



**INVESTMENT POLICY STATEMENT**



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## Introduction and Background

The Diocese of Salford holds a relatively substantial investment portfolio of shares in public companies around the world. This portfolio is managed through the Investment Committee (a subcommittee of Trustees and senior staff) as part of the governance arrangements of the diocese.

There are legal and fiduciary responsibilities that the Trustees need to meet as part of their responsibilities in the conduct of the committee.

The Trustees have a difficult balance to meet. They must follow the law, make judgements about risk and financial return and ensure an 'ethical' or responsible investor approach in selecting the investments made. Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the whole long-term health and stability of the market as a whole.

The investment portfolio represents the results of the generosity and commitment to the Roman Catholic faith and the Diocese of Salford of generations of parishioners and benefactors.

The Trustees feel a profound obligation to these past as well as present and future generations to be a 'good steward' of these investments. In managing the investments, the balance must be struck between the importance of using the money to support the income needs, to run the diocese activities on an ongoing basis, to smooth the financial needs of the diocese when capital sums are needed to maintain buildings or support other capital projects and maintain a contingency appropriate to the diocese. In addition, the Trustees also want to ensure that good stewardship includes being a responsible investor.

Being a responsible investor means ensuring that the beliefs we hold as Catholics are translated into positive action through the portfolio of shares we hold. This is about active participation through the investments we hold in key issues as they affect people and planet. For example, commitments to decarbonise the investment portfolio over time, which may mean encouraging and having solidarity with firms that actively pursue measurable 'just transition' decarbonisation targets and then tracking their performance to ensure those targets are achieved. It may also mean taking action where the dignity of the human being is compromised by action or failure to act by a particular firm or investment. It may mean seeking and encouraging investments to act on natural capital related issues such as biodiversity.



In this complex and interrelated modern world, caring about the issues and wanting to be a force for good seems to require participation rather than just protest. Increasingly the accountability and measurement tools to be a responsible investor do exist, in the form of ESG reporting that firms increasingly undertake. The Trustees set out in this document the approach that will be followed to bring Catholic Social Teaching, our beliefs and the associated principles to life, positively and sustainably in the way in which we act as a good steward, using ESG and other tools. We will also collaborate with organisations and forums that align with our beliefs and intentions. We hope and aspire to the idea that all the people who have been and are generous in the support of Salford Diocese consider these efforts worthy and appropriate.

1.1  
Salford Roman Catholic Diocesan Trust is a Charity established by Trust Deed dated 16 July 1942 and is registered with the Charity Commission – Charity Number 250037.

1.2  
The Diocese comprises over a hundred parishes in the North West of England, has a landmark Cathedral Church, together with over 250 chapels and churches supporting a Catholic population of nearly 300,000 within a regional population approaching 3 million.

1.3  
The Trustees, by virtue of inheriting a significant asset base, owe a debt of gratitude to the efforts of previous benefactors and custodians, and have an obligation to future generations by ensuring that current investment decisions are focussed to ensure the sustainability of the Diocese and by putting the financial assets to good purpose.

1.4  
The Trustees have produced this Investment Policy Statement to highlight how religious and ethical beliefs drive investment principles. The Statement also explains how the Trustees invest the financial assets of the Diocese, how those investments are managed, and their performance monitored.

1.5  
This Investment Policy Statement will be reviewed by the Trustees on an annual basis or more frequently should the need arise.

1.6  
The Diocese interprets the term sustainability as a multi-faceted one that include financial and environmental aspects.



