

Catholic Investment Governance Framework

Principles, Structures, and Practices for the Stewardship of Ecclesiastical Patrimony

Catholic Finance Institute

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Contents

1. Executive Summary	1
2. Background and Context	2
3. Literature Review	3
4. The CFI Catholic Investment Governance Framework	5
5. Best Practices	16
6. Case Studies (Illustrative Composites)	18
7. Recommendations	20
8. Implementation Roadmap	20
9. Conclusion	21
10. References	22
11. Appendices	23

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1. Executive Summary

The temporal goods of the Catholic Church and of religious institutions are not held for their own sake. Under the *Code of Canon Law*, ecclesiastical goods are ordered to specific purposes — the worship of God, the decent support of clergy and ministers, the works of the apostolate and of charity, and the preferential care of the poor (c. 1254 §2). Investment capital held by a diocese, a congregation, a foundation, or another ecclesiastical entity is therefore “mission capital”: its management is simultaneously a financial discipline and an act of ecclesial stewardship. This dual nature is the organizing premise of the present paper.

The central challenge confronting Catholic institutional investors is not a conflict between fidelity and prudence but the absence, in many institutions, of governance architecture capable of integrating the two. Endowment-quality investment governance — independent oversight, clear delegation, documented policy, disciplined manager selection, and robust risk management — has been developed and refined principally in secular institutional settings. Faith-consistent investment criteria, by contrast, have been articulated principally in moral and pastoral terms. Catholic institutions need a framework that binds these two traditions into a single, coherent, and operable system of decision-making, accountability, and control.

This paper presents the **CFI Catholic Investment Governance Framework**, a reference architecture for the

governance of ecclesiastical investment patrimony. The framework rests on three foundations — Catholic social teaching, canon law, and fiduciary obligation under applicable civil law — and is expressed through eight functional pillars: (i) governance principles; (ii) fiduciary responsibilities; (iii) investment committees; (iv) reporting and transparency; (v) manager oversight; (vi) ethical screening; (vii) stewardship and active ownership; and (viii) risk management. A ninth element, an implementation roadmap, translates the framework into a sequenced program of work for institutions at differing levels of maturity.

Four propositions are advanced. **First**, for a mission-bound asset owner, the integration of moral criteria into investment decisions is not in tension with fiduciary duty but is an expression of it, because the very purpose of the fund is constitutive of the prudent-investor analysis. Modern fiduciary law recognizes a fund's special relationship to the charitable purposes of the institution as a legitimate, indeed mandated, consideration. **Second**, the principal source of governance failure in religious-institution portfolios is structural rather than ethical: undifferentiated decision rights, the conflation of governance with management, inadequate documentation, and weak oversight of delegated managers. **Third**, ethical screening, properly designed, is a layered system — exclusion, norms-based constraint, integration, positive tilt, and active ownership — that should be codified in the Investment Policy Statement and operationalized through manager mandates, not improvised at the security level. **Fourth**, stewardship — engagement, proxy voting, and the patient exercise of the rights of ownership — is the distinctively Catholic complement to screening, expressing the principles of participation, the universal destination of goods, and the dignity of the human person within the firm.

The paper concludes with a maturity model, a set of best practices, illustrative composite case studies, prioritized recommendations, and a phased implementation roadmap. It is intended as the foundational reference document of the Catholic Finance Institute and as a practical instrument for boards, finance councils, investment committees, and the executives who serve them.

2. Background and Context

2.1 The scale and singularity of ecclesiastical patrimony

Across the world, the Catholic Church and entities associated with it administer a substantial and highly fragmented pool of long-horizon capital. This capital is held in many legal forms — diocesan funds and trusts, the patrimony of religious institutes and their provinces, civil foundations, university and hospital endowments, cemetery and burial funds, clergy retirement and health plans, mission and development funds, and the treasuries of the Holy See and its connected bodies. Precisely because it is decentralized across thousands of juridic persons, this patrimony resists aggregation and is rarely governed to a common standard.

The singularity of ecclesiastical patrimony lies less in its size than in its purpose and its perpetuity. Three features distinguish it from ordinary institutional capital. *First*, its purpose is canonically and theologically specified: it exists to serve worship, ministry, charity, and the support of those who carry out the Church's mission. *Second*, much of it is intended to endure in perpetuity, serving present beneficiaries while preserving capacity for future generations — a requirement of intergenerational equity that closely parallels the endowment model but is grounded in the Church's understanding of itself as a body extended through time. *Third*, it is subject to a layered normative order: simultaneously to civil law (the law of trusts, charities, foundations, and prudent management), to canon law (Book V of the *Code of Canon Law* and the proper law of institutes), and to the moral demands of Catholic social teaching. No purely secular governance template addresses all three layers.

