

DOCUMENT			PAGE
Finance policy for the Church of Sweden at the national level			1 (11)
CREATED BY	DATE	REGISTRATION NO.	VERSION
CIO and Treasurer	2021-10-04		

## Financial Policy for the National Level of the Church of Sweden

**Adopted by the Central Board of the Church of Sweden 22 April 2010**

**Valid from 1 June 2010**

**Updated 12 Dec. 2013**

**Updated 25 April 2014**

**Updated 1 March 2016**

**Updated 15 Dec. 2016**

**Updated 27 Feb. 2020**

**Updated 4 Oct. 2021**

## Contents

Financial Policy for the National Level of the Church of Sweden .....	1
1 Introduction.....	3
1.1 Aim and demarcation.....	3
2 Regulations .....	4
3 Objectives, asset level and risk level .....	4
3.1 Regulations in the Church Order .....	4
3.2 Resolved by the Church Assembly .....	4
3.3 Resolved by the Central Board of the Church of Sweden .....	4
3.3.1 Asset Management.....	4
4 Organisation and allocation of responsibility for asset management.....	5
4.1 The Central Board of the Church of Sweden.....	5
4.2 The Asset Management Council.....	5
5 Strategic allocation of assets within asset management.....	5
5.1 Approved asset classes.....	6
6 Ethical and responsible investment rules.....	7
6.1 Basic concepts.....	7
6.1.1 The principle of human dignity.....	7
6.1.2 The concept of stewardship .....	7
6.2 The Swedish Church as a responsible investor.....	7
6.2.1 Active owner that exerts an influence.....	8
6.2.2 Investments are made in responsible corporations that focus on sustainability and contribute to solutions.....	8
6.3 Controversial businesses.....	9
6.3.1 Fossil energy .....	9
6.3.2 Weapons.....	9
6.3.3 Production of alcohol and tobacco and gambling for money .....	10
6.3.4 Distribution of alcohol, tobacco and gambling for money .....	11
6.3.5 Production och distribution av pornography.....	11
6.4 Assessment of the holding's adherence to the policy .....	11
6.5 Asset manager responsibility .....	12

## 1 Introduction

### 1.1 Aim and demarcation

The aim of this document is to set out the strategic orientation and rules governing how the national level of the Church of Sweden shall conduct financial management. Asset management is included in the somewhat broader context of financial management that for the national level of the Church of Sweden also includes:

- Liquidity management in respect to the Church account including issues of credits to the financial units of the Church of Sweden.
- Not for profit investments
- Foundation management.

The Central Board of the Church of Sweden, where applicable, also decides on the orientation and rules concerning these other types of financial management. This, however, is not dealt with in this document.

### 1.2 Target group

The Central Board of the Church of Sweden sets out the financial policy. The target group is primarily Central Board of the Church of Sweden's Asset Management Council and concerned personnel in the Church Secretariat. The secondary target group is the managers that the central level of the Church of Sweden hires as well as the other administrations within the organisation of the Church of Sweden who use the national level's financial policy in their administration.

### 1.3 Communication

The policy and other documents linked to the asset management can be found both on the intranet and the Church of Sweden's website. The documents are also sent to the asset managers that the Church hires or conducts discussions with.

### 1.4 Follow-up and updating

The Asset Management Council is responsible for ensuring that the financial policy is complied with.

A review is normally conducted annually, and initiated by the Asset Management Council. If the Council finds that there is a need for an update, the change proposals are submitted to the Central Board.

### 1.5 Document shall cease to be valid

This document replaces the update of the Financial Policy for the National Level of the Church of Sweden dated 27 Feb 2020, originally decided upon 22 Apr 2010.

## 2 Regulations

Financial management overall, is governed by Chapter 51 of the Church Order. Section 12 contains rules for the management of funds.

## 3 Objectives, asset level and risk level

### 3.1 Regulations in the Church Order

Asset management shall be long-term in character.

”The Church of Sweden shall at the national level manage its assets in such a manner that ensures it is maintained at its real (value-hedged) level measured over rolling ten-year periods (Chap 51, Section 2, Paragraph 1 of the Church Order).

Asset management shall be effective.

“Assets are to be managed as efficiently as possible. These assets shall be placed in a manner that spreads risks and achieves the best possible sustainable return overall.” (Chapter 51, Section 2, Paragraph 2 of the Church Order).