<p><b>Governance</b></p> <p>2.1 From the Trust Deed dated 16 July 1942, clause 7 states the Trustees ‘may with the consent in writing of the Bishop invest any money in their hands in any manner in which according to the law for the time being in force Trust money may be invested....’</p> <p>2.2 The Trust is governed by the Trustee Act 2000, which confers a general power of investment and requires the Trustees to invest in a diversified range of suitable investments.</p> <p>2.3 This Investment Policy Statement has been produced following the guidance provided by the Charity Commission’s investment policy framework and reflects the Commission’s most recent guidance on Responsible Investment.</p>	<p>2.4 The Trustees are responsible for the governance and investment of the Diocese’s assets. A Finance committee is appointed by the Trustees to oversee the finance operations of the Diocese and the work of its management team. The Finance Committee, with approval of the Trustees, has appointed an Investment Sub-Committee.</p> <p>2.5 The Investment Sub-Committee has a mixed membership of individual Trustees, Finance Committee members, and other co-opted persons that can assist on certain matters.</p> <p>2.6 The Investment Sub-Committee has a range of delegated responsibilities that include making recommendation to the Finance Committee on the appointment of the investment manager, recommendations on changes to the investment mandate and monitoring the performance of the investment portfolio and the appointed investment manager.</p>	<p>2.7 The powers delegated to the Investment Sub-Committee cover issues on which it can make decisions, and issues on which it makes recommendations to the Finance Committee. The full details are subject to terms of reference that are reviewed annually.</p> <p>2.8 The Trustees are satisfied that with a comprehensive programme of performance reporting, provision of learning and development input, and engagement of professional advisers to provide support, the two Committees maintain appropriate levels of expertise and resource to undertake the roles effectively.</p> <p>2.9 The following sections set out the policies in relation to the types of investment, the balance between such investments, associated risks, and expected return on investment.</p>
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## Management of the Diocese of Salford Assets

### 3.1

The ongoing management of the Diocese's financial investments is performed by an external investment manager. The Trustees will satisfy themselves that the appointed investment manager will have sufficient expertise and experience to undertake the role.

### 3.2

The Investment sub-committee regularly monitors the performance of the investment portfolio and meets formally on a bi-monthly basis. Half-yearly the meeting will also involve the investment manager who will report on the portfolio performance.

### 3.3

Following the half yearly meetings any appropriate recommendations for changes to the investment manager appointment and/or mandate will be made to the Finance committee.

### 3.4

The Trustees have decided to pursue a Responsible Investment strategy (see 5.8) and will issue a set of instructions for incorporation into the investment manager appointment and investment mandate.

### 3.5

In conjunction with maximising financial return, the Trustees will focus on the investment manager performance in the areas of:

- Environmental, Social and Governance factors (ESG) integration
- Stewardship and engagement (inc. voting)
- Exclusion and divestment



## Investment Objectives & Risk Attitude

### 4.1

The Diocese of Salford's Investment Policy is set to achieve the following objectives:

- To support the balance between the short-term and long-term needs of the Diocese
- To endeavour that the Diocese is financially resourced to meet its charitable objectives
- To maximise financial return subject to the requirements of a Responsible Investment strategy (see below).
- To pursue a Responsible Investment strategy where investment appraisal and decision-making processes integrate ESG factors (see 3.5)
- To be active participants in sharing our beliefs as an active responsible investor
- To ensure that invested entities do not undertake activities that are contrary to the ethical beliefs and values of the Roman Catholic Church and embedded within Catholic Social Teaching
- To ensure that investments are made in line with prevailing Charity Commission guidelines and legislation

### 4.2

The performance target for the investment portfolio is necessary to generate a total financial return (capital growth and dividend income) to support the Diocesan annual operating plan.

### 4.3

The Trustees recognise a growing financial demand on resources to support planned activities for greater environmental sustainability in addition to the Diocese's significant community and charitable activities.

### 4.4

Whilst the previous investment policy has taken a long-term view (>5 years) there are factors that the Investment Sub-Committee may need to consider in the shorter term – such as the total extent of liquidity required, market volatility from geo-political events and the inflationary impact on growth and income prospects. Therefore, this revised investment policy is framed more towards a medium-term horizon and will be subject to annual review

### 4.5

Taking a medium-term view offers some protection against capital risk although not as much as the longer-term. However, there is also a need to maintain a level of liquidity to enable withdrawals to finance other objectives in the Diocese's operating plan



