

## **Ethical Investment Policy of the Jesuits in Britain**

Updated: 01/12/2015

The Investment Policy of the Jesuits in Britain is governed by the Canon Law of the Catholic Church, the law of the Society of Jesus, UK Charity Law and other civil financial regulation, all of which countenance *ethical investment*.

- The Jesuits' Instruction on Administration of Goods (IAG) includes the following pertinent sections on investment:

### 3.1.3. Licit and ethical investments

[396] Quality economic management takes place when it is realized within a healthy and transparent economic administration. Good administration not just permitted but demanded of those who administer ecclesiastical goods, can be seen by the diligence a financial administrator displays in the completion of his tasks<sup>1</sup>.

[397] The prevailing intention of our investments is to assure that the capital not be undermined and, within the just limits and real opportunities of the market, that it produce the best possible return. Therefore, avoiding unorthodox or speculative methods<sup>2</sup>, it is licit to sell and exchange stocks and bonds for others just as secure and as capable of producing a return while always being aware of the changes in the market. Stated succinctly, the goal of investment is to protect the capital invested and to earn a just return.

[398] It is also important to understand the ethical quality of the investments. Investments should not be made in companies in which social justice and environmental issues are disregarded or even disparaged but rather in those where they are sufficiently respected<sup>3</sup>.

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<sup>1</sup> Code of Canon Law ('CIC') 1284 §1.

<sup>2</sup> Cf. [400].

<sup>3</sup> Statutes on Religious Poverty in the Society of Jesus, 44.

### 3.1.4. Prohibited and illicit investments

#### 3.1.4.1. A general prohibition against engaging in business activities

[399] We are, as religious, by canon law<sup>4</sup> prohibited from entering into trading or business activities without the permission of the legitimate ecclesiastical authority<sup>5</sup>. Financial trading in securities is included in this prohibition. Violation of this norm requires a multiplicity of acts united together in such a way that the person who does this can be considered as a habitual businessman or trader<sup>6</sup>.

#### 3.1.4.2. Prohibited business activities

[400] As a consequence, we are forbidden to “play the market” or make speculative contracts, i.e.:

[400.1] To take out a loan and with this money buy securities in the hope of obtaining a greater return than the interest on the loan.

[400.2] To sell borrowed securities, anticipating that the same number of securities can be repurchased at a lower price (i.e. selling short)

[400.3] To contract to buy securities at a pre-determined price up to certain date in anticipation of selling the security for a higher price.<sup>7</sup>

[400.4] To give others options to buy securities that we do not possess, or to receive options to buy securities we have no intention of buying.

[400.5] To buy securities in one market and simultaneously sell them in another in order to take advantage of the difference in price between the two markets.

[400.6] To bet money and/or engage in games of chance.

- Guidance of the Charity Commission of England and Wales stipulates<sup>8</sup> that,

“Trustees of any charity can decide to invest ethically, even if the investment might provide a lower rate of return than an alternative investment. Ethical investment means investing in a way that reflects a charity’s values and ethos and does not run counter to its aims. However, a charity’s trustees must be able to justify why it is in the charity’s best interests to invest in this way.” The Commission quotes the law as permitting the following reasons:

- A particular investment conflicts with the aims of the charity; or
  - The charity might lose supporters or beneficiaries if it does not invest ethically; or
  - There is no significant financial detriment.
- Our policy is to screen out investments which produce goods or services contrary to the moral law of the Catholic Church, of which the Jesuits in Britain are part:
    - Threats to Life: No investment in companies that produce abortifacient materials or provide abortion services as a priority in their work (i.e. more than that which a hospital or clinic has to legally provide); or companies that utilise human embryonic stem cells for research;

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<sup>4</sup> According to the norms of the Society: “We must carefully avoid even the appearance of engaging in commerce or of seeking profit”, Complimentary Norms of the Constitutions of the Society of Jesus (‘CN’) 215 §1.

<sup>5</sup> Cf. CIC cans. 286. Those who violate this regulation “are to be punished in accord with the seriousness of the offense”. CIC can. 1392.

<sup>6</sup> This is the commonly accepted canonical interpretation.

<sup>7</sup> *bona fide* hedging activities could legitimize a modification of this prohibition

<sup>8</sup> Charities and investment matters: a guide for trustees, CC 14- Oct.2011

Or in companies that manufacture contraceptives or derive a significant portion of revenues (5%) from the sale of contraceptives

- Military: No investment in companies that produce armaments; nor in companies that derive over 10% of turnover from strategic<sup>9</sup> military sales; nor in companies that have not addressed allegations or indications of involvement with anti-personnel landmines in the past three years.
  - Pornography: No investment in companies that produce pornographic materials; nor in companies that derive more than 5% of turnover from 'adult entertainment' transmission.
  - Gambling: No investment in companies that derive more than 10% of turnover from gambling.
  - Tobacco: No investment in tobacco production; nor in companies that derive more than 10% of turnover from the sale tobacco products.
- We also seek to apply *positive* screens to identify companies and sectors that conform to Catholic social teaching in areas like environmental protection and human and labour rights. We also believe that investing in companies that demonstrate excellent corporate social responsibility and governance will produce sustainable long term investment returns.
  - Our policy is to engage in Shareholder Advocacy where the exercise of voting rights may influence company behaviour for the greater ethical good. Work within the ecumenical Church Investors Group [CIG] ([www.churchinvestorsgroup.org.uk](http://www.churchinvestorsgroup.org.uk)) is helpful with the pooling of resources for this purpose. We also work with ShareAction to take an active stance on our holdings, (<http://shareaction.org/>)
  - We work with all our investment managers to ensure that our ethical policy is implemented.
  - In some situations we engage in *programme related investment (PRI)* where we invest to to further our charitable aims and not primarily to generate a financial return<sup>10</sup>, for example allowing specific rental terms on a building if the tenant is involved with the promotion of the aims of the Jesuits in Britain as with Kensington Square for Heythrop College.
  - We may also consider Mixed Motive Investments, as defined in CC14<sup>11</sup>, where an investment is thought to be in the best interests of Jesuits in Britain but is justifiable not as a PRI or a financial investment alone but in terms of the dual nature of the return, in part financial and in part as a contribution to our charitable aims, for example investing in an enterprise which may further poverty alleviation or other humanitarian goals yet also produce a financial return.
  - We are also members of the Institutional Investors Group on Climate Change, IIGCC, and the UK Sustainable Investment & Finance Association, UKSIF.

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<sup>9</sup> The term 'strategic' is used to differentiate military equipment or services that, though not armaments, are essential for military operations and enhance military capability from other equipment or services that are not material to military capability or are generic products or services also widely used for non-military purposes. For example a parade ground uniform does not enhance military capability, battlefield uniform does.

<sup>10</sup> CC14 §10

<sup>11</sup> CC14 §11