2.2 Why governance, and why now

Three contemporary pressures have made the modernization of Catholic investment governance urgent.

The first is **financial complexity**. The investable universe available to institutions has expanded from cash, bonds, and domestic equities to a global multi-asset opportunity set including private markets, real assets, and a proliferation of vehicles and strategies. With opportunity comes the need for competence, oversight, and control that informal arrangements cannot supply.

The second is **moral expectation**. The Church's magisterium has, over more than a century and with increasing specificity in recent decades, taught that economic activity — including the deployment of capital — is a moral act. Recent documents have moved Catholic investing from a posture of avoidance toward an integral vision in which the investor is called both to refuse complicity in evil and to use the rights of ownership to promote the common good. This raises the operational bar: institutions must be able to define, implement, evidence, and report their moral commitments.

The third is **accountability and trust**. Episodes of financial mismanagement, opacity, and scandal — within and beyond the Church — have heightened expectations of transparency and control. Donors, members of religious institutes, beneficiaries, regulators, and the faithful increasingly expect that ecclesiastical capital be governed to a demonstrable standard of probity. Governance is the mechanism by which trust is earned and maintained.

2.3 The governance gap

Notwithstanding these pressures, many religious institutions exhibit a recognizable governance gap. Symptoms include: the conflation of governance (oversight) with management (execution), often concentrated in a single overburdened official; investment policy that is unwritten, outdated, or aspirational rather than operative; delegation to external managers without a corresponding apparatus for selection, monitoring, and removal; ethical commitments expressed as sentiment rather than codified criteria; and risk management focused narrowly on market volatility while neglecting liquidity, operational, reputational, and mission risks. The CFI Catholic Investment Governance Framework is designed to close this gap in a manner faithful to the Church's law and teaching and consistent with the established standards of institutional investment practice.

3. Literature Review

The framework synthesizes four bodies of thought that have, until recently, developed in substantial isolation from one another: (i) the theory of prudent fiduciary investment; (ii) the literature on institutional and endowment governance; (iii) Catholic social teaching as it bears on economic and financial life; and (iv) the emerging field of faith-consistent and responsible investment. This section situates the framework within each.

3.1 Fiduciary theory and the prudent investor

Modern fiduciary investment doctrine is built on the duties of loyalty and care and on the prudent-investor standard. The *Restatement (Third) of Trusts* and its Prudent Investor Rule (American Law Institute, 1992) reconceived prudence in light of modern portfolio theory: risk and return are to be assessed at the level of the total portfolio rather than asset by asset; diversification is presumptively required; and the trustee's central obligation is to formulate and implement a sound overall investment strategy. For institutional funds specifically, the **Uniform Prudent Management of Institutional Funds Act (UPMIFA)** (Uniform Law Commission, 2006), enacted in most jurisdictions that follow the U.S. model, codifies a duty to manage and invest funds in good faith and with the care of a prudent person, enumerating factors that a prudent fiduciary must consider — general economic conditions; the possible effects of inflation or deflation; expected tax consequences; the role of each investment within the overall portfolio; expected total return; the institution's

other resources; the institution's needs to make distributions and to preserve capital; and, decisively for the present purpose, *an asset's special relationship or special value, if any, to the charitable purposes of the institution*. This last factor is the legal hinge on which mission-aligned investing turns: where a fund exists to serve a charitable — including a religious — purpose, that purpose is a permissible and material consideration in the prudence calculus, not an external imposition upon it.

The relationship between this prudential tradition and the consideration of environmental, social, and governance (ESG) factors has been examined in a sequence of influential legal analyses. The Freshfields report commissioned by the United Nations Environment Programme Finance Initiative (UNEP FI, 2005) concluded that the integration of ESG considerations into investment analysis, where they are or may be financially material, is permissible and arguably required. The subsequent programme *Fiduciary Duty in the 21st Century* (PRI and UNEP FI, 2019) went further, contending that failing to incorporate financially material ESG factors is a failure of fiduciary duty. These analyses address financial materiality; the Catholic case adds a distinct, purpose-based justification rooted in the constitutive ends of ecclesiastical funds.

3.2 Institutional and endowment governance

The governance of long-horizon institutional capital has been the subject of a substantial applied literature. The “endowment model” associated with the management of leading university endowments (Swensen, 2009) emphasizes an equity-oriented, well-diversified, long-horizon portfolio with meaningful allocations to less-liquid assets, disciplined rebalancing, and rigorous external-manager selection. The theory of permanent endowment income (Tobin, 1974) framed the central normative problem as intergenerational equity — the obligation to treat present and future beneficiaries even-handedly — which translates into spending policies designed to preserve the real (inflation-adjusted) value of capital over time.