The objectives for the assets shall be established.

”The objective regarding the amount of assets at national level is determined by the Church Assembly” (Church Order, Chapter 51, Section 2a).

Asset management shall be carried out in an ethically responsible manner.

”Financial assets are also to be managed in an ethically defensible manner, in accordance with the fundamental values of the Church.” (Church Order, Chapter 51, Section 2, Paragraph 2).

### 3.2 Resolved by the Church Assembly

The Church Assembly 2016 resolved that:

- The target level for the national level’s assets shall be not less than SEK 6.5 million.
- The target level for the national level’s assets annually shall be with reference to the consumer price index
- This target for capital corresponds to SEK 6.9 billion as of 31 Dec 2020.

### 3.3 Resolved by the Central Board of the Church of Sweden

#### 3.3.1 ASSET MANAGEMENT

The overall objective as regards returns is a return of three (3%) percent in real terms over a rolling ten-year period measured as return on an annual basis. This means that returns shall exceed inflation (measured as consumer price index) by three percentage points.

#### 3.4 Acceptance of risk

A pre-requisite for reaching the overall return target according to 3.3 above is that the investments be made in assets that together have the possibility of reaching this long-term target. The different asset types can periodically decrease in market value, e.g. during extreme drops in the stock market. The

actual size of the assets under management can for this reason, during certain periods, lie under the stated target in 3.2, at the same time as the overall target remains and be reached during the rolling ten-year period.

## 4 Organisation and allocation of responsibility for asset management

### 4.1 The Central Board of the Church of Sweden

The Central Board is responsible for establishing a financial policy that comprises:

- strategic orientation for asset management
- return target and approved risk levels
- approved classes of assets
- investment rules for ethics and sustainability
- evaluation of ethics and sustainability
- corporate governance requirements, responsible ownership.

### 4.2 The Asset Management Council

The mission, tasks and constitution of the Asset Management Council are regulated in the “Instructions for the Asset Management Council” that was determined by the Central Board 9 May 2018.

## 5 Strategic allocation of assets within asset management

Asset management shall comprise a well-diversified portfolio that makes it possible to achieve the long-term return objectives while taking into account the accompanying risk aspects. Risk aspects are defined as both the risk that in the short term the portfolio can lose value substantially and the risk that the long-term return is not achieved. Chapter 3 sets out the return targets and general acceptance of risk.

Decisions on disbursements from managed assets can have a considerable effect on prerequisites as regards allocation of assets and risk management. When the reference portfolio is established consideration shall be given to determined and planned disbursements from assets under management.

The reference portfolio shows the strategic allocation of the classes of assets under management, expressed as a percentage of the portfolio’s total market value, and permitted deviations from the reference value of managed assets.

## 5.1 Approved asset classes

Investment may be made in both individual securities and funds.

Approved asset classes are:

- **Listed equities:** Investments in these can be made in different sub-markets, e.g. Sweden, Nordic region, Global and emerging markets. Listed equities may constitute a maximum of 70 percent of the total portfolio.
- **Listed interest-bearing securities and liquid assets** including corporate bonds and inflation indexed bonds. Currency hedging shall be in SEK as regards interest rate instruments denominated in currencies other than SEK. The proportion of listed interest-bearing instruments and liquid assets shall amount to at least twenty-five (15%) percent of the total portfolio.
- **Real property:** This refers to unlisted real property holdings in which the Church of Sweden participates as a joint-investor in real estate funds.
- **Alternative investments** are assets that are not a part of the listed asset classes, e.g. corporate bonds (with lower credit-rating than listed interest-bearing securities), hedge funds private equity and infra-structure. All unlisted holdings fall under this category.

The Church of Sweden sees two primary purposes regarding the Real Property and Alternative investment asset classes. They may involve investments that mitigate risk in the total portfolio because no strong correlation can be expected between returns and other investments - usually equities. The alternative investments also provide particular opportunities to contribute to sustainable and measurable societal benefits, also referred to as “impact”.

Investments in real property and alternative investments may together constitute a maximum of 30 per cent of the total portfolio assets.

The above mentioned, limits shall be calculated based upon the value of each asset class at the time of making the decision. Should the value of other asset classes collectively develop much more weakly, relative to Real Property and Alternative investments that the upper limit of these is exceeded, it shall not in itself mean that assets within these asset classes must be divested/sold.

