

FEG UPDATE ON VATICAN INVESTMENT GUIDELINES

THE VATICAN, THROUGH THE PONTIFICAL ACADEMY OF SOCIAL SCIENCES, RELEASED “MENSURAM BONAM”, FAITH-BASED MEASURES FOR CATHOLIC INVESTORS: A STARTING POINT AND CALL TO ACTION.

OVERVIEW

In late 2022, the Vatican, through The Pontifical Academy of Social Sciences, released “*Mensuram Bonam*”, *Faith-Based Measures for Catholic Investors: A Starting Point and Call to Action*. *Mensuram Bonam* is Latin for “good measure.” The academy promotes “the study and progress of the social, economic, political, and juridical sciences, and offers the church elements to use in the study and development of its social doctrine,” particularly in contemporary society.¹ The academy also reflects on the application of church doctrine in contemporary society. The release of this document comes approximately a year after the United States Conference of Catholic Bishops (USCCB) released its own revised guidelines—the first such revisions since 2003. FEG’s summary of the most recent USCCB changes, can be found [here](#). Thus, two meaningful investment-related documents have been released by the Catholic Church over the past year for Catholic investors to review, digest, and determine how their investment programs may be affected. This piece aims to summarize “*Mensuram Bonam*” for FEG’s clients and consider how it may apply to individual portfolios.

SUMMARY & IMPLICATIONS

Directly in its preamble, “*Mensuram Bonam*” (MB) lays out its objective:

“The objective of this publication is twofold:

- i. where investment guidelines and criteria exist, entities should be encouraged to persevere in systematically integrating Catholic Social Teaching into their investment policies, and adjust them where necessary from time to time.
- ii. where such guidelines have not yet been developed, MB is providing a stimulus and a model / example to help and to encourage institutions to establish clear investment policies by Integrating Catholic Social Teaching into their investing process.”

Relevant to FEG’s Catholic clients, many fall into the first category mentioned above and have already incorporated elements of Catholic Social Teaching (CST) into their investment policy statement (IPS). In this regard, MB is not necessarily a wholesale call to action or change, but rather an opportunity to revisit existing policies to help ensure they are consistent with the latest thinking of the Church. For those Catholic clients who do not have CST-driven language in their IPS, MB intends to be an impetus to incorporate such language.

For further clarification, the main CST principles are:

¹ “Goals.” The Pontifical Academy of Social Sciences. www.pass.va/en/about/goals.html

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- The Human Person and Human Dignity
- The Common Good
- Solidarity
- Social Justice
- Subsidiarity
- Care for Our Common Home
- The Inclusion of the Most Vulnerable
- Integral Ecology

As MB states, there needs to be elements of the following in the practice of applying these principles to investment programs:

- Call to Engage
- Call to Enhance
- Call to Exclude

Similar to the revised USCCB guidelines, MB suggests a more holistic approach to investment than the historical one of screening out companies doing business contrary to Church teachings. MB also acknowledges the practical challenges of applying these principles, such as when using mutual or commingled funds—which take away the ability to directly engage with companies or exclude companies. In these cases, funds attentive to CST are suggested, along with monitoring of holdings and engagement with companies over time, which is consistent with the current practices of many of FEG’s Catholic clients.

MB recognizes investors’ ever-present dual responsibility: the need to seek the best return for investment assets—within suitable risk parameters—while also aligning investments with the Church’s teachings. While MB acknowledges the challenges and impreciseness of adopting CST into investment programs, the language on this topic is unequivocal in stating, “there should be little to no fear of underperformance,” and citing studies to support this conclusion.

MB also points out that CST and ESG are not the same, although they do share some commonalities, stating, “CST bends the trajectory of the economy and of culture to be more human and humanizing.” While the once vast differences between ESG and Catholic investing appear to be converging, MB makes a point to emphasize where they still differ.

Lastly, MB provides language on exclusionary criteria, which fall under four broad categories:

- Upholding the intrinsic dignity of human life
- Avoiding destructive behaviors
- Recognizing global and sustainability impacts
- Securing environmental protection

There appears to be considerable overlap in the exclusionary criteria between MB and the revised USCCB guidelines, but some nuanced differences remain. FEG will work to better understand any differences with managers and screening providers. Along those lines, MB explicitly states that it seeks to complement any other teaching bodies.

CONCLUSION

MB is a very thorough and thoughtful tool for Catholic investors to use when building their investment programs and seeking to align their values with their investments. It is not meant to supplant any existing criteria, but as stated above, should complement it. For Catholic clients that do not have any CST language in their IPS, it serves as a useful guide to getting started. MB consistently maintains that this endeavor is a process that will continue to evolve, with this release simply serving as a starting point. FEG will remain vigilant in the application of both MB and USCCB guidelines to Catholic client portfolios and report back in regular correspondence with clients or via more formal updates as warranted.

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