A parallel literature isolates governance quality itself as a determinant of investment outcomes. Studies of pension and endowment governance (e.g., Clark and Urwin, 2008; Ambachtsheer, 2016) identify the hallmarks of effective fund governance: a clear mission and investment beliefs; competent and appropriately independent oversight bodies; well-defined delegation with matching accountability; sufficient resources and expertise; and disciplined process. The classic decomposition of portfolio performance (Brinson, Hood, and Beebower, 1986) established that strategic asset allocation — a governance-level decision — explains the preponderance of the variation in portfolio returns over time, underscoring that the most consequential investment decisions are precisely those reserved to the governing body and its policy. Practitioner standards reinforce these conclusions: the CFA Institute *Asset Manager Code* and the Global Investment Performance Standards (GIPS) codify expectations of integrity, disclosure, and comparable performance reporting, while the G20/OECD *Principles of Corporate Governance* (OECD, 2015) articulate transferable principles of accountability, transparency, and the protection of stakeholder interests.

3.3 Catholic social teaching and the moral status of capital

The moral framework within which Catholic institutions must invest is the Church's social doctrine, a coherent body of teaching developed from *Rerum Novarum* (Leo XIII, 1891) through the social encyclicals of the twentieth and twenty-first centuries and synthesized in the *Compendium of the Social Doctrine of the Church* (Pontifical Council for Justice and Peace, 2004). Several of its principles bear directly on investment: the inviolable **dignity of the human person**; the **common good**; the **universal destination of goods**, which holds that the goods of creation are destined for all and that private ownership carries a “social mortgage” (*Sollicitudo Rei Socialis*, John Paul II, 1987); **solidarity** and the **preferential option for the poor**; **subsidiarity**; the **dignity of work** and the priority of labor over capital (*Laborem Exercens*, John Paul II, 1981); and the **care for creation** developed at length in *Laudato Si'* (Francis, 2015) and *Laudate Deum* (Francis, 2023). *Caritas in Veritate* (Benedict XVI, 2009) addressed finance explicitly, insisting that financial instruments and intermediation are not morally neutral and must serve authentic human development.

This doctrinal corpus has been translated toward investment practice by ecclesiastical and quasi-ecclesiastical instruments. The United States Conference of Catholic Bishops issued *Socially Responsible Investment Guidelines* (USCCB, 2003; revised 2021), articulating a method that combines avoidance of participation in gravely immoral activity, the use of investor influence, and the promotion of the common good. The joint document of the Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, *Oeconomicae et pecuniariae quaestiones* (2018), provided “considerations for an ethical discernment regarding some aspects of the present economic and financial system,” insisting on the moral responsibility of every economic actor. Most significantly for investors, *Mensuram Bonam: Faith-Based Measures for Catholic Investors* (Pontifical Academy of Social Sciences, 2022) proposed a structured starting point of faith-based measures and called Catholic asset owners to action, framing investment as discipleship exercised through the rights and responsibilities of ownership.

3.4 Faith-consistent and responsible investment

The practice literature on responsible investment provides the operational vocabulary — exclusionary screening, norms-based screening, ESG integration, best-in-class and positive screening, thematic and impact investing, and active ownership through engagement and voting. The Principles for Responsible Investment (PRI, 2006) institutionalized these practices among mainstream investors. The empirical question of whether responsible investment imposes a return penalty has been examined extensively; a frequently cited synthesis of the evidence (Friede, Busch, and Bassen, 2015), aggregating a large body of studies, found that a substantial majority report a non-negative relationship between ESG criteria and corporate financial performance. While such evidence does not settle every case, it materially weakens the assumption that values alignment necessarily entails sacrifice of return — an assumption that has historically deterred fiduciaries. Stewardship, finally, is codified in instruments such as the United Kingdom Stewardship Code (Financial Reporting Council, 2020) and practiced collaboratively through bodies such as the Interfaith Center on Corporate Responsibility, which provide models that the Catholic investor can adapt to an explicitly ecclesial purpose.

3.5 Synthesis: the integration gap

The literatures reviewed converge on a single conclusion that motivates this paper. Fiduciary law permits — and, for purpose-bound funds, contemplates — the integration of mission into investment. Governance scholarship shows that the quality of oversight structures is itself a primary determinant of outcomes. Catholic social teaching supplies a rich and demanding account of the moral content of that mission. And the practice of responsible investment supplies a toolkit for implementation. What has been lacking is an *integrating architecture* — a framework that binds the moral, canonical, fiduciary, and operational dimensions into one coherent system of governance for the Catholic institutional investor. That architecture is the contribution of the next section.

