

Ethical Investment Guidelines

Introduction

The Bishop and Trustees wish to set out, in some detail, the ethical principles and resultant policies and procedures that will govern the management of the Diocese of Portsmouth Investment Fund ("DOPIF"), investments in real property and cash deposits. The principles, policies and procedures outlined in these guidelines apply to all investments held in the name of Portsmouth Roman Catholic Diocesan Trustees Registered, including those belonging to the Portsmouth Roman Catholic Diocesan Trust and the Portsmouth Roman Catholic Diocesan Priests' Retirement Fund.

Fundamental Principles to be applied:

Catholic Moral and Social Teaching

1. All proposed courses of action must be in accord with the Church's teaching as revealed in natural law and Divine Revelation, as expressed in Sacred Scripture, Holy Tradition and the authentic Magisterium of the Church. All individuals or groups in the diocese should strive to ensure that their acts promote the good news of Jesus Christ and serve an evangelisation new in its ardour, methods and expressions aimed at creating intentional disciples of Jesus Christ within His Body the Church. If any proposed course of action involves intended or foreseen acts which do not serve that new evangelisation or are in themselves gravely contrary to the teaching of the Catholic Church they must not be pursued by any individual or group under the auspices of the diocesan charity.

2. In assessing whether a particular course of action may involve intended or foreseen consequences which are contrary to the Church's teaching, the Catechism of the Catholic Church is an invaluable resource for establishing authoritatively what that teaching is. It is never permissible to co-operate with acts which are gravely contrary to the Church's teaching or the natural law. It may be permissible, in certain circumstances, to undertake a proposed course of action which has as one or a number of its foreseen (but not intended) consequences, acts which, though contrary to the Church's teaching or the natural law, are not gravely so, provided the co-operation involved is not proximate, formal and material. These terms have particular meaning within the context of Catholic Moral and Social Teaching and they are explained below.

a. Gravity

How seriously does the proposed course of action contradict the Church's teaching? Certain acts are, in themselves, always gravely morally wrong. These would include but not be limited to, murder, procured abortion, contraception, sexual activity outside marriage, acts which undermine the dignity and sanctity of human beings (for example the exploitation of workers, migrants, the weak and the elderly) from conception to natural death, corrupting the young, heresy and sacrilege.

b. Proximity

This term covers the extent to which an act is immediately, directly or closely connected with a foreseen outcome. Where an outcome is gravely morally wrong and may be seen to be an immediate, direct or close consequence of a particular act or course of action, then that act or course is always wrong and no individual or group acting under the auspices or in the name of the diocese may engage in it. If the foreseen consequence is, however, remote, indirect or distant from the act or course, that act or course may be permissible, provided it involves neither formal nor material cooperation in that foreseen consequence.

c. Co-operation

The particular involvement in any morally wrong act can take a number of concrete expressions. Where it involves the explicit sanctioning of that act, for example by the participation in it through giving expressed assent to it, that formal co-operation is never right. Even where the co-operation does not involve giving expressed assent to the morally wrong act, it may still be wrong if the extent of the co-operation given is of such significance that the act is substantially dependent upon the support given or that the support given constitutes a significant proportion of the act of co-operation.

Ethical Investment Policy

Engagement

Mindful of the obligation to use whatever influence for the good that the diocese may have, the Bishop and Trustees are determined to use the voice that they have as shareholders, bond holders and depositors. Recognising that, as a single diocese, the size of the diocese's investments with any particular entity will mean that the diocesan voice may not weigh particularly heavily on individual institutions, wherever possible the Bishop and Trustees are committed to working with other Catholic institutions, ecumenically with the Church Investors Group and more widely with ethical investment advocates, provided always that the principles of Catholic Moral and Social teaching are not compromised. The Bishop and trustees recognise that disinvestment may, ultimately, be the only way in which pressure can be applied to institutions with whom the diocese invests but, subject to the application of the detailed principles outlined above, would prefer always to retain a voice in such institutions, unless in so doing those principles would be compromised and scandal given.

Direct Investments in Quoted Securities

Where the issuer of a security (share, stock or bond) or deposit taker (bank) is directly and substantially involved in activities which constitute grave moral evil such investments are to be entirely excluded on the grounds that holding such securities would constitute formal co-operation in that evil. Examples would include those entities whose activities contravene the Church's teaching on the sanctity of life, such as the provision or facilitation of abortion or euthanasia, research using tissue from aborted children, the provision of artificial contraceptive interventions or the production or distribution of pornography. Where such activities are not a substantial proportion of the entity's activities or are incidental to its business but can be ascertained to constitute more than 5% of the activity of that entity - measured by reference to turnover, profit, asset allocation, research budget or staff - then direct investments in that entity are to be excluded.

Although it is recognised that a proportion of funds raised by the issue of government bonds (e.g. UK Gilts) may be used within the consolidated funds of the state to finance activities which would constitute grave moral evil - the provision or facilitation of abortion - the proportion so raised and the lack of proximity to the bond issue means that it is permissible directly to hold such bonds

In the past there has been some debate about direct holdings in defence equipment manufacturers, suppliers, contractors and service providers. Provided that the entity concerned operates within the legal framework provided by the UK Government and in the absence of evidence that the company is involved in making supplies to terrorist organisations or regimes considered oppressive, no exclusion can be justified on the grounds of Catholic teaching. Similarly, direct investments in tobacco or alcohol manufacturers and distributors are not excluded.

Catholic teaching, in upholding the dignity and sacredness of the human person, recognises the severity of working practices which do not reflect that dignity and sacredness. Accordingly, investments in Companies who breach International Labour Organisation or International Maritime Organisation standard are to be reviewed with a view, in the event that the Company does not respond adequately to engagement, to disinvestment.

The Bishop and Trustees require that our investment managers keep under review the environmental stewardship of entities in which the diocese holds investments or deposits and instructs them to refer any activities which might constitute a breach of the duty of the stewardship of creation to them.

Indirect Investments in Mutual Funds

Investments in mutual funds are not direct and so any perceived co-operation in the immoral activities of underlying investments would not constitute formal cooperation in those activities. The principles of the proximity and materiality remain to be considered. Where entities whose activities substantially constitute acts of grave moral evil, such that they would be excluded direct investments under this policy comprise more than 5% of the underlying holdings of any mutual fund, such a fund is to be considered an excluded investment.

Direct Property Investments

All leases and licences granted to third parties for the occupation of properties owned by the diocesan trust or any of its subsidiaries are to specifically exclude, upon pain of forfeiture, the use of such properties for purposes which would constitute grave moral evil, recognising, in the case of residential properties, the right to privacy and quiet occupation enjoyed by the tenants. This would exclude the operation of clubs involved in lewd activity, together with the provision or facilitation of abortion and/or other grave breaches of the Church's teaching on the sanctity of life and marriage and the family.

Indirect Property Investments

No investments are to be made in property holding companies, trusts or other investment vehicles where any of the underlying properties are used for activities which constitute grave moral evil. This would include the referral for or provision of contraception, abortion or euthanasia, or for research into or the therapeutic use of tissue obtained from aborted children.