St Albans Diocesan Board of Finance

INVESTMENT POLICY

Approved by:	Diocesan Board of Finance
Policy originator:	Glyn Barker, Finance Director
Date approved:	18 May 2026
Review period:	Three years
Review Date:	18 May 2029

The investment policy and specific powers of investment of the Board are set out in various measures and acts. The Board holds investments as authorised by the Trustee Act 2000. In 2022. The Board adopted a total return policy with the intention of securing a consistent return on investments. In June 2025, the distribution was set at a rate of 4% to achieve this, whilst also seeking capital growth in real terms, over the much longer term. This is to be achieved through a balanced and diversified portfolio of equities, bonds, property, alternative assets, and cash. Further details of this policy is provided in the financial review.

The investment strategy is set by the Board and takes into account income and capital growth requirements, ethical considerations, the risk profile, and the investment managers' view of the market prospects in the medium term. Quarterly reports are received from the investment managers. The Board invests mainly through pooled funds managed by external investment managers, reporting to the Assets Committee, which reviews the Board's investments, monitors performance and recommends changes when appropriate. The property portfolio is primarily managed by professional managing agents, who report to the Glebe Committee, which monitors performance and the implementation of the investment strategy.

Ethical considerations

It is the opinion of the Assets Committee that in the long term:

- an ethical investment policy along the lines set out below is unlikely to be of significant detriment to rates of investment return;
- by selecting investment managers that integrate environmental, social and governance (ESG) considerations into their investment processes and focus on companies with sustainable business models that prioritise the environment and society, investment returns may be enhanced.

Given the aims of the Board, its complementary objective to invest its assets in line with the teaching and values of the Church of England, and the commitment to Fossil Fuel divestment following a Diocesan Synod resolution in October 2022, the Board seek to invest in accordance with the guidance offered by the Church of England's Ethical Investment Advisory Group (EIAG).

The EIAG provides timely and practical advice to the Church of England's National Investing Bodies (NIBs). Advice is developed by the EIAG, liaising with the NIBs to ensure that the recommendations are fit for use in their investment and stewardship activities.

The EIAG's Advice provides the basis for a distinctly Christian approach to investment, aligned with the Church of England's teaching and values. It offers guidance on a range of activities (for example, gambling or the extractive industries) as well as broader systemic issues (such as climate change or human rights).

The Advice is organised under a framework influenced by the Anglican Communion's Five Marks of Mission and a reading of Scripture, Christian theology and ethics. The framework organises all of the EIAG's Advice into three interconnected pillars:

- Investing for a renewed and sustainable world;
- Investing for a peaceful, just and flourishing world; and
- Investing in resilient and well-governed systems

In response to the Advice, the NIBs have developed their own policies and criteria for ethical investment restrictions, outlining the types of investment they choose to exclude from direct investment.

The Board has agreed a list of the types of investment it wishes to exclude from direct investment and has chosen to follow the revenue tolerance levels (see Appendix) of the NIBs. The Board will not have direct exposure to assets (e.g. equities, bonds and cash deposits) issued by companies whose revenues exceed these levels.

Similarly, the Board will not consider investment in pooled funds in which 10% of more of its net asset value is invested in companies that it would not hold directly because they exceed the revenue tolerance levels.

The Board considers that it's wish to invest in line with EIAG Advice and the approach of its investment managers to ESG factors to be important. Therefore, how the investment managers meet these two considerations are key criteria used by the Assets Committee to select the Board's external investment managers and review their performance once appointed.

The Board will share this policy with its investment managers and monitor its implementation by asking them to:

- identify the companies in the fund through which the Board invests that breach its revenue tolerance levels criteria;
- report to the Assets Committee on the total proportion of the fund through which the Board invests that is in breach of its revenue tolerance levels criteria;
- report to the Assets Committee on how they undertake active ownership through engaging and proxy voting and their approach to divesting holdings (albeit it is accepted that in a pooled fund this is at the discretion of the investment manager); and

- report to the Assets Committee on how they have integrated ESG factors into their investment decision-making (particularly for any companies in breach of the Board's revenue tolerance levels), and how they have assessed the contribution such companies make to the environment and society.

It is recognised that there may be occasions that investment is considered in funds where it is more challenging to screen the ethical criteria of the underlying holdings. This would be a significant drawback and would have to be weighed up against the benefits from diversification or accessing a particular asset class.

Appendix: Revenue Tolerance Levels for non-financial ethical factors

	% Revenues
Adult entertainment	3
Alcohol production, distribution & retail	25
Armaments	
Civilian firearms	10
Conventional weapons, components, services & other military products	10
Nuclear & other controversial & indiscriminate weapons	0
Cannabis	10
Climate change	
Thermal coal production, exploration, distribution & services	10
Oil & Gas production, exploration, refining distribution & services	20/10
Gambling	10
High-interest rate lending	10
Tobacco production, retail & related services	10