4. The CFI Catholic Investment Governance Framework

4.0 Architecture and orientation

The CFI Catholic Investment Governance Framework is a reference architecture, not a prescription. It is designed to be adopted in proportion to an institution’s scale, complexity, and capacity (the principle of subsidiarity applied to governance itself). The architecture may be visualized as a structure with a *foundation*, *pillars*, and a *roof*.

The **foundation** comprises the three normative orders to which every decision must conform: Catholic social teaching, canon law, and applicable civil and fiduciary law. The **pillars** are the eight governance functions

developed in this section. The **roof** is the institution's mission — the faithful and prudent stewardship of patrimony for worship, ministry, charity, and care of the poor, sustained across generations. Remove the foundation and the structure has no warrant; remove a pillar and the structure is unsafe; neglect the roof and the structure has no purpose.

A second organizing device runs throughout: the **dual mandate** (some institutions will adopt a **triple mandate**). Every Catholic institutional portfolio is accountable against at least two objectives held simultaneously — *financial sufficiency* (generating and preserving the resources the mission requires) and *fidelity* (conformity to the moral and canonical order). Institutions that choose to pursue measurable positive impact adopt a third objective — *witness* (the deployment of capital to advance the common good and integral human development). The framework's purpose is to make all mandates operable, evidenced, and accountable rather than merely asserted.

Table 1 — The mandate structure of Catholic institutional investing

Mandate	Question it answers	Primary instruments	Evidence of fulfilment
Financial sufficiency	Will the portfolio fund the mission today and preserve capacity for tomorrow?	Strategic asset allocation; spending policy; risk budget; rebalancing	Total return vs. spending + inflation; funded status; preservation of real capital
Fidelity	Does the portfolio conform to the moral and canonical order?	Ethical screening policy; mandate restrictions; canonical compliance	Screening exceptions log; restricted-holdings audit; compliance attestations
Witness (optional)	Does the portfolio actively promote the common good?	Positive/thematic allocations; impact investments; stewardship	Impact metrics; engagement outcomes; capital directed to mission-aligned assets

4.1 Governance Principles

Effective governance begins with explicit principles. The CFI framework proposes ten foundational principles. They function as the constitution of the investment governance system: every structure, policy, and decision should be referable to them.

Principle 1 — Primacy of mission. The patrimony exists for the mission, not the mission for the patrimony. Investment objectives are derived from, and subordinate to, the institution's ecclesial purpose as expressed in its statutes, proper law, and the ends specified in canon law (c. 1254 §2).

Principle 2 — Faithful prudence. The institution pursues prudence and fidelity as a single, integrated standard. Prudence informed by faith does not treat moral and financial considerations as competitors to be traded off, but as dimensions of one obligation owed to the mission and its beneficiaries.

Principle 3 — Separation of governance and management. The governing body governs; it does not manage. Oversight (the setting of objectives, policy, and limits, and the monitoring of performance against them) is institutionally distinguished from execution (the implementation of policy through portfolio construction and trading), with each assigned to the appropriate body.

Principle 4 — Clarity of delegation. Every decision right is explicitly assigned, and every delegation is matched by a corresponding accountability. What is delegated, to whom, within what limits, and with what reporting obligations, is documented and reviewed.

Principle 5 — Competence. Those who govern and those who execute possess, individually or collectively, the competence their roles require; where internal competence is insufficient, it is supplemented by qualified independent advice. Competence is a duty, not a convenience.

Principle 6 — Documentation. Objectives, policies, limits, delegations, and material decisions are recorded in writing. The Investment Policy Statement is the central governing document; minutes evidence deliberation; an audit trail supports accountability and continuity across changes in personnel.

Principle 7 — Transparency and accountability. The governance system is transparent to those to whom it is accountable — the governing authority, members of the institute, donors and beneficiaries as appropriate, and, in the measure required by law and prudence, the wider community of the faithful. Stewardship of the goods of the Church is exercised in trust and must be capable of account.

Principle 8 — Stewardship and active ownership. Ownership of capital carries responsibilities as well as rights. The institution exercises the responsibilities of ownership — engagement and voting — as an integral part of its investment activity, consistent with the principle of participation and the universal destination of goods.

Principle 9 — Proportionality and subsidiarity. Governance arrangements are proportionate to the scale, complexity, and risk of the patrimony, and responsibilities are exercised at the most appropriate level. A small congregation and a large diocesan fund require different architectures; both require governance.

Principle 10 — Continuity and intergenerational equity. The institution governs for perpetuity, balancing the legitimate needs of present beneficiaries with the obligation to preserve capacity for those to come. Spending, risk, and succession are managed so that the mission can be served across generations.