## 6 Ethical and responsible investment rules

### 6.1 Basic concepts

Two fundamental, moral principles guide our work in managing assets in the Church of Sweden: the principle of human dignity and the concept of stewardship.

#### 6.1.1 THE PRINCIPLE OF HUMAN DIGNITY

The idea that all human beings are of equal value is a cornerstone in Christian ethics and democratic societies. The principle of human dignity leads to negative as well as positive obligations. The negative obligations set certain defined limits for our actions. Every human being shall be treated with respect, and may not be unduly exploited. Positive obligations, on the other hand, require active involvement in promoting the wellbeing of others. The positive obligations are related to demands for equitable distribution of resources and equality among people, and have their roots in the prophets of the Old Testament. With the principle of human dignity as a base, we are able to argue for various types of human rights.

#### 6.1.2 THE CONCEPT OF STEWARDSHIP

Stewardship is an important theme in the Bible and is highly relevant in asset management. In this concept, the assets at our disposal are to be regarded as gifts given to us by God, to be used in the service of all human beings. Humankind is a caretaker of God's gifts. This makes us responsible for the welfare of people as well as the rest of Creation. It means that we can use various natural resources to satisfy all of humanity's fundamental needs while at the same time also caring for the natural world, because of its own intrinsic value and because of the needs of future generations.

### 6.2 The Swedish Church as a responsible investor

The Church of Sweden shall be a responsible investor with regard to its asset management. This means that investments are to be assessed from an ethical and sustainable viewpoint as well as from a financial viewpoint. As we signed the six principles of responsible investment that the UN supports (Principles for Responsible Investment, PRI), the Church of Sweden's national level has committed to integrating factors that concern the environment, human rights working conditions and corporate governance in analyses and investment decisions often called ESG (Environmental, Social and Governance). PRI advances questions on how the entire financial sector can be more sustainable and contribute to societal benefits as well as offer a platform for jointly influencing companies exhibiting shortcomings in these areas. The principles in PRI also imply that we shall make good use of our opportunities to influence, promote transparency and also report on our own work. <sup>1</sup>

We also employ international conventions regarding corporate responsibility in our analysis. Some examples of these are ILO Conventions, OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN Global Compact's ten principles and the UN Guiding Principles for Business and Human Rights. The Church of Sweden maintains a clear "child perspective" in all of its activities, and in our asset investment this is reflected in, for example, the ILO's Conventions for child labour as well as different documents that regard women's rights. We want companies to actively contribute to sustainable development by working with the UN

---

<sup>1</sup><https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

Sustainable Development Goals adopted in 2015. Included in these 17 goals are, e.g. climate issues, clean water, aquatic as well as land animal life and also protection of natural reserves.<sup>2 3</sup>

In line with this, the Church of Sweden's national level as a responsible investor shall:

- Select asset managers who have the competence to integrate risk and opportunity linked to sustainability in analyses as well as in investment decisions
- Focus on responsible sustainable corporations and exclude investment in sectors that are problematic in regard to the Church's fundamental values
- Make use of our opportunities as asset owners to influence individual corporations, sectors and the financial market in general.

#### **6.2.1 ACTIVE OWNER THAT EXERTS AN INFLUENCE**

The Church of Sweden shall be a responsible owner in a broader sense. This means that we are active owners and make use of our opportunities to influence increased sustainability. We can do this independently or in conjunction with other actors. This influence can, above and beyond ongoing asset management be expressed by:

- Influencing public opinion
- Engaging with corporations, representatives from the financial sector and other actors in the market
- Developing new investment products in conjunction with asset managers or other actors
- Supporting and being engaged in different initiatives, networks and research in Sweden and internationally.
- The Church of Sweden primarily invests in funds and for this reason has no direct ownership in companies. Since the asset managers shall adhere to this policy, we consider voting at general annual shareholder meetings in regard to issues relevant to this policy as an important part of this work.

