



Knights of Columbus
ASSET ADVISORS
FAITH-BASED INVESTING

The United States Conference of Catholic Bishops *Catholic Socially Responsible Investment Guidelines* **AND THE CATHOLIC INVESTOR**



JOHN S. GRABOWSKI, PH.D.

Ordinary Professor of Moral Theology/Ethics | The Catholic University of America

On November 12, 2003, the United States Conference of Catholic Bishops (USCCB) published its document *Socially Responsible Investments Guidelines*. Some seventeen years later, the document remains an indispensable guide for Catholics, other Christians, and people of goodwill who are seeking to traverse the complex world of investing in a morally upright way.

These guidelines, though written to guide investments of the USCCB itself, reflect the wisdom of the Christian tradition as a whole, drawing on “the Gospel, universal church teaching and Conference statements.”¹ As such, the Catholic Guidelines are no mere statement of preference or suggestion – they represent applications of definitive Catholic teaching on moral matters drawn from scripture and the Church’s moral teaching. In the Catholic understanding, the bishops in union with the pope who is their head are the successors of the apostles and have a unique role: “But the task of authentically interpreting the word of God, whether written or handed on, has been entrusted exclusively to the living teaching office of the Church, whose authority is exercised in the name of Jesus Christ. This teaching office is not above the word of God, but serves it, teaching only what has been handed on, listening to it devoutly, guarding it scrupulously and explaining it faithfully in accord with a divine commission and with the help of the Holy Spirit, it draws from this one deposit of faith everything which it presents for belief as divinely revealed.”²

Other accounts of morally upright investing that reject or compromise these basic truths, no matter how well-intentioned or sincerely believed, cannot rightly claim the label of “Catholic.”

The moral truths drawn from scripture and magisterial teaching on which the Catholic Guidelines are based are thus not negotiable. In the Catholic view, adherence to revealed truth definitively taught by the magisterium is necessary to be in communion with the Church and, ultimately, for salvation.³ Other accounts of morally upright investing that reject or compromise these basic truths, no matter how well-intentioned or sincerely believed, cannot rightly claim the label of “Catholic.”

So, when the U.S Catholic Bishops specify that they will not invest in companies engaged in embryonic stem cell research or human cloning, or that discriminate on the basis of race in hiring and promoting employees, or that they will advocate to change policy in companies that operate sweatshops in which they have an interest, they stand within a deep tradition of biblical teaching on justice and within a large body of modern magisterial Catholic social teaching.⁴ And they clearly hope that other Catholic and Christian investors will follow their lead. As we shall see, they have good reason for doing so.

NEGATIVE AND POSITIVE SCREENS

Like the Catholic moral tradition as a whole, the Catholic Guidelines make a distinction between avoiding the evil of specific acts (which we must always do) and pursuing good (which we are also called to do but which can be done in a variety of ways guided by prudence). The distinction between negative and positive moral rules is fundamental. Scripture gives us both negative norms (e.g., “You shall not have other gods beside me” or “You shall not steal”) and positive or goal-directed ones (e.g., “Love your neighbor as yourself”).⁵ While negative norms preclude specific acts – such as idolatry or theft – as objectively evil, positive commands can be pursued and realized in a variety of ways. The manner in which a person might love his or her neighbor is shaped by the concrete situation in which the person and the neighbor are found and the application of the virtue of prudence. One can, however, never love a neighbor through theft or worship God by kneeling before an idol. In other words, one can never fulfill a positive norm through an act precluded by a negative command.

It is for this reason that Catholic Guidelines contain both negative screens, which exclude as objectively evil participation in certain actions that Catholic moral teaching regards as objectively evil, and positive screens which call for the pursuit of justice through proactive prudential measures on the part of investors. Among the negative screens identified in the Catholic Guidelines, we can identify three basic areas of focus: respect for human life in its origin; respect for human dignity; and Catholic teaching on war and peace. Among the positive screens where the bishops call for proactive involvement of investors on behalf of justice are things such as

We cannot do evil in the pursuit of a good.

–Pope St. Paul VI³

promoting respect for the environment, just wages, or affordable housing, and seeking to abolish child labor or unsafe working conditions.

