

Paper G2

Finance Committee

Ethical Investment Guidelines re Usury

United Church 2017
Church 2017
Reformed Church 2017
Church 2017

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Basic Information

Contact name and email address	John Ellis; Treasurer john.ellis@urc.org.uk
Action required	Decision
Draft resolution(s)	Mission Council, acting on behalf of the General Assembly, amends the Church's Ethical Investment Guidelines to define "significant" in connection with usurious practices to be 10% of turnover.

Summary of Content

Subject and aim(s)	To bring the criteria in the URC's Ethical Investment Guidelines for not investing in companies that have a significant share of business in usury into line with that used for other products and by our ecumenical partners.
Main points	<ul style="list-style-type: none"> • In 2013 a clause on usury was added to the URC's ethical investment guidelines • Companies involved in usury were to be avoided if more than 25% of their turnover related to this activity • The reasons for this high threshold no longer apply so it can be reduced to a more typical 10%
Previous relevant documents	Paper K3 for the May 2013 Mission Council. Ethical Investment Policy Statement, last revised by Mission Council in November 2015 and on the URC website.
Consultation has taken place with...	Investment Committee URC Trust URC Ministers' Pension Fund Board

Summary of Impact

Financial	Not significant
External (e.g. ecumenical)	Proposal would bring URC policy into line with that of our principal ecumenical partners undertaking Ethical Investment work through the Church Investors Group

Ethical Investment Guidelines on Usury

Background

1. The United Reformed Church has a long history of commitment to ethical investment. The Assembly guidelines are followed as far as possible by the central investing bodies of the denomination and are recommended for use by Synods and local churches and associated bodies with money to invest. The short form of the Guidelines is attached as an Appendix; the full version is on the URC website.
2. One part of the Guidelines relates to companies in which the URC does not wish to invest because of the products or services they sell, eg tobacco or pornography. Given the practical impossibility of identifying every possible activity, direct or indirect, of large and complex companies, it has been the practice amongst Church ethical investors to say they will not invest if a company has a significant engagement with the prohibited activity; and to define “significant” as meaning 10% or more of the company’s turnover related to that activity.
3. By 2013 there was widespread concern at the high and often hidden interest rates and marketing activities of some payday and similar lenders. Several Church bodies responded by adding a clause about usury to their ethical investment guidelines and the United Reformed Church did this at the Mission Council meeting in May 2013.
4. The original intention of the URC Finance Committee had been to recommend the usual threshold of 10% of turnover as the measure of significance in relation to usurious activity. However it became clear that several other major Church investors with whom we work closely were setting their threshold at 25%. As most of our effective company lobbying and engagement on ethical matters is done ecumenically, it seemed wisest to have the same threshold in the URC guidelines to enable a united front on these issues. Hence it was recommended to, and accepted by, Mission Council that the usury threshold should be set at 25%.

Proposal

5. Our principal ecumenical partners have recently amended their usury threshold to the more normal 10% and so there is no longer any advantage in the URC being at 25% and every reason to amend it to 10%.

Resolution

Mission Council, acting on behalf of the General Assembly, amends the Church’s Ethical Investment Guidelines to define “significant” in connection with usurious practices to be 10% of turnover.

Appendix: Summary of URC Ethical Investment Guidelines

1. General Assembly recommends that trustees and all those with investment responsibilities connected with the United Reformed Church should avoid any investment in:
 - a) companies directly engaged in the manufacture or supply of weapons;
 - b) companies a significant part of whose business is in the manufacture or supply of: alcoholic drinks, or tobacco products, or military equipment (other than weapons); or the provision of gambling facilities; or the publication or distribution of pornography; or in the extraction of thermal coal or the production of oil from oil sands;
 - c) companies who benefit by offering credit at usurious rates of interest to those who do not have access to funds through normal lending channels.

General Assembly is of the view that in the definition of the activities outlined in b) above, 'significant' means that the share of turnover derived from the activity concerned is more than 10% of the company's total turnover; for c) above the equivalent threshold should be 25%.

2. In addition to the exclusions listed above, the URC's investment bodies should reserve the right to avoid investment in companies whose operations are deemed to:
 - contribute directly to human rights violations or support the maintenance of oppressive regimes who are guilty of gross human rights violations;
 - contribute to a systematic, harmful impact on the social or natural environment;
 - harm the society in which they operate more than they benefit it;
 - promote injustice.
3. Further, it is expected that governance standards of our advisers, our fund managers, their agents, and the companies in which we invest, both directly and indirectly, should meet internationally accepted norms. By focusing on these standards, investors will favour companies which will be seeking to develop their businesses sustainably in the long term interests of their shareholders and other stakeholders.
4. Nestle Clarification: for investment purposes all companies should be treated in accordance with this ethical investment policy. There is no further requirement to exclude holdings in this company.
5. General Assembly recognises that this policy cannot be binding upon those with responsibility for specific investment decisions but when these bodies seek advice on investment matters they should apply due diligence to ensure that the integrity and reputation of the United Reformed Church is, as far as is practical, protected.

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