Table 2 — Governance principles mapped to their normative sources

Principle	Catholic Social Teaching	Canon Law	Fiduciary / Civil Law
1. Primacy of mission	Universal destination of goods	c. 1254 §2 (ends of temporal goods)	Charitable-purpose doctrine
2. Faithful prudence	Prudence as cardinal virtue	c. 1284 §1 (diligence of a good householder)	Prudent-investor rule; UPMIFA
3. Separation of governance/management	Subsidiarity	Finance council vs. administrator (cc. 492–494; 1278)	Board vs. management distinction (OECD)
4. Clarity of delegation	Order and responsibility	c. 1281 (acts beyond ordinary administration)	Duty to delegate prudently
5. Competence	Stewardship of talents	c. 1284 §2 (skilled administration)	Duty of care; duty to seek advice
6. Documentation	Truthfulness	c. 1283–1284 (inventories, records)	Duty to document process
7. Transparency / accountability	Common good; truth	c. 1287 (reporting to the faithful)	Disclosure; accountability to beneficiaries
8. Stewardship / active ownership	Participation; solidarity	Social mortgage on property	Active ownership within fiduciary duty
9. Proportionality / subsidiarity	Subsidiarity	Proper law of institutes	Reasonableness; proportionate process
10. Continuity / intergenerational equity	Concern for future generations	Patrimonium stabile (stable patrimony)	Intergenerational equity (Tobin)

4.2 Fiduciary Responsibilities

Those who hold and administer ecclesiastical capital are fiduciaries in three senses simultaneously: as administrators of the goods of a public or private juridic person under canon law; as trustees or directors under civil law; and as stewards before God of goods entrusted to the Church. The framework treats these as cumulative, not alternative, obligations.

The duty of loyalty requires the fiduciary to act exclusively in the interest of the institution and its mission, free of self-dealing and conflicts of interest. For the Catholic investor, loyalty extends to fidelity to the moral order: an investment that materially conflicts with the faith the institution exists to serve is, by definition, disloyal to its purpose. Conflicts of interest — whether of committee members, staff, advisers, or related parties — must be disclosed, recorded, and managed under a written policy.

The duty of care requires the fiduciary to act with the diligence, skill, and prudence appropriate to the responsibility. Canon 1284 §1 directs administrators to fulfil their function “with the diligence of a good householder” (*bonus paterfamilias*); the prudent-investor standard requires the formulation and implementation of a sound overall strategy, suitable diversification, and ongoing monitoring. Care is procedural as well as substantive: a fiduciary who follows a sound process, takes appropriate advice, and documents reasoning satisfies the duty even where outcomes disappoint, whereas one who reaches a fortunate outcome through negligence does not.

The duty of impartiality and intergenerational equity requires even-handed treatment of present and future beneficiaries — the disciplined balancing of spending and preservation that is the signature problem of perpetual endowment.

The duty of obedience to purpose requires that funds be applied to the purposes for which they are held, including any restrictions imposed by donors or by the proper law of the institution, and that acts of extraordinary administration and alienation be undertaken only with the consents and authorizations canon law requires.

Canon law adds structural safeguards that the framework incorporates as governance controls rather than mere formalities. Administrators must prepare an inventory of goods and keep accurate records (cc. 1283–1284); they must observe the distinction between **acts of ordinary administration**, which fall within delegated authority, and **acts of extraordinary administration**, which require the consents specified in the institution’s statutes or proper law (c. 1281); the **alienation** of goods belonging to the stable patrimony, above thresholds fixed by the conference of bishops or proper law, requires prescribed permissions (cc. 1291–1294); and **diocesan finance councils** and **finance officers** are required organs of oversight (cc. 492–494, 1278). These canonical mechanisms map with striking fidelity onto modern governance: the finance council functions as an oversight committee; the inventory and records function as the asset register and audit trail; the ordinary/extraordinary distinction functions as a delegation-of-authority matrix with escalation thresholds; and the alienation rules function as controls over material transactions.

Table 3 — The three orders of fiduciary obligation, compared

Dimension	Canon Law	Civil / Fiduciary Law	Stewardship before God
Source of duty	Book V, <i>Code of Canon Law</i> ; proper law	Trust/charity/foundation law; statute	Catholic social teaching; the Gospel
Standard of conduct	Diligence of a good householder (c. 1284)	Prudent investor; duty of care and loyalty	Faithful and wise steward
Purpose constraint	Ends of c. 1254 §2; donor will	Charitable purpose; donor restrictions	Goods of the Church serve the mission
Oversight organ	Finance council; finance officer	Board; investment committee; auditor	Conscience; ecclesial accountability
Control over major acts	Consents for extraordinary acts; alienation rules	Authorization thresholds; related-party rules	Detachment; refusal of complicity in evil
Accountability mechanism	Reporting to ordinary and faithful (c. 1287)	Accounts; audit; disclosure	Account rendered for stewardship

4.3 Investment Committees

The investment committee is the operational heart of the governance system: the body to which the governing authority delegates the formulation and oversight of investment policy. Its design — composition, mandate, authority, and process — largely determines governance quality.

