

The Church as an Ethical Investor

Neville White

Being an ethical investor means tension: between meeting ideals and the legal and practical responsibilities attendant on managing assets. Managing ethical investment is difficult for an individual. For a Church open to public scrutiny and challenge, it is fraught with difficulty.

To that end the Church may inevitably disappoint – but not because the Church is failing to be an ethical investor, or is failing to follow a visible set of principles. It will disappoint because, in the eyes of many, what it means for the Church to be an ethical investor will be so disparate, wide-ranging, different and particular, that it could never hope to fulfil the aspirations or beliefs of everyone regarding how the Church should manage its money.

Yet the Church is an engaged ethical investor and visibly seeks to make a difference in the corporate world.

Disinvestment and avoidance

One of the tensions is whether as a Church we want to be intent only on disinvestment, focused on the negative. This is the normal starting point for any discussion on ethical investment, focused on what the investor will not do. This is not an unreasonable place to start, and for many it is also where ethical investment stops.

However, when it costs over £1,000 million a year to run the Church of England - to finance its parishes, cathedrals, dioceses, episcopate and buildings - some might ask whether avoidance is a sustainable approach, whether the Church should simply maximise returns to carry out its mission.

But avoid things we do. The Church currently avoids 10% of the UK stock market, and a slightly smaller percentage of world markets. Each activity avoided - tobacco, arms, gambling, alcohol, pornography - has been looked at theologically, pastorally and ethically to ensure it makes sense and can be justified. Each exclusion has been subject to specific criteria. The intent is to provide robust reasoning and integrity to each decision that results in opportunity forgone.

Ethical self-restraint can sit comfortably with both a biblical and a fiduciary response to investment. It speaks to our sense of sacrifice and apartness; there can be no integrity for the Church without a strong conviction of faith-consistent investing.

Fiduciary responsibility

However, the Church exists in a world that often lives out a quite different vision. In law, for instance, trustees are charged with managing investments in the best interests of their beneficiaries, usually taken to mean making the best return possible. For this reason alone, case law is wary of institutions applying complex ethical discretions to their investment management.

In 1991 this was tested by the Bishop of Oxford, who argued the Church should go further by investing in ethically desirable activities, for instance social housing or development projects, that although perhaps not making an economic return would nevertheless support the Church's wider mission. The judgement made clear that fiduciary responsibility must include a concern for the reputation of the Church, but that the overriding duty in law has to be making best returns on behalf of beneficiaries.

There is little room to add more and more negatives to the Church's ethical investment policy without seriously compromising its fiduciary duty. Therefore what it means for the Church to be

an ethical investor should go much further and deeper than avoidance – it should be about connection, involvement and influence.

Witness to business

For the living Church engaged in the real world and speaking to society on a range of complex problems, it is extraordinarily well placed to take its visible witness to business where the Church's moral strength often outweighs the financial strength of its investment. The Church has brought discussion to business on a wide range of issues that touch the life of society, where to take a purely economic view of investment would be to sacrifice this prophetic role.

For example, the Church has been an influential and persuasive partner in talking to British Airways about its uniform policy, helping the company reach a workable solution to a problem that was beginning to destroy its reputation.

And in a series of meetings around the country we are talking with farmers to understand their relationship with the major food retailers. The Church is well placed to broker discussion between parts of the rural economy that are suffering – the dairy sector, for instance – with calls for sustainable pricing when we engage with the major supermarkets.

Ethical investment

Ethical investment is ultimately part of the DNA of how the Church seeks to behave and has been so for nearly 60 years, making the Church of England one of the oldest as well as one of the largest ethical investors in the UK. Those entrusted with managing its assets have the often impossible task of trying to meet irreconcilable expectations. That is why over 30 publications are available on the Church and ethical investment so that what we do and how we do it can be widely understood and debated.

In a world where issues are ever more difficult and intractable, ethical investment takes its place at the heart of some of the greatest complexities of our time, and the Church should be there, arguing, enquiring and encouraging.

Neville White is Secretary to the Church of England's Ethical Investment Advisory Group, a corporate ECCR member, and manages the Socially Responsible Investment Unit at CCLA Investment Ltd.

Note

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