Respect for Life – Scripture and the Church’s teaching make clear that life is a gift from the Creator of the universe. This is especially true of human life made in the image and likeness of God.⁶ The procreation of children is a unique form of cooperation between parents and God: “I have produced a male child with the help of the LORD,” declares a triumphant Eve in the book of Genesis.⁷ St. John Paul II described the conception and birth of a child as a renewal of the mystery of creation.⁸ It is for this reason that the Church opposes contraception, teaching that “each and every marital act must of necessity retain its intrinsic relationship to the procreation of human life.”⁹

Still more does the Church oppose the destruction of human life already conceived – whether in the womb or in the laboratory. The Church has always defended the most vulnerable and defenseless members of the human community – the preborn or newly born.¹⁰ In his Encyclical Letter *Evangelium vitae* St. John Paul II applies the Church’s teaching on life to provide definitive condemnations of direct killing of the innocent and direct abortion.¹¹

The Church has applied this consistent and authoritative teaching to research that involves the destruction of human life at its earliest stages, such as embryonic stem cell research or so-called “therapeutic human cloning”: “To use human embryos or fetuses as the object or instrument of experimentation constitutes a crime against their dignity as human beings having a right to the same respect that is due to the child already born and to every human person.”¹² Hence a company seeking to develop vaccines or therapies through the destruction of human life in its earliest and most vulnerable stages is engaged in a morally evil practice no matter how noble the therapeutic aims might be. We cannot do evil in the pursuit of a good.¹³ To do so makes us evildoers. Someone who invests in a company engaged in this research cooperates with and seeks to profit from this evil. The same holds for investment in companies that profit from abortion or contraception related services or products.

Respect for the Dignity of Persons – The Catholic Guidelines also exclude investment in companies that engage in discrimination on the basis of race or gender or that profit from the production and distribution of pornography.¹⁴

What is wrong with discrimination within a business based on positive features of human difference such as race or sex? St. John Paul II makes a moral and pragmatic argument against such practices: “It is possible for the financial accounts to be in order, and yet for the people – who make up



the firm's most valuable asset – to be humiliated and their dignity offended. Besides being morally inadmissible, this will eventually have negative repercussions on the firm's economic efficiency."¹⁵ Why does racism or sex-based discrimination humiliate human beings and offend their dignity? Because they deny our fundamental human equality as made in the image of God (and redeemed by Christ.¹⁶ The *Catechism of the Catholic Church* draws the moral conclusion from this reality noting that "the equality of men rests essentially on their dignity as persons and the rights that flow from it: 'Every form of social or cultural discrimination in fundamental personal rights on the grounds of sex, race, color, social conditions, language, or religion must be curbed and eradicated as incompatible with God's design.'"¹⁷ To invest in companies that permit or perpetuate discriminatory policies is to seek to profit from companies that practice institutionalized injustice, denigrate their employees, and undermine the common good of their communities.

If forms of unjust discrimination offend human dignity by denying the fundamental equality of human beings, pornography offends this dignity by reducing human beings to the status of sexual objects. The *Catechism* highlights the personal and social cost of the production or consumption of pornography:

[Pornography] . . . offends against chastity because it perverts the conjugal act, the intimate giving of spouses to each other. It does grave injury to the dignity of its participants (actors, vendors, the public), since each one becomes an object of base pleasure and illicit profit for others. It immerses all who are involved in the illusion of a fantasy world. It is a grave offense. Civil authorities should prevent the production and distribution of pornographic materials.¹⁸

Pornography also contributes to the trafficking of human beings and sexual slavery of persons – particularly of vulnerable women and children – throughout the world. For these reasons the Catholic Guidelines exclude any investment in companies whose aim is the production or distribution of pornography.

Catholic Teaching on War and Peace – The Church's teaching on war and peace is more nuanced. While recognizing the evils that war brings and the need to work to do everything possible to avoid it, the Church also recognizes the legitimacy of nations defending themselves or others from unjust aggression in the fallen world in which we live. For a war to be considered just, however, both the decision to go to war and the conduct of a nation during war must meet specific criteria.¹⁹

