

## AD HOC INVESTMENT POLICY & PROCEDURES REVIEW GROUP

### INTERIM REPORT

20 October, 1997

This group was convened jointly by the EcoJustice, Financial Management and Development and Pension Committees to review the Investment Policy Statement for the General Synod of the Anglican Church of Canada and procedures thereunder, as adopted by the National Executive Council in November, 1984. The Investment Policy Statement is annexed hereto as Appendix I.

We set as our objectives the following tasks:

1. Determine the adequacy for today of our 13-year old policy statement, in view of any changes in priorities and in general investment practices and opportunities since 1984.
2. Determine the adequacy of present procedures within the ACC and between the ACC and the investment community to implement the statement's guidelines.
3. Canvass financial information providers to ascertain what information and services may be available to assist in implementing the guidelines set forth in the policy statement.
4. Review the current legal landscape relating to pension investments, particularly as regards consideration of corporate social responsibility.

As background for this assignment, we have reviewed numerous documents, including: earlier ACC media promoting the statement; general resources, including the article "The Ethical Imperative-the Top 50" in the Financial Post's FP 500 issue (May, 1997); investment policy statements from a number of other churches, including the United Church of Canada and the Canadian Conference of Catholic Bishops as well as the Church of England and several U.S. denominations; a number of articles and studies concerning the increasingly widely used socially responsible investment screens; and documents relating to the responsibilities of fiduciaries vis a vis taking into account corporate social responsibility criteria in investment decision making.

In addition to a number of two-person telephone conversations among the three of us, we have held one joint conference call and a meeting in Toronto which two of us attended face-to-face and the third by telephone and at which one of the Church's investment managers was also present.

Our thoughts and recommendations follow:

1. The principles set forth in the 1984 policy statement are as valid today as they were then. Within the overarching principle of the obligation of investors "to act within their powers to ensure that the issuers of securities do not cause harm by violating

basic human rights", emphasis is given to: the "rights and needs of (an issuer's) employees", the "economic development of the community", the "social and environmental condition of the community" and the "social value of (the issuer's) product and marketing approach to society".

We believe each of these emphases remains important. We might wish to see "diversity" added as an additional positive value. ("Diversity" as in racial/ethnic, gender and socioeconomic/background diversity on a corporation's board of directors and among its senior management personnel.

2. The Public Social Responsibility Unit was made responsible, under the Statement, "to advise the Administration and Finance Committee and the Pension Trustees of any social implications of its (sic) investments. Any recommendations are considered, although not necessarily accepted".

In 1993, following its demise, the PSRU's responsibility to give such advice devolved to the Partners in Canadian Mission Unit which established the Socially Responsible Investment Group. SRIG was to meet once each year to review the Church's investments and to advise the two committees responsible for investing the Church's funds. Its membership was to include the Anglican representatives on the Taskforce on the Churches and Corporate Responsibility, a liaison with the PCMU, and two or three additional volunteers appointed by PCMU. A liaison person from the Pension Fund trustees and the Treasurer of General Synod were to be "invited to attend".

To our knowledge, SRIG held only one meeting, in 1994, and became inactive as the Church took up the challenge of restructuring.

We believe SRIG should be reestablished and reconstituted to consist of one or two members (or appointees) from each of the three involved committees, with a staff liaison from each committee, to include from the Ecojustice Committee an Anglican representative on the Taskforce on the Churches and Corporate Responsibility, from the Financial Management and Development Committee the Treasurer of General Synod and from the Pension Committee the Director of Pensions, to meet face-to-face at least one per year, with additional conference call meetings as required to oversee implementation of the policy guidelines.

3. Ecojustice staff has indicated willingness to take the lead, with staff assistance from the other two committees, in bringing together and setting down in concise form the process and procedures followed by the FM&D and Pension Committee/Trustees in discharging their responsibilities for investing the Church's funds and voting proxies. We envision a short procedures manual that would delineate clearly and concisely who does what when and how in regards to ACC investment decision making.

4. At our meeting in Toronto, on September 23, 1997, we were presented with two somewhat differing approaches to incorporating corporate social responsibility criteria into our investment decision-making. These presentations were made by two leading providers of Socially Responsible Investing services, EthicScan Canada and Michael Jantzi Research Associates.

