

The Church of Scotland, Council of Assembly
Statement of Investment Principles
December 2017

Regulation

- To invest under the powers granted to the UCC under the Church of Scotland (Properties and Investments) Order Confirmation Act 1994 to an unlimited extent, in the funds provided by the Church of Scotland Investors Trust. Protocols to ensure good governance and accountability between the two parties have been put in place and should be followed.
- To ensure that any investment made outwith the Trust complies with the provisions of the Charities and Trustees Investment (Scotland) Act 2005.
- To comply with all other applicable regulations pertaining to civil and Church Law and the Financial Regulations and Policies of the UCC (June 2017).

Financial Objective

- To seek reliable and sustainable levels of income to finance the work of Councils, Committees and departments.
- To seek capital growth to protect the Church's work in the future and maintain the real value of its funds including endowment funds.
- To spread investments between the Growth Fund, Income Fund and Deposit Fund as appropriate to reflect the requirements above, as well as maintaining a level of liquidity deemed appropriate by the Trustees and guided by reserves policy.
- To periodically review the investment profile against appropriate benchmarks and take professional investment advice where appropriate.
- To reflect the degree of risk which is acceptable to the Trustees based on factors including their knowledge of the Church's key activities, financial strategy and risk register; their investment knowledge and skills; and available advice.

Ethical Considerations

- To invest in a manner which reflects the ethos of the Church and does not run counter to its aims.
- To work with other Christian denominations, principally through the Church Investors Group, and interfaith bodies in encouraging the formulation of investment policies based on ethical principles and to assist each other in putting such policies into practice.
- To discuss ethical considerations raised by Councils, Committees and other stakeholders and work in co-operation with the Investors Trust and its managers to:

Ensure that appropriate restrictions are in place to avoid investments in particular activities
Encourage engagement by the managers with companies on Ethical, Social and Governance (ESG) matters

Ensure that managers are appropriately accredited and signed up to Principles for Responsible Investment (PRI), FRC's Stewardship code of practice and other standards
Ensure that appropriate ethical screening is used by managers

- Specifically, through monitoring systems already implemented by the Investors Trust and its Investment Managers, to:

Avoid investment in any company whose management practices are judged by the Trustees of the UCC to be unacceptable. In particular, investment will be avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and other activities which are felt to harm society more than they benefit it. "Substantially" is interpreted as resulting in 15% or more of total turnover being derived from these sectors. In addition to the foregoing exclusions, investment will be avoided in companies who derive more than 15% of their turnover from extraction and/or sale of thermal coal and/or oil extracted from tar sands.

In general, investment will be sought in companies demonstrating responsible employment and good corporate governance practices; having regard to environmental performance and human rights; and acting with sensitivity to the communities in which they operate. Whilst the Investors Trust Trustees have not agreed a specific social investment policy, principally as the Managers have full discretion as to the day-to-day investment decisions, it should be noted that assets held include social enterprise bonds within pooled funds.

Alternative forms of Investment

- To consider modest (defined as less than £50,000) allocations to investments which deliver clear social benefits in line with the Church's objectives. Such allocations should be made in accordance with the principles above and on the basis of their social impact as well as their financial return, and in consultation with the Council of Assembly Finance Group to ensure appropriate risk assessment
- To allow Programme Related Investments, defined as investments held to directly further the charitable purposes of The Church; any financial return on which is not the primary reason for making the investment
- To allow Mixed Motive Investments such as housing loans, where neither the investment return nor the contribution to the Church's charitable purposes is sufficient on its own to justify the investment decision