This limited approbation of the use of force in specific circumstances has consequences for Catholic investing. The Catholic Guidelines exclude

investment in companies whose primary economic activity is weapons manufacturing. They also exclude any investment in companies that produce weapons that cannot be deployed in a manner consistent with just war principles: “biological and chemical weapons, arms designed or regarded as first-strike nuclear weapons, indiscriminate weapons of mass destruction, etc.”²⁰ Given their capacity to maim and kill innocent human beings long after a war has concluded, the bishops also single out for exclusion “companies that are directly involved in the manufacture, sale, or use of anti-personnel landmines.”²¹

It should be noted that the bishops’ prudential application of Church teaching on war and peace does not preclude all investment in companies engaged in weapons production – only those in which this is the primary business activity or those which manufacture the kinds of weapons incapable of discriminating deployment noted above.²² The Catholic Guidelines also do not preclude investment in the U.S. Treasury and other government securities. It is undoubtedly true that the government is not always a friend to the Church and is a significant buyer of weapons. Nonetheless, showing honor to those in political authority in one’s nation is not incompatible with following Christ.²³ Our Lord himself told us to “Repay to Caesar what belongs to Caesar and to God what belongs to God.”²⁴ Further, it should be noted that U.S. military spending is less than 5% of the overall GDP.

Positive Screens – In addition to avoiding investment in companies engaged in practices or products that are morally evil, the Catholic Guidelines call investors to conscientious engagement in the companies in which they do choose to invest. That is, stockholders are called to positively work to influence corporate policy and decision-making for good. They can do this by being proactive in engaging management through measures such as voting proxies and supporting shareholder resolutions aimed at improving corporate behavior. This would certainly involve supporting and advancing shareholder resolutions opposing decisions that would lead to exclusion on the basis of one of the negative screens described above.

Christians are called, however, to more than the minimum – more than to merely avoid evil. They are called to do good, to promote justice, to love God and their neighbor.²⁵ For this reason the Catholic Guidelines call for a host of proactive forms of engagement to actively support corporations that are promoting just policies or to move them toward greater justice and solidarity with the members of the wider human community. These include: defending and promoting human rights internationally, promoting just wages and safe working conditions that protect workers and their families,²⁶ promoting access to life-sustaining pharmaceutical products (such as those needed in the fight against HIV/AIDS) in low income communities

“Repay to Caesar what belongs to Caesar and to God what belongs to God.”

...stockholders are called to positively work to influence corporate policy and decision-making for good.



and developing nations, promoting affordable housing and just banking practices, caring for “our common home” in protecting the environment,²⁷ and advancing corporate social responsibility.²⁸

FURTHER PRACTICAL IMPLICATIONS

Some might wonder whether it is morally licit to own index funds. From the standpoint of Catholic teaching, it is not. Buying shares of a mutual fund that owns securities from companies engaged in morally evil practices or products still involves unacceptable forms of cooperation with evil. For example, many S&P 500 index funds own large positions in major pharmaceutical companies that produce contraceptives and abortifacients. Ignorance of this involvement is not a defense here since minimal effort is required to discover index constituents. Choosing to invest in an index that contains companies like this supports and seeks to profit from the evil in which such companies are engaged. This is not an option for a Catholic investor with a well-formed conscience seeking to put the Church’s teaching into practice.

It should also be noted that neither the type of security issued by a restricted company nor the way in which it was purchased (primary or secondary market) matters from an ethical perspective. Some have made the dubious argument that buying a company’s stock from another investor (rather than at original issue from the company) does not enrich the company and so can be acceptable. Others hold that buying a bond is not directly owning the profits of the company (even though income generated via the company’s morally evil activities may be used to pay the bond investors) and may even harm the company by depriving it of income to spend on illicit activities. Again, if the payments made to the bond holder (interest payments and principal at maturity) are generated via illicit activities, then it is morally wrong to own the security. Any security issued by a company (stock, bond, convertible bond or warrant, etc.) in order to raise capital for activities that do not comply with the Catholic Guidelines must be avoided by Catholic investors.