Mandate and authority. The committee operates under a **written charter** approved by the governing authority (the bishop and diocesan finance council; the major superior and council; the board of trustees of a foundation). The charter specifies the committee’s purpose, scope of authority, delegated decision rights,

reserved matters that require referral to the governing authority, composition and terms, quorum and voting, meeting frequency, reporting obligations, and the boundary between the committee's responsibilities and those of management and external advisers. The charter operationalizes the canonical distinction between ordinary and extraordinary administration by fixing the thresholds above which decisions escalate.

Composition and competence. The committee should combine investment expertise, fidelity to the institution's charism and the Church's teaching, and independence of judgment. Members should be selected for competence and integrity, not merely status. A typical committee comprises a chair, several members with relevant expertise (investment management, accounting and audit, law, and the institution's mission), and, frequently, one or more independent external members who supply specialist competence the institution lacks internally. Conflicts of interest are disclosed on appointment and at each meeting; members with material conflicts recuse themselves from the relevant decisions.

Table 4 — Illustrative investment committee composition and competencies

Role	Typical profile	Core competencies contributed	Independence
Chair	Senior figure with investment and governance experience	Leadership; process discipline; integration of mandates	Often independent
Investment member(s)	Investment professional; CFA charterholder or equivalent	Asset allocation; manager evaluation; risk	May be internal or external
Finance / audit member	Accountant or auditor	Financial reporting; controls; valuation	Internal or external
Legal / canonical member	Civil counsel; canonist or canonical adviser	Fiduciary, charity, and canon-law compliance	Advisory; may be ex officio
Mission / charism member	Member of the institute or mission leader	Fidelity to charism; ethical-screening judgement	Internal
Finance officer / treasurer (oekonomus)	Institution's senior finance executive	Liquidity; cash-flow; implementation interface	Ex officio (often non-voting)
Independent external member(s)	Experienced institutional investor	Specialist expertise; external challenge	Independent

Process. The committee meets on a regular cycle (commonly quarterly, with provision for extraordinary meetings) against a structured agenda: review of performance against objectives and benchmarks; review of compliance with the Investment Policy Statement, including ethical-screening exceptions; manager monitoring; risk reporting; and consideration of any strategic or policy matters. Decisions are minuted, with reasoning recorded. An annual cycle adds a review of the Investment Policy Statement and strategic asset allocation, an assessment of the committee's own effectiveness, and an education component to maintain and develop competence.

The advisory ecosystem. Most institutions cannot, and need not, hold all required competence internally. The committee is typically supported by an ecosystem of external parties whose roles must be clearly distinguished and overseen: an **investment consultant or outsourced chief investment officer (OCIO)** providing advice or delegated implementation; **asset managers** executing mandates; a **custodian** holding assets and providing independent records; **auditors**; and **canonical and civil counsel**. The committee's task is to define, oversee, and hold accountable this ecosystem — not to be captured by it. The distinction between an *advisory* consultant (who recommends, with the committee deciding) and a *discretionary* OCIO (who decides within a delegated mandate) is fundamental and must be explicit, because it determines where fiduciary responsibility for implementation resides.

Decision rights and the RACI discipline. Clarity of delegation (Principle 4) is operationalized through an explicit allocation of decision rights. A responsibility-assignment matrix — identifying who is *Responsible*, *Accountable*, *Consulted*, and *Informed* for each decision — prevents both the paralysis of unassigned responsibility and the drift of unauthorized action.

Table 5 — Decision rights matrix (RACI) for core investment governance decisions

Decision	Governing authority	Investment committee	CIO / OCIO / Consultant	Finance officer	Auditor
Approve mission, investment beliefs, IPS	A	R	C	C	I
Set strategic asset allocation & ranges	A	R	C	I	—
Define ethical-screening policy	A	R	C	I	—
Approve spending / distribution policy	A	R	C	C	I
Select / terminate managers	I / A*	A	R	C	—
Tactical positioning within ranges	I	A	R	I	—
Rebalancing within policy	I	I	R	C	—
Proxy voting / engagement policy	I	A	R	I	—
Monitor performance & compliance	I	A	R	C	C
Approve extraordinary acts / alienation	A	R	C	C	I
Approve annual report & accounts	A	C	C	R	R

*Where canon law or proper law requires the governing authority's consent for extraordinary acts (e.g., above alienation thresholds), accountability is reserved to that authority.

