking specific policies to address human rights and labour issues while having significant operations in developing countries or in countries with poor human rights records.
- g. Violating the fundamental conventions of the International Labour Organisation pertaining to freedom of association and the right to organise, forced labour, child labour, and discrimination.
- h. Exploiting or ill-treating animals, particularly in respect of non-medical testing or research on animals.

3. Trade

- a. Producing or selling weaponry.
- b. Producing tobacco products.
- c. Lending to developing countries on punitive terms.
- d. Providing personal loans and credit facilities to vulnerable individuals at unscrupulous interest rates and/or investigating and collecting debt arising from such loans.
- e. Flouting the International Federation of Pharmaceutical Manufacturers and Associations' code of pharmaceutical marketing practices.
- f. Irresponsible marketing of products or services, particularly in developing countries.

4. General

- a. Making political donations of a size requiring public disclosure.

Section 3. **Shareholder Action**

Shareholder Action is a phrase used to describe the attempt to influence corporate decision-making through the shareholder process.

As a responsible shareholder the Diocese may from time to time identify companies in which it has invested whose activities involve negative attributes. As a result, and rather than simply disinvesting, the Diocese may seek to influence these organisations to make corporate policy improvements.

In so doing the Diocese will endeavour to work together with other similar minded shareholders in order to achieve the desired changes by:

- Bringing resolutions to Shareholders' meetings.
- Voting on resolutions put to such meetings.
- Tabling questions to Directors at such meetings.
- Establishing a dialogue with companies via letter writing and meetings with management.