

# **The United Church of Canada Responsible Investing Guiding Principles**

## **The United Church and Responsible Investing: Overall Premise**

The United Church of Canada since its inception has lived with a deep and abiding sense of God's presence in creation. John Wesley (1703–1791), one of the founders of Methodism, an originating denomination of the United Church, writes that we must be intentional that we do no harm, physical or moral, to our neighbours or ourselves through our work or business, in our personal choices and actions (Sermon 50, "The Use of Money"). This sense is reflected in "One Earth Community: A Statement of Ethical Principles for Environment and Development" adopted by the 34th General Council in 1992. It begins with the proclamation: "We believe that Creation is a gift of God."

In the founding Articles of Faith the uniting denominations proclaimed that "We believe that God is the creator, upholder and governor all things; that He is above all His works and in them all..." (Article IV, 1925). Each subsequent statement of faith echoes this conviction in its own contemporary language.

As responsible investors, we in the church seek to honour the vast wonders and riches of this world and the good life that it offers all living creatures as we exercise our responsibilities as trustees, board members, and people of faith.

The United Church of Canada, in its local communities of faith and its regional and national expressions, is entrusted with considerable financial resources. Many of these resources are gifts from previous generations who have endowed the church faithfully and trustingly while others have been accumulated in response to our responsibilities to those who work and serve vocationally within the church. We give thanks to those who give and those who serve. We give thanks to God and with God for the resources entrusted to us for the mission and ministry of The United Church of Canada. We commit to be faithful, responsible stewards of this trust.

As stewards of the resources entrusted to us, we seek to be faithful to each other, to all our relations, and, indeed, to the earth itself. As investment bodies within The United Church of Canada nationally and within our Conferences, presbyteries, and pastoral charges regionally and locally, we seek to invest responsibly and faithfully, mindful of the impact of our choices upon One Earth. In doing so we affirm that this is God's wondrous world and that in God and with God "we are made new creatures in Christ Jesus..." (Article IX, Basis of Union).

## **United Church Stewardship of Funds**

The United Church of Canada has three national investment bodies: the Treasury Fund of General Council, The United Church of Canada Foundation, and the Pension Plan of The United Church of Canada. A separate Investment Committee comprised of expert volunteers advises each. Both the Pension Plan and the Foundation have separate boards with separate board

member/trustee fiduciary duty obligations. The Treasury Fund is most directly accountable to the General Council and its Executive.

The national investment bodies operate within the legal framework for investment by charities and pension funds. They owe certain fiduciary and other duties to their beneficiaries. Each national investment body endorses an approach to responsible investing that includes the incorporation of environmental, social, and governance (ESG) factors into their investment policy guidelines and proxy voting policy guidelines based on the sole purpose of the financial best interest of participants and members.

The national investment bodies see the growing importance of responsible investing as an affirmation of our belief that corporate responsibility and long-term performance are not mutually exclusive but are complementary. Responsible investing reflects our central goal of providing returns aligned with values. We embrace responsible investment (RI) in our investment strategies because it is an integral element of sustainable business practices and ultimately, long-term profitability.

The national investment bodies are signatories and/or members of various bodies that encourage institutional investors to act as good stewards of their members' capital through the integration of ESG factors and active ownership (monitoring, engagement, and voting) practices. The Treasury Fund and the Pension Board are both signatories to the United Nations Principles for Responsible Investment (UNPRI); the Foundation is in agreement with but not a signatory to UNPRI. Under the UNPRI, institutional investors pledge to incorporate ESG issues into investment analysis and decision-making processes, and to be active owners, across all asset classes. Participation in the public policy process is encouraged by UNPRI, which asks for investor commitment to promote implementation of the principles, including action to "support regulatory or policy developments that enable implementation of the principles."

