

# MERCY INTERNATIONAL ASSOCIATION



## ETHICAL INVESTMENT POLICY

## **CONTEXT**

### **Scripture**

Instruct those who are rich in this present world not to fix their hope on the uncertainty of riches, but on God, who richly supplies us with all things to enjoy. Instruct them to do good, to be rich in good works, to be generous and ready to share, storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed.

***Timothy 6: 17-19***

### **Mercy Wisdom**

Although I should be simple as a dove, I must also be prudent as a Serpent; and since there is very little good which can be accomplished or evil avoided without the aid of money, we must look after it in small as well as great matters.

***Letter from Catherine McAuley to Fr. James Maher, January 10<sup>th</sup> 1838***

### **Church Teaching**

Our faith calls us to measure the economy, not only by what it produces, but also by how it touches human life and whether it protects or undermines the dignity of the human person. Economic decisions have human consequences and moral content; they help or hurt people; strengthen or weaken family life, advance or diminish the quality of life in our world.

***USCCB, Economic Justice for All, Sec.1, 1986***

### **Papal Encyclical**

Today, in view of the common good, there is need for politics and economics to enter into a frank dialogue, in the service of life, especially human life.

***Pope Francis, Laudato Si, Sec.189. 2015***

### **Papal Homily**

I would like to ask all who have positions of responsibility in economic, political and social life and all men and women of goodwill: let us be 'protectors' of creation, protectors of God's plan inscribed in nature, protectors of one another and of the environment.

***Pope Francis, Homily at Inauguration, March 19<sup>th</sup> 2013***

## **AIM**

- ✚ To promote our ethos through our investments.
- ✚ To balance the need for financial return with our desire to support only companies that operate in a manner consistent with our ethos.

### **Advantages of pursuing an ethical policy**

- Advances and implements the Mercy mission in our economic and financial decision-making.
- Improves quality of life for global populations, especially in developing countries, and actively protects the environment.
- Avoids unintentional support of companies that operate in a manner contrary to our values.
- Assures members, donors and the general public that our resources are not invested in companies that contravene certain ethical criteria.
- Contributes to a process of excellent governance practices - research shows that over the long-term a balanced ethical policy has no negative effect on performance.

### **Cautions**

- The ethical policy should not be so stringent as to put the achievement of a financial return beyond the ability of the investment manager charged with achieving that return.
- As far as possible, the ethical policy should give clear, consistent, verifiable criteria to the investment manager, e.g. a criterion such as 'only invest in companies that respect the environment,' is open to several and various interpretations.
- The inaccurate wording of a criterion can result in unintended effects. Try to ensure that the effect matches the intent. For example, the exclusion of all companies that produce alcohol might prevent the production of alcohol for industrial or medical purposes.

In this ethical investment policy, MIA seeks to hold together our legal and fiduciary responsibilities to optimise the return on our investments, with our Mercy understanding of God in relationship with creation; our responsibility to care for the earth; the values and beliefs of our supporters; and the specific needs of those communities around the world whom we seek to serve.

## **POSITIVE AND NEGATIVE SCREENS**

In partnership with our investment managers, and observing the normal rules of sound financial management, we will seek to support that which is good. We aim to invest in well-managed companies, with positive records in:

- ✚ Advancement of women and under-represented populations
- ✚ Board diversity
- ✚ Just employment practises and vendor standards
- ✚ Effective environmental policies to promote sustainability of life, especially water
- ✚ Protection of human rights and rights of 'other than human'.
- ✚ Promotion of non-violence

We want to avoid directly profiting from, or providing capital to products, services or activities that are materially inconsistent with Mercy values, and are in danger of undermining the credibility and effectiveness of Mercy witness were we to do so. A range of investment exclusions is therefore maintained.

Following are listed important Mercy values and the investment exclusions deriving from these values.

### **Care of the Environment**

The care of our natural environment is a matter of vital concern, not only to ensure the health of the planet (in relation to global warming, ozone depletion, fossil fuel extraction, etc.) but also due to the impact that environment pollution can have on human health, flora and fauna (e.g chemical pollution of groundwater). MIA expects the companies in which they invest to manifest sustainable environmental practices. Therefore MIA wishes that companies that give due care to the environment should be included, while those that neglect their responsibilities toward the environment should be excluded.

