Living Our Faith
An Ethical Investment Policy

How does our Christianity impact on our decisions? Do our actions reflect our Christian values? These are questions that each individual must answer in all aspects of our daily lives. They are also issues that we must face corporately as the Church. How does the church respond when its value system is in conflict with the values in the world around us?

The church has struggled with this question in its investment decisions. In 1984, General Synod adopted a policy to take account of a corporation's social responsibility when assessing investments, relying on the Public Social Responsibility Unit (PSRU) to advise the Administration and Finance Committee and the Pension Trustees of any social implications of their investments. This policy decision has not been fully effective for two reasons: firstly, there have been difficulties in implementing an assessment and advisory process: and secondly, for the Pension Fund, there are legal constraints on trustees that may preclude responding to advice when received.

Initially there was very limited data available to assess the social and ethical aspects of corporate policies and the PSRU relied heavily on links with the Taskforce on the Churches and Corporate Responsibility (TCCR) and that group's work on assessments. TCCR has progressed greatly over the past 15 years and joining with similar organizations in the United States and the United Kingdom has now developed a framework for assessing social and ethical aspects of individual corporations. TCCR has now been subsumed into the new organization KAIROS: Canadian Ecumenical Justice Initiatives, but its work of assessing corporate policies continues. Over this period a number of consulting companies have also established ethical screens to apply to investments and there are now a number of mutual funds that apply specific ethical screens in selecting investments. Unfortunately, the Anglican Church of Canada has been distracted by the challenges of restructuring and budget constraints in recent years and has not been able to take full advantage of the progress in assessment systems and data on social responsibility and ethical aspects of corporations. In 1993, following the demise of the PSRU, the responsibility to monitor and advise on the social and ethical aspects of investment was shifted to the Socially Responsible Investment Group (SRIG), a group established under the Partners in Canadian Mission Unit (PCMU). After meeting once in 1994, SRIG became inactive and in March 1998 the Council of General Synod passed a motion to re-establish SRIG.

Unfortunately, subsequent budget cuts have left this group without the resources to carry out the task assigned to it.

The ability of trustees to take ethical considerations into account in making investment decisions is constrained by the legal requirement for trustees to focus on the financial impact of their decisions on the members. Indeed, it is important to note that while the Pension Fund Trustees' "Trust Agreement" is with the General Synod, their legal responsibility regarding investment is to the members of the Pension Plans rather than to General Synod. While the pension fund members' views on "ethical investment criteria" may not differ from the views of General Synod, we cannot "*assume*" that to be the case. If Trustees are to place an increased emphasis on ethical issues in reaching investment decisions, the members' approval of such an approach must be communicated by members to the Trustees and this should be documented in both the Trust Agreement and in the Investment Policy.

The Council of General Synod in March.1998 reaffirmed the Investment Policy for the General Synod of the Anglican Church of Canada and we believe that it remains an appropriate objective. However, the policy will not become effective until it is seen as a priority for the Church and SRIG is given the authority and the resources to implement the policy.

This conclusion is consistent with the report[1] of the Ad Hoc Policy & Procedures Review Group in October 1997 whose key recommendation was to ensure that SRIG be re- established with the resources and authority to pursue the issues raised under the policy. It was further suggested that implementation of the policy be carried out in stages. Initially, a portion of the funds of General Synod would be managed on a "Best of Sector" approach using an ethical screen[1] to select equity stocks of companies with a better corporate responsibility record over those with poorer records. In order to be considered for inclusion in the portfolio all companies would first be required to meet comparable financial return criteria.

Gaining experience with the application to General Synod Funds of techniques now available to screen companies would enable SRIG to develop detailed guidelines. Such guidelines could be presented to Pension Fund members to seek their support for the application of a screening process to Pension Fund investments. The guidelines could also be provided more widely to assist each Diocese to pursue the policy and to encourage individual members of the church to assess their personal investments in relation to the policy.

Implementation of the Anglican Church of Canada Investment Policy has proven to be a complex exercise and, with limited resources, it is important to take it in small steps or we will continue to be frustrated by the enormity of the task.

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[1] See attached Appendix A

We recommend the following steps:

1. Establish an exclusionary screen identifying those companies whose principal products or services make it inappropriate for the Church to support through investments. Looking at the Investment Policies of other churches, the most common exclusionary screens are to eliminate those companies where more than 10% of the revenue comes from tobacco, alcohol, gambling, pornography or military weapons. SRIG should identify the companies to be excluded and communicate this list to the Financial Management and Development Committee and the Pension Fund Trustees.

2. After applying an exclusionary screen to investment of the general Synod Funds, the portfolio would be invested on a "Best of Sector" approach, as set out by SRIG on the basis of an appropriate screening service.

3. Experience with a screening service will assist SRIG in the work of monitoring the policies of corporations on an ongoing basis to enable the church to be an active and socially responsible shareowner. It is important to communicate the church's views to the management of the companies whose securities are held in Synod and Pension portfolios, and to vote our shares accordingly when issues covered under the Church's investment policy arise.

4. Based on the experience with use of the exclusionary screen and application of a "Best of Sector" approach over a year or two, SRIG could develop ethical investment guidelines for use by the whole church.

5. The Pension Fund Trustees could begin by applying the exclusionary screen to pension portfolios, provided Fund Managers confirm that its application would not have a material negative impact on portfolios over the long run.

6. More generally, the Trustees should determine a process to seek the support of the fund members for the application to their pension funds of the Investment Policy established by General Synod. If a substantial positive response is received from the members, the Trustees should proceed on the basis of the guidelines eventually developed by SRIG and document the approach in the Trust Agreement and in the Pension Investment Policy.

7. Provided support is received from the membership, the Trustees would undertake to apply the detailed guidelines to be developed by SRIG to the Pension Fund Portfolios.

Attachment: Appendix A

(Ad Hoc Investment Policy & Procedures Review Group – Interim Report October 20, 1997)