

STATEMENT OF INVESTMENT PRINCIPLES

Version: February 2025

Introduction

The Diocese of Arundel and Brighton is a portion of the People of God, defined by its territories – in this case, the city of Brighton & Hove, the counties of East and West Sussex and Surrey outside the London Boroughs. The Diocese serves its people through our parishes, schools and the Diocesan teams. The aim of the Diocese is, in accordance with the objectives of the charity, the advancement of the Roman Catholic religion and education.

Investment Subcommittee

The trustees delegate the responsibility for the day-to-day management of investments to an Investment Manager, overseen by the Investment Subcommittee. This Subcommittee comprises a minimum of two trustees, the Chief Operating Officer and a parish representative. Meetings are held at least yearly with the Investment Manager. Valuations and details of performance are provided by them on a quarterly basis. The Committee will undertake an annual review of this Statement.

Aims, objectives and risk

The investment objective is to maintain and enhance the real value of the trust's assets and to generate a reasonable level of income. The trust is prepared to accept that there could be significant volatility for assets designated for long term investment. This could be as much as a third of the total value of portfolios from peak to trough, reflecting general market conditions. A major part of the management of risk is through diversification by including investment in domestic and international equities, bonds, alternatives, including infrastructure, listed private equity, leasing and precious metals. The Investment Manager is required to keep the charity updated on the volatility of their portfolio and to report on other widely accepted risk measures.

For the M1 portfolio, the target return is CPI +3%. This falls into a medium risk characteristic portfolio and is reflected in the appendix A. This table outlines a benchmark asset allocation (with an accepted tolerance range of 15% around the benchmark weights).

For the M2 portfolio, the characteristics are for a lower risk portfolio targeting CPI+1.5%. The benchmark is also shown in appendix A as the M2 benchmark (with an accepted tolerance of 15% around benchmark weightings for the bond and equity weightings).

Selection and monitoring of the Investment Manager

The Trustees expect the Investment Manager to be a signatory to the UN Principles for Responsible Investment and to have a dedicated charity team within their firm. The Manager is required to report against agreed performance benchmarks as well as peer group returns such as ARC as well as relative volatility. The target return on a five year rolling basis is CPI+3%. The Investment Manager will be expected to follow ESG principles either by use of an external provider or by internal processes.

Catholic Principles

The Charity's ethical investment policy is based on Catholic teaching reflecting both the recent Mensuram Bonam and Papal encyclicals including Laudate Si' and more recently Fratelli Tutti both from Pope Francis. Essentially this means respect for life, respect for the dignity of the person, Catholic teaching on war and peace, economic justice and protecting the environment. Increasingly there is scrutiny of corporate responsibility in all these areas including ESG screening.

Direct investment in companies that currently partake in the following activities must be **avoided**:

- Abortion Services
- 'Intended Use' Abortifacient Production
- Embryonic Stem Cell Research; Foetal Tissue Research; Use of Foetal Cell Lines; Human Embryonic Stem Cell Cloning and Enabling Technology
- Fossil fuel extraction companies
- Manufacture of Controversial Weapons

Direct investment in companies that generate **more than 3% of revenue** from the following activities must be avoided:

- Contraceptives Production
- High-Interest Rate Lending
- Pornography
- Gambling
- Conventional Armaments

Direct investments in companies that generate **more than 10% of revenue** from the following activities must be avoided:

- Production, distribution or retailing of tobacco

The Trustees require the Investment Manager, under their obligations as a signatory to the United Nations for Responsible Investment, to consider the following areas and avoid investing in companies that fall short of relevant industry best practice:

- Human rights
- Gender and Racial discrimination

Some areas, for example climate change, raise complicated issues so that the Investment Manager must engage with the companies to ensure that they continue to pursue green policies.

In addition to the negative screening set out above the trustees are also dedicated to positive screening to invest in and support those companies that are operating in line with the charity's objectives. They also recognise that with the rapid change of pace in many areas it is important to keep this policy under constant review.

Category	Screen	Restriction
Weapons and Armaments	Controversial Weapons	100% exclusion (manufacture)
	Conventional Armaments	>3% of revenue
Lifestyle	Tobacco	>10% of revenue (production, distribution, retail)
	Pornography	>3% of revenue
	Gambling	>3% of revenue
Fossil Fuels	Fossil Fuel Extraction	100% exclusion
Sanctity of Life	Embryonic Stem Cell Research	100% exclusion
	Stem Cell Enabling Technology	100% exclusion
	Foetal Tissue Research	100% exclusion
	Fetal Cell Lines	100% exclusion
	Human Cloning	100% exclusion
	Contraception	>3% of revenue (manufacture)
	Abortion	100% exclusion (abortion service & abortifacients production)
Conventions and Human Rights	Violation of UN Global Compact	100% exclusion
	Human Rights Abuses	100% exclusion
	Supply Chain Labour Rights Violations	100% exclusion
	ILO Alignment	100% exclusion
	High Interest Lending	>3% of revenue
	Discrimination	100% exclusion

APPENDIX A

Strategic asset allocation and comparative benchmarks for M1 portfolio

Asset allocation	Strategic Allocation	Benchmarks
Conventional Fixed Income	19.0%	Markit iBoxx Gilt 5-7 Yr Tr
UK Equity	23.0%	MSCI UK IMI
Overseas Equity	42.0%	MSCI ACWI ex UK
Alternative Investment	8%	HFRX
Gold	3%	LBMR Gold Price USD
Cash	5.0%	Sonia

Long term performance shall be measured against a target return of CPI +3% measured on a total return basis net of all fees. Shorter term performance and attribution shall be measured against a composite benchmark as detailed above as well as a relevant peer group comparator such as the ARC Balanced and ARC Steady growth indices.

Strategic asset allocation and comparative benchmarks for M2 portfolio

Asset allocation	Strategic Allocation	Benchmarks
Conventional Fixed Income	43.0%	Markit iBoxx Gilt 5-7 Yr Tr
Equity	30.0%	MSCI ACWI
Alternative Investment	19%	HFRX
Gold	3%	LBMR Gold Price USD
Cash	5.0%	Sonia

Long term performance shall be measured against a target return of CPI +1.5% measured on a total return basis net of all fees. Shorter term performance and attribution shall be measured against a composite benchmark as detailed above as well as a relevant peer group comparator such as the ARC Balanced and ARC Steady growth indices.