4.4 Reporting and Transparency

Reporting is the mechanism through which delegation is rendered accountable and through which the governance system makes itself visible to those it serves. Canon 1287 requires administrators of ecclesiastical goods to render an annual account to the local ordinary and provides that the faithful be informed of the goods offered to the Church — a canonical mandate for transparency that the framework treats as a governance baseline, not a ceiling.

Effective reporting is **layered by audience**. Different stakeholders require different information at different cadences. The governing authority requires assurance that the system is functioning and that objectives are being met; the investment committee requires the detailed information necessary to discharge oversight; members, donors, and beneficiaries require appropriate accountability for the use of the goods entrusted; and regulators require statutory disclosures. A single undifferentiated report serves none of these audiences well.

Table 6 — Reporting framework by audience, content, and cadence

Audience	Core questions	Principal contents	Typical cadence
Governing authority (bishop/finance council; superior/council; board)	Is the system sound and on course?	Summary performance vs. objectives; funded status; compliance attestation; key risks; material decisions	Quarterly summary; annual full review
Investment committee	Are we meeting objectives within policy and within values?	Full performance attribution; manager scorecards; allocation vs. ranges; ethical-screening exceptions; risk dashboard; compliance log	Quarterly (or monthly data pack)
Finance officer / treasury	Is liquidity sufficient and are cash flows met?	Liquidity ladder; spending vs. budget; cash-flow projection; capital calls and distributions	Monthly
Members / donors / beneficiaries	Are the goods used faithfully and prudently?	Plain-language stewardship report; mission outcomes; values alignment; aggregate performance	Annual
Regulators / external	Are statutory obligations met?	Statutory accounts; audited financial statements; required disclosures	As required by law

The committee’s working report — the **quarterly investment report** — should contain, at minimum: performance of the total fund and of each manager against agreed benchmarks over multiple horizons; attribution of performance to allocation and selection; the portfolio’s position relative to strategic asset-allocation ranges; a risk dashboard (Section 4.8); a manager-monitoring scorecard (Section 4.5); a record of ethical-screening compliance and any exceptions, with explanation and remediation; a stewardship report (engagement activity and proxy-voting record, Section 4.7); and a compliance attestation against the Investment Policy Statement. Reporting on the **fidelity** and **witness** mandates must be given equal standing with reporting on financial performance; a report that addresses returns in detail but treats values compliance as an afterthought signals that the dual mandate is not, in practice, being governed.

Two principles govern the quality of reporting. The first is **comparability**: performance should be reported against pre-agreed, appropriate benchmarks and, where relevant, in conformity with recognized standards such as GIPS, so that results can be assessed objectively rather than narratively. The second is **plain language for accountability**: the annual stewardship report to members, donors, and beneficiaries should communicate faithfully and intelligibly, translating technical results into an account of how the goods of the Church have been stewarded for the mission. Transparency that cannot be understood by those to whom it is owed is not transparency.

4.5 Manager Oversight

Most Catholic institutions invest principally through external asset managers. The selection, monitoring, and termination of these managers is therefore among the committee’s most consequential ongoing responsibilities, and the apparatus for discharging it is a defining test of governance maturity. Delegation to a manager does not delegate the fiduciary duty: the institution remains responsible for the prudent selection and continuing oversight of those to whom implementation is entrusted.

Selection proceeds through a structured due-diligence process that evaluates managers across multiple dimensions and is documented to evidence the prudence of the decision. The dimensions are conventionally summarized as the “P’s” of manager evaluation, here extended to the Catholic context.

Table 7 — Manager due-diligence dimensions

Dimension	What is assessed	Key questions
People	Quality, stability, and alignment of the investment team	Who manages the money? What is their experience, tenure, and incentive structure?
Philosophy	Coherence and durability of the investment approach	Is there a clear, repeatable source of return? Is it intelligible and credible?
Process	Discipline and repeatability of implementation	How are decisions made, risk controlled, and the philosophy enacted consistently?
Performance	Results, appropriately contextualized	How has the strategy performed against an appropriate benchmark and peers, net of fees, across cycles?
Portfolio	Current positioning and consistency with mandate	Does the portfolio reflect the stated philosophy? Is it within mandate?
Price	Fees and total cost, assessed against value	Are fees reasonable and aligned? What is the total cost of ownership?
Operations	Operational integrity and controls	Custody, valuation, compliance, business continuity, cyber security, regulatory standing
Fidelity (Catholic overlay)	Capacity and willingness to implement Catholic screening and stewardship	Can the manager implement the institution's screens, vote proxies consistently with policy, and report on both?