#### **6.2.2 INVESTMENTS ARE MADE IN RESPONSIBLE CORPORATIONS THAT FOCUS ON SUSTAINABILITY AND CONTRIBUTE TO SOLUTIONS**

The Church of Sweden desires to contribute with solutions for sustainable development in our world. Asset managers for the Church of Sweden's assets are expected to select companies based upon benefits to society in which the Sustainable Development Goals in Agenda 2030 can provide direction (see above). What this means is that companies shall contribute, through their goods and services, to sustainable development or work systematically and goal oriented in their processes that concern the environment, biodiversity, working conditions, human rights and the alleviation of poverty where these issues touch upon their business activities. It also concerns issues that deal with corporate governance, e.g. corruption, management remuneration systems and taxes. In line with this, focus shall lie upon companies that:

<sup>2</sup> <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>3</sup> <http://www.ohchr.org/EN/Issues/Business/Pages/InternationalStandards.aspx> och [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)



- Integrate sustainability into their business models and strategies
- Report on and follow-up their sustainability work based upon, for example, their codes of conduct and other guidelines and commitments
- Adhere to international bodies of regulations designed to protect human beings and the environment and also take action to correct faults and shortcomings. Companies should utilise their abilities to influence throughout their entire values chains, i.e. in relation to suppliers, sub-contractors and customers. The company should also use any possible membership in a trade organisation and other lobbying organisations to promote sustainable development
- Have a clear place in a future, sustainable society and make positive contributions economically, environmentally and socially to affected local communities
- Limit their negative effects on the environment (globally, regionally and locally) and act with consideration for the current and coming generations needs by, for example, using the best available technology, respecting planetary boundaries – especially for the climate – and acting to increase biodiversity.
- See new business opportunities and contribute to a reduced use of natural resources in a world where these natural resources are diminishing, e.g. by taking steps towards incorporating a circular business model.

This view of corporate responsibility and sustainability includes investment in equities, corporate bonds and other types of credits to companies. It can also concern, for example, real property and certain unlisted classes of assets.

## 6.3 Controversial businesses

The Church of Sweden's financial policy rests upon investments being made in responsible and sustainable companies that contribute to solutions to different challenges in society (see 6.2.2). A Christian perspective on humankind, and the responsibility for the wellbeing of others, which is an important expression of Christian ethics, means that investment in some sectors must be restricted. In such sectors, a special qualitative assessment is sometimes necessary to decide whether a company is suitable for possible investment. In all cases, the asset manager shall be able to justify an investment in these businesses based upon benefits to society and sustainability. **See the instructions for ethical and sustainable investment that provide necessary and detailed instructions for the asset managers that intend to adhere to the Church of Sweden's financial policy. This is especially applicable to our criteria regarding fossil fuels and weapons.**

### 6.3.1 FOSSIL ENERGY

The Church of Sweden perceives climate change as a serious threat to Creation and the basic living conditions on our planet and therefore does not invest in companies that are active in the extraction of fossil energy sources or energy production that primarily consists of fossil fuels such as coal, oil and gas. We also do not invest in oil-sand or shale-gas activities. Managers of the Church of Sweden's capital are expected to instead invest in companies that contribute to solving the climate issue in a constructive manner.

### 6.3.2 WEAPONS

The Church of Sweden excludes investment in companies whose businesses involve the manufacture or selling of weapons or weapons related war materials. The Church of Sweden also excludes

investment in companies that are actively involved in the development or production of particularly inhuman weapons or their special components. Active involvement is defined as the provision of products and services specifically adapted for the weapon.

#### Definition of weapons and weapon-related war materials

Weapons are defined as products intended to kill, maim or destroy and which are sold for military purposes. War materials are defined as products or components specially developed to be included in weapons or weapon systems. Products and services covered by the Church of Sweden's policy are listed in annex to Ordinance on War Materials (2019:314) on the website of the Inspectorate of Strategic Products (ISP)<sup>4</sup>. Products covered are all war materials for combat and the products and services under miscellaneous war materials which are significantly modified for use in war materials for combat. Other products in the Annex are not covered as they are considered to have dual areas of use (military/civil) and/or lack a clear connection to combat functions. Information in English can be found [here](#)<sup>5</sup>.

#### Definition of particularly inhuman weapons

The Church of Sweden defines such weapons as those that conflict with the human rights principle that a weapon must be able to differentiate between civil and military targets and not have a disproportionate, destructive effect. Weapons are assessed on the basis of these two principles exclusively, irrespectively of whether or not they are regulated through international agreements on the specific weapon. Thus, nuclear weapons are considered to conflict with the Church of Sweden's policy because of their non-discriminating and disproportionately destructive effect, although an international agreement (the Non-Proliferation Treaty) permits nuclear weapons to some extent. Examples of weapons that correspond with the Church of Sweden's definition of particularly inhuman weapons are: weapons of mass destruction (WMD), weapons regulated in the CCW (Convention on Certain Conventional Weapons), personnel mines, cluster bombs and weapons that contain depleted uranium.