<b>Ethical Beliefs &amp; Responsible Investment Policy</b>		
<p>5.1 The Trustees have historically invested Diocesan funds in ways that are consistent with the ethical beliefs and values of the Roman Catholic faith that have precluded investments into certain types of business activities.</p> <p>5.2 The Diocese has a strong voice on environmental issues and damage caused by climate change and biodiversity loss, as well as the social inequalities and poverty that undermine the dignity of human life.</p> <p>5.3 There is a commitment to achieve our current science based carbon reduction targets (based on City of Manchester 2038 zero carbon target) within the Diocese's own operations and activities, and a commitment to support numerous charitable activities that benefit local communities. The Trustees believe that the financial investments should be used to support</p>	<p>5.4 The Trustees have declared a desire to be a responsible investor and set out their approach to Responsible Investment in this Investment Policy.</p> <p>5.5 The Trustees are fully committed to investing in a responsible manner, where material Environmental, Social and Governance (ESG) issues will be integrated into investment decision-making. This approach, together with ongoing engagement as long-term asset owners, will reduce investment risk and positively impact financial returns.</p> <p>5.6 The beliefs and values of the Roman Catholic faith provide ethical guidance to the Trustees that limit the full range of investment opportunities, whereby investment in certain industries or activities are prohibited on ethical grounds, and therefore such restrictive selection</p>	<p>5.7 These approaches are consistent with Charity Commission guidance, and the Trustees are aware of the ongoing consultation with charities on Responsible Investment by the Commission. The Commission's findings, and final guidance, will be considered when published and this Policy will be updated if necessary.</p> <p>5.8 In producing a Responsible Investment strategy and policy the Trustees have developed a framework approach, based on guidance provided by the international network 'Principles for Responsible Investment' (PRI), which is supported by United Nations (unpri.org)</p> <p>5.9 A fundamental step requires the Trustees to identify and commit to a range of Responsible Investment Principles, which underpin its responsible investment activities. It is the Roman</p>





<p>these efforts and activities and act as a 'force for good', being an active participative investor and acting in solidarity with companies that align with our values and beliefs.</p>	<p>criteria may reduce financial returns on occasions.</p>	<p>Catholic faith's beliefs and values that drive the formation of the Responsible Investment Principles that follow.</p>
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## Responsible Investment Principles

### 6.1 Responsible Investment Principles:

- Analysis of Environmental, Social and Governance (ESG) factors provides a mechanism to enable scrutiny and assessment of individual investments and test alignment with the Diocese's faith-based beliefs and principles
- ESG factors can affect investment risk, return and reputation. Understanding and considering the significance of these factors is part of the investment process and contributes to value creation and sustainability
- The Trustees will require the appointed investment manager to have integrated ESG factors as part of the investment analysis and decision-making processes. Reporting portfolio performance will include highlighting independently verified ESG performance

- The Trustees commit to become a signatory to the Principles for Responsible Investment and will actively promote and implement the network's principles within the Diocese's investment processes
- Climate change and global warming are damaging the planet, the natural habitat and the global population's health. The Trustees commit to actively decarbonise the Diocese's investments by creating a baseline for all asset classes by end of 2022 and setting transition targets to enable the long-term target of net zero carbon emissions by 2038 that align to City of Manchester 2038 zero carbon target
- The Trustees expect their investments to reflect the beliefs and values of the Roman Catholic faith, and will instruct the appointed investment manager to screen out investments that do not align with them

- As a responsible investor and asset owner the Trustees will actively engage with invested entities, exercising voting rights and undertaking other engagements with the appointed investment manager. The Trustees will actively collaborate with other selected investor networks that share their beliefs and values, to achieve solidarity of approach

### 6.2

The Diocese's responsible investment activities will cover all asset classes in all markets in which it invests, including public equities, fixed income, private markets, and property. These investments are managed by the appointed investment manager