The following companies should be excluded:

- *Those operating in a high impact industry if that company has a poor public environmental policy (as rated by Eiris)*
- *Those that have shown no evidence of working to address climate change*

- *Those where a major part of their business activity or focus (defined as more than 10% of group revenues) is derived from hydraulic fracturing (fracking) , and/or the unconventional use of oil and natural gas production*
- *Those that have two (or more) known pollution convictions within the last 3 years*
- *Those that operate nuclear power plants*

### **Human Rights**

The United Nations and U.N. International Labour Organisation have provided a number of conventions on human rights and fair labour practices. MIA wishes to cooperate with, promote and defend these rights. It expects companies in which it invests to manifest responsible employment practices, fair treatment of employees, customers and suppliers, conscientious regard for human rights, sensitivity towards the communities in which they operate and adhere to excellent corporate governance practices. We therefore wish to exclude from our investments any companies that are known to contravene these internationally recognised standards. These include;

- *Companies that have made limited or no response to allegations against them in regard to the breach of UN Conventions on Human Rights*
- *Companies that have made limited or no response to allegations against them in regard to the breach of International Labour Organisation standards in the areas of:*
  - i. Child labour in its operations*
  - ii. Forced labour in its operations*
  - iii. Trafficked labour in its operations*
- *Companies that have operations in more than 2 countries that are countries of concern for human rights (as rated by Freedom House/Eiris), if these companies show no evidence of putting in place policies and systems to prevent human rights abuses.*
- *Companies that engage in speculative investments in food commodities*

### **Animal Rights**

MIA believes that our responsibilities involve respecting not just human rights but the rights of the 'other than human life' also. We therefore strive to balance these two rights, particularly when these rights seem in opposition to each other as in the case of animal experimentation. Animal

experiments are widely used to develop new medicines and to test the safety of other products but many of these experiments cause pain to the animals involved or reduce their quality of life. In November 2008 the European Union put forward proposals to revise the directive for the protection of animals used in scientific experiments in line with the “Three R Principle” of replacing, reducing and refining the use of animals in experiments. We therefore recommend that we invest only in companies that demonstrate agreement with these proposals particularly in ensuring that:

- *suffering is minimised in all experiments*
- *human benefits are gained which could not be obtained by using other methods*

### **Genetic engineering of Plants and Animals**

Genetic engineering and transgenics continue to present intriguing and difficult challenges for 21st century scientists and ethicists, and education and meaningful, respectful discourse are just the beginning of what is required to tackle such complex ethical issues.

Intense cross-disciplinary debate and discussion continues as new life forms are created through science and medicine. Until there is a greater level of agreement on the moral and legal status of genetically engineered life and products we recommend that we do not invest in companies engaged in genetic engineering.

### **Manufacture of Armaments and Supplies to the Military**

Armaments are constructed for the purpose of destroying human life and make a substantial contribution to military campaigns. They therefore contravene our values in relation to the sacredness of human life and non-violence. MIA wishes therefore to exclude;

- *Companies who manufacture weapons. By weapons we mean, end products sold for military users that are designed to kill, maim or destroy. This includes ships, tanks, armoured vehicles, aircraft, guns, grenades, bombs, mines, munitions and ammunition as well as chemical and biological weaponry*
- *Companies that manufacture cluster munitions or parts for cluster munitions*
- *Companies that manufacture whole nuclear weapons or strategic parts for nuclear weapons*

### **Manufacture of Anti-Life Products**

In keeping with our values regarding the sanctity of human life, MIA wishes to exclude;

- *Companies involved in the manufacture of Anti-Life Products (contraceptives, emergency contraceptives such as the “morning after pill”, abortifacient drugs or devices)*
- *Companies known to be involved in embryonic cloning and/or stem cell research that involves discarding surplus embryos*

### **Production of products and services that are negative to Health and Wellbeing**

MIA wishes to promote fullness of life and therefore does not support activities that may limit this.

We therefore wish to exclude the following from our investments;

**Tobacco:** The detrimental effects of tobacco on human health have been well documented. In many countries, diseases that are related to smoking are numbered among the largest causes of preventable death. Therefore:

- *Exclude companies involved in the production of tobacco products*

**Alcohol:** The detrimental effects of excessive alcohol consumption are a matter of public record. Therefore:

- *Exclude companies that derive more than 10% of turnover from the production of alcoholic beverages*

### **Breast Milk substitutes**

The decline of breast feeding has led to an increase in the number of infant deaths particularly in developing countries, through starvation or disease. Aggressive marketing of breast milk substitutes (mainly milk formulas) has been identified as being a key factor in the reduction of breast feeding, especially in developing countries. Therefore:

- *Exclude companies that have failed to make any response to the issue of Marketing of Breast Milk Substitutes in the Developing World, where that company 33% of turnover from the production and sale of breast-milk substitutes*

## **Gambling**

Social problems and destitution can result from addiction to gambling. We wish to exclude companies whose major business involves gambling. Therefore:

- *Exclude companies that derive more than 10% of turnover from gambling related activities.*

## **Pornography**

Pornography is degrading to both men and women involved and to those who view pornographic material. Research also shows that pornography may contribute to sexual violence in the viewer, and those involved in its production can be mistreated. Therefore:

- *Exclude companies that derive any turnover from the production of pornography*

## **Bribery**

High risk bribery denotes conditions where bribes are substantial (over €10m) or involve senior management, are high profile, are recurring by the company and/or where the company has had prior warnings on bribery abuses. Where the impact of bribery is severe (defined by Eiris as high-risk):

- *Exclude any company that has shown no evidence of responding to any allegations of bribery against them by international NGOs*

***Where a company has interests in several of the areas, MIA does not wish to invest in it if their interests exceed 20% in aggregate.***