#### **6.3.3 PRODUCTION OF ALCOHOL AND TOBACCO AND GAMBLING FOR MONEY**

To facilitate asset managers being able to make similar choices of companies corresponding to this we have established clearly defined frameworks for making investments in the following sectors.

##### ***Alcohol***

Restrictions concerning alcohol have their origin in the extensive damage that alcohol abuse causes to society and human health. The Church of Sweden does not invest in companies in which the turnover from the production of alcoholic beverages exceeds five per cent (5%) of a company's overall turnover. Alcoholic beverages are considered to be beverages that contain more than 2.25 percent alcohol by volume.

##### ***Tobacco***

Companies that produce tobacco products do not fulfil the requirements for corporate responsibility because of the negative health impact of tobacco products. The Church of Sweden does not invest at all in companies whose turnover is based upon the production of tobacco or tobacco products.

<sup>4</sup> <https://isp.se/media/1313/sfs2019-314.pdf>

<sup>5</sup> <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:085:0001:0036:EN:PDF>

### *Gambling for money*

Gambling for money can lead to addiction reminiscent of other types of addiction and can have devastating consequences. The Church of Sweden does not invest in companies whose products and services related to gambling for money exceed five per cent (5%) of their sales. Companies whose primary business concept is products for the design or development of software or platforms for gambling for money are also not invested in.

#### **6.3.4 DISTRIBUTION OF ALCOHOL, TOBACCO AND GAMBLING FOR MONEY**

The Church of Sweden has not set absolute limitations on the companies that do not produce but do distribute alcohol, tobacco or gambling for money. It is problematic to both collect and secure this type of data and set boundaries that lead to a fair and meaningful evaluation of e.g. grocery retailers. If such a company is chosen, then the asset manager shall be able to justify the choice of this company based upon the requirements for responsible investment in Section 6.2.2 of the Financial Policy.

#### **6.3.5 PRODUCTION OCH DISTRIBUTION AV PORNOGRAPHY**

The Church of Sweden does not invest in the production or active distribution of pornography that in a blatant and provocative manner reproduces sexual situations or events that violate human value and dignity.

#### Definitions and considerations

Active distribution is considered to be marketing or sales linked to a company's own activities.

According to the National Encyclopaedia pornography is, "a designation for many different, with entertaining and lust promoting purposes, types of produced descriptions of peoples' erotic lives"

Swedish legislation today has restrictions on depictions of "sexual violence or coercion" and against "children in pornographic contexts". Even lawful pornography can, however, in many cases be linked to the violation of human value and dignity. Never the less there are also erotic or pornographic literature and films that affirm a healthy sexuality in both men and women.

It is, however, difficult to clearly define healthy and unhealthy. What is considered to be taboo and shameful has also changed in time and also varies from culture to culture. There are no, as far as we know, any listed companies that produce what we generally refer to as pornography. Having stated that, we do not subscribe to any type of pornographic production.

The distribution of pornography is, however, a more complex issue. Companies that distribute pornography do not provide an account of their revenues in this area. In other words, determining the content and scope of a programme offering, e.g. of a film distributor, is problematic. What one can do, however, is determine if a particular company actively markets pornography. Thus, the Church of Sweden refrains from investing in companies whose revenues originate in its own activities in regard to the marketing and distribution of pornography.

## **6.4 Assessment of the holding's adherence to the policy**

An external assessment (screening) of the holdings that is relevant to the company (equities, corporate bonds etc) shall be conducted regularly for the purpose of ensuring that the policy guidelines are adhered to, primarily in regard to international norms and controversial business operations.

## 6.5 Asset manager responsibility

The financial sector is developing very rapidly in regard to sustainability questions. To better understand how this financial policy is put into practice refer to “Placeringsanvisningar för etik och hållbarhet” (Instructions for Ethical and Sustainable Investment). These instructions are on a more detailed level and updated regularly.

Those who manage assets on behalf of the Church of Sweden are responsible for being acquainted with both this policy and the associated ethical and sustainable investment instructions and ensure that there are processes and competence internally to be able to adhere to what is stated in these documents. We also expect reporting of compliance with the policy and how the asset manager has acted in company engagement processes, and at annual general meetings.