<p><b>Responsible Investment – Activity Areas</b></p> <p>7.1 There are several ESG factors that the Trustees believe should be routinely considered and include:</p> <p><b>Environment</b></p> <ul style="list-style-type: none"><li>• Climate change</li><li>• Greenhouse gas emissions</li><li>• Biodiversity loss</li><li>• Renewable energy</li><li>• Water management</li><li>• Environmental performance</li></ul> <p><b>Social</b></p> <ul style="list-style-type: none"><li>• Human rights</li><li>• Modern-day slavery</li><li>• Inequality</li><li>• Poverty</li><li>• Public Health</li><li>• Excess pay awards</li><li>• Social impact of corporate activity</li></ul> <p><b>Governance</b></p> <ul style="list-style-type: none"><li>• Transparency and disclosure</li><li>• Reputational damage</li></ul> <p>These factors are often interconnected and capable of having a wider combined impact on investments.</p>	<p>7.2 The Trustees believe that their Responsible Investment activities will fall into four main areas:</p> <p>7.3 <b>ESG INTEGRATION</b> The Trustees will seek to include financially material ESG considerations within the investment decision-making processes. By integrating material ESG considerations with a financial bearing the Trustees believe that it will make better investment decisions to enhance medium and long-term performance. They also believe that additional returns are available to investors that take a longer-term view and can identify where the market is overlooking the role played by material ESG factors in corporate and asset performance. Mishandling of ESG issues can also be an indicator of wider mismanagement or financial problems; there is evidence that poor corporate governance affects the interests of investors.</p> <p>7.4 <b>WORKING WITH FORUMS &amp; MOVEMENTS</b> As a responsible investor we will seek out appropriate and relevant activist forums and movements in order to be an active participant and to achieve solidarity with like-minded investors</p>	<p>7.5 <b>ENGAGEMENT AND STEWARDSHIP (INC.VOTING)</b> The Trustees believe that they have an obligation to act as stewards of the assets in which they invest and to behave as active owners, using their influence to promote good ESG practices. Stewardship can help prevent or avoid value destruction and reduce the negative impacts that corporates can have on both the environment and society. As Trustees their actions will be in a manner consistent with their stated investment principles and objectives and aligned to the beliefs and values of the Roman Catholic Church. When the appointed investment manager is used for engagement and voting, their performance will be monitored to ensure that instructions are carried through. Aside from Responsible Investment considerations, part of the Trustees’ fiduciary duty is to safeguard the Diocese’s investments, by monitoring the assets held and by taking appropriate action if there are concerns that could impact investment returns.</p>
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<p>7.6 EXCLUSION AND DIVESTMENT</p> <p>The Trustees maintain a list of exclusion criteria for corporates and industries whose activities violate the beliefs and values of the Roman Catholic faith, and so prohibit investment in such areas. The Trustees work with the appointed investment manager to apply screening criteria that will automatically identify such operations and minimise the risk of subsequent investment. Examples of effective screening are the avoidance of the tobacco industry and defence sector investment that involves arms production.</p> <p>Where the portfolio holds investments in areas that the Trustees subsequently deem to be unacceptable then consideration will be made for either partial or full divestment. Such decisions will be influenced by the quality of any corporate engagement response to concerns raised. Where invested companies are taking - or have the potential to take - positive action to address problems, such as with fossil fuel extraction companies transitioning to renewable energy production, the Trustees will consider the merit of maintaining those investment positions to bolster the transition effort, in line with the thinking of Laudato Si’.</p>		
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<b>Reference Points</b>		
<p>8.1 The Trustees have sought to identify appropriate referenceable sources that will provide support and guidance in selecting investments that meet the responsible investment principles that underpin the underlying beliefs and values of the Roman Catholic faith.</p> <p>8.2 The publication of the twin papal documents - Laudato Si' and Fratelli Tutti - has highlighted the plight of the common home and the need to restore the natural world, together with the call to respect human dignity in an increasingly unfair world where the plight of the poor worsens. These writings provide a clear direction towards a more harmonious and sustainable existence. They reinforce the Catholic Social Teaching principles of dignity, solidarity, the common good, the option for the poor, peace, care for creation, and the dignity of work and participation.</p>	<p>8.3 Within the Diocese, an environmental protection programme 'For the Beauty of the Earth' has been developed to support a 2030 vision and underlying action plan to achieve decarbonisation targets.</p> <p>8.4 The 17 Sustainable Development Goals (SDGs) were adopted by the United Nations as part of its 2030 Agenda for Sustainable Development. The SDGs set expectations and track progress on key global issues around five critical dimensions – people, prosperity, planet, partnership, and peace. The SDGs are underpinned by 169 specific targets and are measured for 'real world' results to generate positive sustainable development outcomes.</p>	<p>8.5 The Investment Sub-Committee will utilise these reference points to provide a general direction for investments, seeking entities whose vision and activities align with the priority areas and SDGs that the Trustees have deemed most relevant and important in upholding its responsible investment principles.</p>



<b>Compliance with this Policy</b>		
<p>9.1 The Investment Sub-Committee monitors compliance with this Policy on an ongoing basis.</p> <p>The Trustees review the Policy Statement on an annual basis.</p>		