

Name of policy	GOV FOPs - Ethical investment policy
Last updated/reviewed	September 2024
Update interval	Every three years
Authorised sign-off	BMS Board of Trustees



## BMS Ethical Investment policy

In this ethical investment policy, we seek to hold together our responsibility to secure the best realistic return on our investments over the long term, with our Christian understanding of God in relationship with creation, the Church's responsibility to care for the world, the values and beliefs of our members and BMS World Mission supporters, and the specific needs of those communities around the world whom BMS seeks to serve. The Investing charity money: a guide for trustees (CC14) sets out that when an investment could conflict with the aims of the charity or harm its reputation, the charity should consider whether to make the investment. To avoid the conflict and potential harm to the reputation, BMS would adopt the principals of ethical investment.

### Principle

As far as is practical, BMS adheres to the principle that as an investor we can be more influential through active shareholder participation than through divestment or avoidance of investment. Through collective action with other shareholders, BMS can have a significant influence on company practices and collectively improve corporate standards.

### **Exclusion of certain sectors from portfolio**

However, there are products which BMS regard as unacceptable and companies are excluded from the BMS portfolio if they have a significant interest in these products <sup>1</sup>. These are armaments, alcohol, gambling, pornography and tobacco.

### **Exclusion of exploitative practices from portfolio**

There are sectors that are not of themselves unacceptable but are prone to exploitative practices. For example, baby milk suppliers, garment manufacturers, pharmaceutical companies, payday lenders and many more. Positive screening (see below) will be used to actively include only companies with good working practices in the BMS portfolio.

### **Climate change and fossil fuels**

BMS has a fundamental concern for creation care and advocates for action to substantially reduce activities and fuels which contribute to climate change including the long-term elimination of fossil fuel extraction and reduction of high energy use processes. BMS also wishes to support the development of sustainable energy solutions.

- Positive screening will be used to actively include only companies with 'good enough' environmental credentials, and further improvements will be sought through collective shareholder participation.

## Practice

In partnership with our investment managers, and observing the normal rules of sound financial management, we will seek to:

- Support that which is good. Usually known as 'positive screening', we aim to invest in well-managed companies, with particular emphasis on demonstrating responsible employment practices, conscientious environmental performance, and sensitivity to human rights. Investment manager experience will be supplemented with periodic checking against the FTSE4Good index overlay to ensure that direct equity and corporate bond investments are in companies that meet the environmental, social and governance standards of FTSE4Good.
- Proactively fulfil our obligations as shareholders to meet the stewardship code of responsible investment by engaging constructively with companies, in order to encourage them to maintain and improve their working practices. This we will do through our investment managers, by our participation in the Church Investors Group, and by actively exercising our votes at company meetings.
- Avoid directly investing in companies whose products or practices we regard as unacceptable. In particular we will not support companies with a significant interest <sup>1</sup> in armaments, alcohol, gambling, pornography or tobacco <sup>2</sup>, or whose record on employment, the environment or human rights is poor.
- Minimise indirectly investing through Investment and Unit Trusts in companies whose products or practices we regard as unacceptable. In order to achieve diversity in a small portfolio, pooled investments will be held in funds that are not specifically ethically screened according to BMS exclusion or FTSE4Good criteria. The estimated investment in excluded businesses as a result of this is currently 1.5% of the total value of the portfolio; it is not practical to screen the pooled investments against the FTSE4Good index.

On an annual basis the charity will liaise and meet with the charity's investment manager to ensure that their investments are in line with the charity's ethical policy

<sup>1</sup> A company with a significant interest is normally 10% of sales

<sup>2</sup> Where a company has an interest in several of these areas, they should not exceed 20% of sales in aggregate.