Responsible Investing in the Presbyterian Church U.S.A.

Introduction

For decades, investors have been concerned that certain issues, including climate change, human rights concerns, pollution, supply chain concerns, and poor governance create material and financial risks for companies. Faith-based investors were at the forefront of this "socially responsible investing" movement, starting in the 1970s. The Presbyterian Church U.S.A. through its investing agencies, the Presbyterian Foundation and the Presbyterian Board of Pensions have been faithful stewards of the church's investments for years and work with the Committee on Mission Responsibility Through Investment to ensure their investments reflect the policies of the PCUSA.

History of faith-based investing in the PC(USA)

The UPCUSA policy created in 1971, followed by a similar policy of the PCUS created in 1976, were the building blocks which led to the creation of the Committee on Mission Responsibility (MRTI). The 1971 policy states: "…the private sector, corporately and individually, can no longer settle for immediate maximization of economic return, leaving to the public sector alone a concern for the public interest." It also established five goals for responsible investing: pursuit of peace; pursuit of racial justice; pursuit of economic and social justice; achievement of environmental responsibility; and the pursuit of justice for women. All MRTI's current engagements fall into one of these categories.

The 1976 foundational policy established a socially responsible investing policy and declares, "no investment is neutral." Social concerns referenced include: recognition of human worth and dignity in employment policies and practices; honest and fair practices in the production and marketing of goods and services; and stewardship of natural resources and the environment. "The human help or hurt, the witness accomplished through investment, is part of what Presbyterians get for their money," 1976 policy.

The 196th General Assembly in 1984 adopted a policy guiding MRTI's divestment strategy. This functioned as an important agreement between the General Assembly and the investing agencies. It effectively creates the conditions that if divestment is done in this way – the investing agencies can implement it. The Policy lays out these **seven criteria** that must be met for MRTI to make a selective divestment recommendation:

1. Issue reflects central aspects of faith.
2. Requires extensive engagement.
3. Incorporates thorough analysis, cogent strategy and defined goals.
4. Acts in consultation with ecumenical partners.
5. Shows respect for dignity of those communities affected.
6. Permits precise measurement and evaluation of impact.
7. Provides for communication, interpretation and care.

Fiduciaries of the PC(USA)

Fiduciary responsibilities are summarized into three duties. The three duties are broad responsibilities and fiduciaries must understand their institution's mission when considering these responsibilities. For example, one could contend that fiduciaries for a state pension fund are focused solely on the financial return for the pension fund. However, a fiduciary for a church institution could reasonably conclude that the church's mission, values and social justice initiatives should be considered along with a financial return when investing church assets.

When investing on behalf of others, such as through church agencies, fiduciaries have the following duties: (1) the Duty of Due Care; (2) the Duty of Loyalty; and (3) the Duty of Obedience and to Act in Good Faith. Fiduciaries should consider these responsibilities when making any investment decisions. The decision-making is highly specific and includes the church (and potentially the denomination's) mission.

The below descriptions are not intended to be all encompassing but can be useful when considering responsible investing.

Duty of Care

As fiduciaries of the church, decision-makers must act with the knowledge and skill of one who understands the church and its mission and uses that knowledge in decision making. A fiduciary must use his or her reasoned judgment that is informed by the church's purposes. These purposes may include both financial and non-financial purposes. [State pension plans have a different purpose which is strictly financial.] Therefore, a church entity may determine that socially responsible investments, sometimes referred to as ESG investments, align with the church's purposes and may be prudent, provided that the investments are "reasonable." A church body can demonstrate its prudence by adopting and regularly reviewing its investment policy statement (IPS). The church body should include in that statement decisions it has made because of its values.

Duty of Loyalty

Fiduciaries must act honestly and faithfully and perform their duties and obligations with good intentions and abide by applicable laws and regulations. Church bodies should discern whether socially responsible investing aligns with its mission and goals.

Duty of Obedience and to Act in Good Faith

Fiduciaries must act honestly and faithfully and perform their duties and obligations with good intentions. Churches should discern whether socially responsible investing aligns with its mission and goals.

MRTI – Connecting PC(USA) policy and PC(USA) fiduciaries

The PC(USA) is unique in the faith-based investing space. It has a committee doing corporate engagement that is also part of the mission agency and includes representatives from the denominational investing agencies. MRTI includes the following General Assembly-elected members: one from the Advisory Committee on Social Witness Policy (ACSWP); one from the Advocacy Committee on Women and Gender Justice; two from the Board of Pensions; two from the Presbyterian Foundation/New Covenant Trust Company; two from Presbyterian Mission Agency Board; one from the Racial Equity Advocacy Committee; and three at-large members elected directly by the General Assembly. This representation allows MRTI members to bring the perspectives of their representative agencies, and for the members to return to their agencies with MRTI's policy guidelines.

The Committee on MRTI enjoys the full participation and support of the Board of Pensions and the Presbyterian Foundation. Assets under their management, including those of the Foundation-sponsored New Covenant Funds, a family of mutual funds, are managed according to General Assembly guidelines, in as much as is legally permitted.

What you can do:

Here are some resources for *institutional or individual investors:*

Follow the General Assembly's Divestment/ Proscription guidelines, available here: Download current list.

Ensure your proxy votes align with MRTI recommendations: Each year MRTI reviews a large number of shareholder resolutions that concern social and ethical issues related to the corporation's business operations and policies. MRTI makes recommendations for Presbyterian shareholders based on the mission goals and policies of the General Assembly. Download 2022 Proxy recommendations.

New Covenant Trust Company: https://newcovenanttrust.com/

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