The national investment bodies support that

- responsible investing is a positive force influencing corporate behaviour through encouraging responsible actions
- responsible investment is more than negative screening
- engagement can be a powerful tool to change corporate behaviour
- promoting ESG issues in the companies in which we invest serves both parts of our mandate: to generate good financial returns while honouring the values of the organization we serve and the denomination

The national investment bodies use engagement to encourage companies to improve their ESG practices in areas such as sustainable environmental practice; fair treatment of customers and suppliers; responsible employment practices; conscientiousness with regard to human rights; sensitivity toward the communities in which they operate; respect for free, prior, and informed consent; and best corporate governance practice. The breadth and depth of engagement is limited by the available resources and staff time that can be devoted to this activity.

## **Fiduciary Obligations**

The three national investment bodies have differing fiduciary obligations with respect to the adoption of investment/divestment recommendations.

Investment/divestment proposals approved by the General Council of The United Church of Canada will be implemented by the church Treasury because any negative impact on investment returns will fall upon the body that proposed it. However, the other two investment bodies, The United Church of Canada Foundation and the Pension Plan, are separate entities from and are not under the authority of the General Council. They are managed by trustees whose sole responsibility is to donors/contributors and pension fund members. The United Church does not own the funds that the Foundation and the Pension boards administer.

It is normal practice for foundations and pension funds to have independent trustees to ensure the best interests of and protect those they serve. These trustees cannot abandon prudent investment practice or engage in activities that might diminish the benefits to those in their care. As trustees, they have legal obligations to discharge their fiduciary responsibilities. They must make their own decisions to adopt or not adopt investment/divestment recommendations. In the instance of the pension fund, the Executive of the General Council serves as the administrator. This role, however, is not delegated to it by the General Council. It is an independent role bound to the fiduciary obligations described above.

## **Guiding Principles**

The United Church has identified the following principles for establishing and administering its approach to responsible investment:

- Environmental, social, and governance principles are basic tenets of investing funds.
- Active investor action is a responsibility when companies violate environmental, social, or governance principles in a material way.
- The funds will actively vote proxies, and when violations of environmental, social, or governance principles are identified with companies held in their portfolios, they will consider engagement with the companies, cooperation with other investors, attendance at corporate meetings and conferences, and divestment as strategies to influence positive change. The funds will employ professional service providers to support these efforts where possible.
- Partnership with responsible investment organizations ensures the investment bodies are well informed and able to leverage the assets of the funds with the assets of other investors for greater influence.
- Consideration of the values expressed by the church and church partners is a faithful part of investing responsibly.
- Communication within the church and its members will be open.

## **Elements of Being a Responsible Investor**

Many issues can be addressed comprehensively with a responsible investment framework, which guides the church in being a responsible investor through the keys practices of

- proactive investment in specific, socially beneficial endeavours, behaviours, and opportunities
- dialogue with corporate leadership in pursuit of ESG changes
- shareholder resolutions that call for better practices and more complete disclosures
- exclusionary screens that seek to limit or avoid sectors of investment due to ESG and ethical criteria
- divestment when other means of engagement and witness have failed over time to achieve the desired ethical and ESG goals
- strategic partnerships to engage more forcefully as socially responsible investors

## **Investment Exclusions**

The United Church of Canada has a long history of seeking a theological, social, and ecological policy base to address justice concerns. The church understands that economic issues are faith concerns because they are at the heart of ensuring a dignified life for all people and living with respect in creation. Responsible investing is an investment and a theological issue, with both perspectives taken into consideration.

The United Church has committed to better understanding and challenging oppressive systems of globalization and empire, including issues related to responsible investment and corporate social responsibility. Global partnership has been affirmed repeatedly as being central to the global economic justice work of The United Church of Canada.

The United Church has articulated a theologically grounded vision for just and sustainable economic and social systems, and a sustainable healthy environment, through the adoption of policy statements by General Council. The policy statements approved by General Council include policies that are overarching in scope that may guide discernment on investment, as well as policies that are relevant to specific topics that may guide or direct investment decisions in particular sectors.

Historically the United Church has identified several business activities that are inconsistent with the church's values. Securities of companies materially engaged in these areas have been excluded as candidates for investment. These business activities include tobacco, gambling, adult entertainment, and antipersonnel weapons.

Companies that engage in these business activities in a material way are not considered part of the national investment bodies' direct investment universe.