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## [C of E: keeping faith in an ethical approach](#)

The Church of England continues to punch above its weight in the responsible investment world – and is not just focussed on exclusion. Mike Scott talks to Edward Mason about its role as a high-profile investor

When it comes to ethical investing, the Church of England has been a pioneer. Church groups were among the first to look at their investments in the context of their beliefs, and to exclude certain investments that went against those tenets. This exclusion policy remains the starting point for the Church of England's Ethical Investment Advisory Group (EIAG).

The EIAG makes recommendations on ethical investment policy to the Church's national investing bodies – the Church Commissioners, who manage much of the historic assets of the Church of England; the CBF Church of England Funds, in which parishes, dioceses and church charitable trusts invest, and the Church of England Pensions Board.

'There are certain activities that are just fundamentally unacceptable, or at least unacceptable in terms of the way they are practiced commercially at present, including tobacco, alcohol production, gambling, pornography and armaments,' says Edward Mason, secretary to the EIAG.

However, the exclusions policy is reviewed regularly to take account of the ever-changing economic situation and the increasingly global focus of the Church's investment policy. In 2009/2010, the EIAG will be reviewing its advice on the ethics of investment in the defence, alcohol and financial services sectors, having looked at climate change and stem cell research last year.

The increasing diversity of the economy has also raised unforeseen ethical issues in certain sectors. 'The defence industry is so linked to other industries such as aerospace, IT, and transport that you have to look at where you draw the line,' Mason points out.

Typically if companies have more than 25 per cent of sales in the exclusion sectors, then they are excluded – although the exclusions for armaments and pornography are more stringent. The EIAG also 'positively recommends' investment in companies with responsible employment practices, best corporate governance practice, conscientiousness with regard to human rights, sustainable environmental practice and sensitivity towards the communities in which the business operates, according to its annual report. 'Technological developments create new issues such as cloning of embryos and genetically modified crops,' Mason adds.

However, it would be wrong to think that the EIAG's entire focus is on exclusions. 'We do far more engagement than we used to,' says Mason. Indeed, the Church has an unusual position within the engagement community. 'We have a strong voice in engagement because we are a moral authority and our engagement is more powerful than our position on the shareholder register would suggest. Companies want to talk to us to find out our concerns.' Engagement is seen as an important part of the Church's interaction with the world, Mason adds.

The Church is almost by definition a long-term investor, which helps it see the wider CSR picture. Ultimately, however, what makes the Church different as an investor is that it has its own resources to develop its ethical thinking, the EIAG secretary concludes. The group's members range from leading theologians to Richard Harvey, the former chief executive of insurance group Aviva, who left that job to focus on charity work. 'We are a unique force in terms of the human resources we are able to employ,' Mason believes.

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