The increasing availability of such services, and the increasing volume of research into socially responsible investing and its affect on financial returns, is one of the significant changes in the investment scene since 1984. In 1984 there were no databases or services available to assist investors to implement with any degree of sophistication social criteria like those set forth in our ACC policy statement. Today there are.

In addition to considering implementing any exclusionary screens (e.g. omission of tobacco company stocks from ACC portfolios), we are particularly drawn to the possibility of taking a "best of sector" approach to equity stock selection whereby companies with better corporate responsibility records would be favoured over companies with poorer records. (In order to be considered for inclusion in the portfolio all companies would first be required to meet similarly rigorous financial return criteria.)

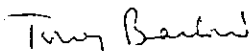
Our thoughts would be to proceed, for instance, with an initially modest percentage portion of the General Synod equities portfolio. In this manner we would expect to gain valuable experience with "best of sector" management in practice, and thereby be in a better position to know whether to recommend its expansion, and perhaps extension to pension funds, as one effective way for the Church to carry into practice the objectives set forth in its policy statement. We of course need to determine how this approach might be implemented by the ACC and at what cost.

We envision exploring further how ACC funds might be invested utilizing the "best of sector" approach.

5. While some of the most promising new developments in socially responsible investing are in the application of increasingly sophisticated positive screening techniques (as in the "best of sector" approach discussed in the preceding paragraph) we need also to utilize where appropriate the other two principal techniques of socially responsible investing, namely use of alternative investments and active shareownership.

With respect to General Synod funds, we have not yet examined the availability and range of alternative investments targeted to benefit particular communities or constituencies. We envision considering the appropriateness of these kinds of investments for a portion of General Synod funds.

With respect to active shareownership, we need to be prepared to communicate our views to the managements of companies whose securities are held in Synod and Pension portfolios, and vote our proxies accordingly, when issues covered under our ACC Investment Policy Statement arise.



Tony Barlow  
EcoJustice Committee

Michael Clarke  
Financial Management and  
Development Committee



David Stovel  
Pension Committee/  
Trustee

NATIONAL EXECUTIVE COUNCIL - November 1984

## INVESTMENT POLICY

The following Investment Policy Statement for the General Synod of the Anglican Church of Canada was approved and commended.

In recent years there has been a growing concern in society over corporate social responsibility and the responsibility of Investors (both individual and institutional) to act within their powers to insure that the issuers of securities do not cause social harm by violating basic human rights. The General Synod of the Anglican Church of Canada seeks the optimum financial return from investments which conform to sound investment principles. In assessing corporations as eligible investments, one of the criteria used will be evidence of social responsibility in the activities of any corporation. The General Synod, as an Institutional Investor, has an ongoing obligation to avoid condoning social injury resulting from the activities of any corporation, government or government agency whose securities it holds, directly or indirectly, including those of the Pension Fund. The General Synod recognizes the need to engage in affirmative action for social improvement.

For the implementation of this policy the General Synod relies on the Public Social Responsibility Unit to advise the Administration and Finance Committee and the Pension Trustees of any social implications of its investments. Any recommendations are considered, although not necessarily accepted.

The Public Social Responsibility Unit has considered how it will review the investments by the Trustees of the General Synod Funds and the Trustees of the Pension Fund.

The guidelines to be applied by the Public Social Responsibility Unit are set out below:

1. In assessing investment, consideration will be given to our obligation as Christian Stewards of God's gift, to assure an adequate rate of financial return.
2. In assessing investments it is necessary to determine that the company or institution concerned is socially responsible in the following areas:
  - a) the rights and needs of its employees
  - b) the economic development of the community
  - c) the social and environmental condition of the community
  - d) the social value of its product and marketing approach to society.
3. The need to engage in affirmative action for social improvement means that in addition to establishing a prudential distribution of investments as between deposits, bonds, mortgages and equities, an effort will be made to seek opportunities to invest a significant portion of the resources available to the General Synod Funds in undertakings which are specifically directed to promotion of improvements in social conditions as indicated (2) above.