

# INVESTMENT POLICY

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## Introduction

The church will from time to time hold surplus monies. As wise stewards we should take great care of what we have been entrusted with and work within three principles: -

1. Ensure it is protected from loss
2. Look to maximise the return, and,
3. Make any investment decision based ethically on our beliefs.

Mostly, any investment will be short term and by nature, cash. Should the church be given a gift or legacy that requires long term investment this will need to be selected carefully and, if necessary, with professional advice.

## Policy Guidelines

### ***Stewardship***

The church should operate within the legal framework for investment by charities and pension funds. We owe certain fiduciary and other duties to our members and beneficiaries. Christian stewardship provides the context within which and informs the manner in which these duties are performed.

### ***Principles***

This policy is based on the three principles above. In all cases all three should be present although it must be accepted that the ethical requirement may sometimes be difficult to be 100% compliant and in such cases it would be prudent to give any doubtful area of investment a wide berth.

We do not have the capacity or expertise to make decisions of an ethical nature in every case and will therefore follow the guidelines of the Church of England Ethical Investment Advisory Group. These have been reproduced at appendix 1.

#### 1. Protection from loss

Our primary duty is to ensure that the capital sum invested is protected from loss. Where deposits are made in banks, building societies and similar institutions these are protected up to a limit of £85,000 by the Financial Services Compensation Scheme. The church's current bankers are members of the scheme. Should a decision be made to place deposits elsewhere the Financial Conduct Authority provide a Firm Check which will be used to confirm membership prior to making any deposit.

Other investments are not protected and should only be considered with professional advice. Investment in Government Gilts and deposits with Local Authorities are considered safe due to the nature of the bodies concerned.

The church may therefore take a simple “no risk” approach.

## 2. Maximising the return

The return on any investment will, by nature, reduce with the reduction of risk. To ensure total protection any investment (or cash deposit to be precise) will need to be with one of the following: -

- Banks and Building Societies who are members of the Financial Services Compensation Scheme (FSCS).
- Other deposit takers who are members of the FSCS.
- UK Government
- UK Local Authorities.

As stated above, most investment will be in the form of cash and be deposited in a manner that allows easy and quick access.

The Treasurer, in consultation with members of the finance team, will estimate, on a rolling 3 month basis, the cash needs of both the general fund and place surplus cash on deposit at the best available interest rates with any of the above institutions.

## 3. Ethical standpoint

Generally, the ethical issue will only arise when investing in limited companies and in order to meet the other two principles, is likely to be rare.

This was covered above and the Church of England Ethical Investment Advisory Group policy on investment exclusion is given at Appendix 1 below. It is the Church of England policy but should be used as a sound guide.

## **Specific Policies**

- All surplus cash funds will be deposited with institutions that are members of the Financial Services Compensation Scheme (FSCS).
- Longer-term deposits may be with UK Government Gilts or UK Local Authorities.
- The treasurer in consultation with the finance team will estimate, on a rolling 3 month basis, the cash needs of both the general fund and mission trust and place surplus cash on deposit at the best available interest rates with any of the above institutions.
- Investments in any other organisation will only be made in exceptional circumstances, and should be of a long-term nature.

## Appendix 1: Investment exclusions

### **Direct investments in equities and corporate debt**

The NIBs do not invest in any company involved in indiscriminate weaponry. Moreover they do not invest in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover.

The NIBs do not invest in any company that derives more than 3% of revenues from the production or distribution of pornography or in any company, a major part of whose business activity or focus (defined as more than 10% of group revenues) is tobacco, gambling, non-military firearms, high interest rate lending or human embryonic cloning. A new policy on alcohol is in the process of implementation under which companies deriving more than 5% of their revenues from alcoholic drinks are only eligible for investment if they meet EIAG standards for responsible marketing and retailing.

The new climate change policy does not allow investments in companies that derive more than 10% of revenue from tar sands or thermal coal.

Individual policy documents are published separately – or are under development – setting out the criteria employed in each area to determine whether companies breach the Church's policy and to explain the theology, ethics and reasoning underlying the policies.<sup>5</sup>

<sup>5</sup> See [www.churchofengland.org/about-us/structure/eiag/ethical-investment-policies](http://www.churchofengland.org/about-us/structure/eiag/ethical-investment-policies).

<sup>6</sup> See [www.churchofengland.org/media/1898077/property%20investments%20policy%202010.pdf](http://www.churchofengland.org/media/1898077/property%20investments%20policy%202010.pdf)

<sup>7</sup> See <https://www.churchofengland.org/media/2235205/pooled%20funds%20policy%20-%202014.pdf>

### **Direct investments in property**

The NIBs apply to direct property investments the investment exclusions applied to equities and corporate debt in line with their Property Policy<sup>6</sup>.

### **Indirect investments via pooled funds**

The NIBs are only able to invest in some assets, asset classes and investment strategies through pooled funds. Pooled funds are funds in which a number of different investors invest.

Because the ethical investment policies of the EIAG and NIBs cannot be applied fully, or at all, in investments in pooled funds and indirect vehicles, it is essential that parameters are set for the use of pooled funds and indirect vehicles.

The Pooled Funds Policy gives detailed guidance on how the NIBs should ensure that their use of pooled funds is consistent with ethical investment<sup>7</sup>.