CONCLUSIONS

From the perspective of scripture and the Church’s moral teaching, money is important. It matters how we acquire it. It matters how we use it and where we invest. It matters whether we use it to benefit others who have less than us. Money is also dangerous. It can seduce us into its pursuit such that it becomes an idol that displaces God in our lives and hearts. Its

You cannot serve God and mammon.

pursuit can destroy our character and the human fabric of businesses and communities. In the Sermon on the Mount, our Lord offers a stark choice:

“No one can serve two masters. He will either hate one and love the other, or be devoted to one and despise the other. You cannot serve God and mammon.”²⁹

Catholic institutions and those who represent them are called to act with integrity in their investment practices. Just as a person cannot be 95% Christian, the same holds true for an institution – and with wider ranging social cost. A Catholic institution that does not do its utmost to follow Catholic teaching in the way it invests its money runs the risk not only of furthering immoral practices, but also of scandalizing those who see the discrepancy and draw the conclusion that the institution does not really believe what it claims to stand for – that its money is not where its mouth is. This is what the Church calls scandal – in this case a morally evil act that becomes a temptation or an obstacle to the faith of others. And when Jesus speaks of such scandal given to “little ones” invited to believe in him his words are stark; he says of such a one “it would be better for him if a great millstone were put around his neck and he were thrown into the sea.”³⁰ The sexual abuse scandals that have shaken the Church in recent decades are a painful reminder of how much harm scandal can do even when generated by the actions of a relatively small number of people.

Catholic investors are called to follow Jesus before all else.

Catholic investors are Christians before they are investors. They are therefore called to follow Jesus before all else, to rightly “order their affections,” and to embrace “detachment from worldly things” in order to enter “the Kingdom of heaven.”³¹ For Catholic investors, especially those who represent Catholic institutions, this means reviewing their portfolios for consistency with the Catholic Guidelines and praying about how to best make changes where they see discrepancies. Those blessed with the resources and opportunity to invest for themselves and on behalf of the Church would do well to remember the words Jesus in the Gospel addressed to those who would follow him: “What profit is there for one to gain the whole world and forfeit his life?”³²

1. USCCB, "Introduction," *Socially Responsible Investment Guidelines: Principles for USCCB Investments* (November 12, 2003), available at: <http://www.usccb.org/about/financial-reporting/socially-responsible-investment-guidelines.cfm>. Hereafter Catholic Guidelines.
2. Second Vatican Council, Dogmatic Constitution on Divine Revelation, *Dei verbum*, no. 10, available at: https://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_const_19651118_dei-verbum_en.html. Cf. *Catechism of the Catholic Church* (CCC), 85-86.
3. CCC, 2032: "The Church, the 'pillar and bulwark of the truth,' has received this solemn command of Christ from the apostles to announce the saving truth.' 'To the Church belongs the right always and everywhere to announce moral principles, including those pertaining to the social order, and to make judgments on any human affairs to the extent that they are required by the fundamental rights of the human person or the salvation of souls.'"
4. See USCCB, Catholic Guidelines, "Investment Policies," 1.3, 2.1, and 2.2.
5. The citations are from Ex. 20:3, 15; Mk. 12:31b respectively. All citations are from the NABRE.
6. See Gen. 1:26-28; cf. Ps. 127:3.
7. Gen. 4:1c.
8. See his weekly General Audiences of March 26, 1980 and October 6, 1982.
9. Pope St. Paul VI, Encyclical Letter, *Humanae vitae*, no.11; cited in USCCB, Catholic Guidelines, "Investment Policies," 1.2.
10. Early Christian texts from the first and second centuries such as the Didache (2.2) and the Letter of Barnabas (19) condemn both abortion and infanticide.
11. See *Evangelium vita*, nos. 57 and 62 respectively. In no. 65 of the same document he makes a similar declaration regarding (both passive and active) euthanasia.
12. Congregation for the Doctrine of the Faith, *Donum vitae*, I.4.
13. See Rom. 3:8. Pope St. Paul VI notes: "Though it is true that sometimes it is lawful to tolerate a lesser moral evil in order to avoid a greater evil or in order to promote a []greater good,' it is never lawful, even for the gravest reasons, to do evil that good may come of it [Rom. 3:8] – in other words, to intend directly something which of its very nature contradicts the moral order, and which must therefore be judged unworthy of man, even though the intention is to protect or promote the welfare of an individual, of a family or of society in general." *Humanae vitae*, no. 14.
14. See USCCB, Catholic Guidelines, "Investment Policies," 2.2, 3, 5. By "gender" the bishops are referring to sexual difference – not a self-chosen identity.
15. Encyclical Letter, *Centesimus annus*, no. 35.
16. See Gen. 1:26-28.
17. CCC, 1935.
18. CCC, 2354. For a more thorough treatment of the issue from the perspectives of social science, moral theology, and pastoral care see the 2015 USCCB document *Create in Me a Clean Heart: A Pastoral Response to Pornography*, available at: <http://www.usccb.org/issues-and-action/human-life-and-dignity/pornography/index.cfm>.
19. The criteria for justice in going to war (*ius ad bellum*) include: just cause, comparative justice, legitimate authority, right intention, probability of success, proportionality, and last resort. In regard to just conduct in war (*ius in bello*) these would include: noncombatant immunity (or discrimination), proportionality, and right intention. See CCC, 2308-2309, 312-2313.
20. USCCB, Catholic Guidelines, "Investment Policies," 3.1.
21. USCCB, Catholic Guidelines, "Investment Policies," 3.2.
22. See USCCB, Catholic Guidelines, "Investment Policies," 3.1. It should be noted that on June 18, 2020 the Vatican published a document on integral human ecology entitled *Journeying toward Care for Our Common Home* to mark the 5th anniversary of Pope Francis's encyclical *Laudato si*. This new document encouraged Catholic investors to "shun companies that are harmful to human or social ecology, such as abortion and armaments," This latter recommendation could well result in a revision in the language of the USCCB Catholic Guidelines.
23. See CCC, 1900. However, the citizen must also seek to foster the universal common good of humanity – not just within his or her own nation (see CCC, 1911)
24. Mk. 12:17b.
25. See Mt. 22:36-40; Mk. 12:28-31; Luke 10:25-28. Cf. Jn. 13:34-35; Lev. 19: 17-18; Deut. 6:4-5.
26. St. John Paul II spoke of a "family wage," by which he meant "a single salary given to the head of the family for his work, sufficient for the needs of the family without the other spouse having to take up gainful employment outside the home." Encyclical Letter, *Laborem exercens*, no. 19.
27. The phrase is used by Pope Francis in his Encyclical Letter, *Laudato si*. The Holy See's document *Journeying toward Care for Our Common Home* noted above also encourages divestment from companies which do harm "to the environment, such as [those which produce] fossil fuels." This language too may well be reflected in a future revision to the USCCB Catholic Guidelines.
28. See USCCB, Catholic Guidelines, "Investment Policies," 2.1, 4.1-2, 5, 6.
29. Mt. 6:24. "Mammon" is an Aramaic word for wealth or property.
30. Mk. 9:42; cf. Mt. 18:6.
31. See CCC, 2545 and 2544 respectively.
32. Mk. 8:36.

The information in this article is the opinion of Dr. John Grabowski and is for informational purposes only. Nothing contained in this article should be construed as investment advice or should be considered a recommendation to buy or sell any security or guarantee future results. This article also does not constitute an offer to sell or a solicitation of an offer to buy interests in any particular security, including interests in any Knights of Columbus Asset Advisors LLC (KoCAA) investment vehicle. This article may include "forward-looking statements" such as information about possible or assumed investment returns or general economic conditions. Actual results may differ materially from the information included in this article and no information in this article will be updated to reflect actual results or changes in expectations. KoCAA is an SEC registered investment advisor that maintains a principal place of business in the State of Connecticut. For further information about KoCAA's business operations, please consult the Firm's Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.

In addition to advising Knights of Columbus Asset Advisors on issues of moral theology as they relate to investment decisions, Dr. Grabowski is an ordinary professor at The Catholic University of America, where his expertise includes Historical and Systematic Theology and Moral Theology/Ethics. He has extensive experience in Catholic teachings and, as a result, has significant experience in the interpretation of the USCCB's socially responsible investing guidelines. He and his wife were appointed to the Pontifical Council for the Family by Pope Benedict XVI in the fall of 2009, where they served as a member couple. He has served three times as a theological advisor to the USCCB's Secretariat on Laity, Marriage, Family and Youth. In 2015, he was appointed by Pope Francis to serve as an expert (adiutor) at the Synod of Bishops on the Family.

Dr. Grabowski earned his B.A. in theology at the University of Steubenville and a Ph.D. from Marquette University.

© 2020 Knights of Columbus Asset Advisors. All rights reserved.

Knights of Columbus Asset Advisors
1 Columbus Plaza
New Haven, CT 06510

XXXXXXXXXX (07/20)