The **fidelity overlay** is decisive and is frequently the dimension institutions neglect. A technically excellent manager who cannot or will not implement the institution's ethical-screening policy, vote proxies consistently with the institution's stewardship guidelines, and report on values compliance is unsuitable for a Catholic mandate regardless of investment merit. Where suitable screened products do not exist, the committee must choose deliberately among options — a separately managed account that permits customization, a manager willing to apply the screens, a fund-of-one, or, where appropriate, engagement to encourage the development of compliant strategies — and must document the rationale.

Monitoring is continuous and structured. Each manager is monitored against a scorecard combining quantitative criteria (performance versus benchmark and peers over relevant horizons, risk metrics, tracking error, and fees) and qualitative criteria (team stability, adherence to philosophy and process, organizational change, operational and compliance standing, and — critically — continued fidelity to the institution's screening and stewardship requirements). Monitoring is not merely retrospective performance review; many of the most important warning signs are qualitative and precede performance deterioration.

Table 8 — Manager monitoring scorecard (illustrative)

Criterion	Indicator	Status (Green / Amber / Red)	Action threshold
Performance	Return vs. benchmark over rolling 3–5 years, net of fees		Sustained material underperformance → review
Risk	Volatility, drawdown, tracking error vs. mandate		Outside mandate parameters → review
Team	Stability of key personnel		Loss of key person → enhanced monitoring
Process adherence	Consistency with stated philosophy (“style drift”)		Unexplained drift → review
Organization	Ownership, AUM trend, regulatory standing		Material adverse change → review
Operations / cyber	Controls, valuation, business continuity, cyber posture		Control failure → review / suspend

Criterion	Indicator	Status (Green / Amber / Red)	Action threshold
Fidelity	Screening implementation; proxy voting per policy; reporting		Screening breach or refusal → remediation or termination
Fees	Total cost vs. value and peers		Unjustified cost → renegotiate / review

Termination follows a disciplined process rather than reaction to short-term results. The committee distinguishes between underperformance attributable to a strategy’s normal cyclicity (which may warrant patience) and deterioration in the factors that justified the appointment — the loss of key people, organizational instability, departure from philosophy, operational or compliance failure, or breach of fidelity requirements (which warrant action). A “watch list” mechanism, with defined criteria for placement, enhanced monitoring while on watch, and criteria for restoration or termination, formalizes this discipline and protects against both excessive patience and excessive haste. Termination decisions, like selection decisions, are documented with their reasoning.

4.6 Ethical Screening

Ethical screening is the function through which the **fidelity mandate** is operationalized at the portfolio level. The framework conceives screening not as a single act of exclusion but as a **layered system** with five tiers of increasing engagement, codified in the Investment Policy Statement and implemented through manager mandates. The five tiers correspond closely to the integrated method articulated in Catholic guidance — avoiding participation in gravely immoral activity, using the influence of ownership, and promoting the common good — and to the categories of responsible-investment practice.

Tier 1 — Exclusionary (negative) screening. The avoidance of direct investment in activities judged incompatible with Catholic moral teaching. Exclusions are the floor of fidelity, expressing the refusal of formal cooperation in grave evil. Categories commonly addressed in Catholic guidance include the production of abortifacients and direct participation in abortion; the manufacture of contraceptives where this conflicts with the institution’s commitments; the production of pornography; the production of weapons whose ordinary use is indiscriminate, and certain other armaments categories; and grave violations of human dignity. The precise scope, materiality thresholds (for example, the treatment of incidental revenue versus core business), and treatment of derivative exposures must be defined in policy rather than left to ad hoc judgement.

Tier 2 — Norms-based screening. The exclusion or constraint of issuers in serious and persistent breach of widely accepted norms concerning human rights, labor, the environment, and corruption. Where Tier 1 addresses categories of activity, Tier 2 addresses conduct, drawing on Catholic social teaching’s insistence on the dignity of work, human rights, and care for creation.

Tier 3 — ESG integration. The systematic incorporation of environmental, social, and governance factors into investment analysis where they are financially material and where they bear on the moral quality of the enterprise. Integration is not in itself an ethical screen but a discipline of analysis; for the Catholic investor it serves both the financial and the fidelity mandates by surfacing risks and conduct relevant to both.

Tier 4 — Positive and thematic tilts. The deliberate orientation of capital toward enterprises and activities that advance human dignity and the common good — for example, affordable housing, sustainable agriculture, access to health care and education, the care of creation, and authentic human development. This tier moves from avoidance toward affirmation and is the entry point to the optional **witness** mandate.

Tier 5 — Impact and mission-related investing. The intentional deployment of capital to generate measurable positive social or environmental outcomes alongside financial return, including investments directly related to the institution’s charism. This tier requires the most demanding apparatus of measurement and

the clearest articulation of the relationship between impact intent and the financial mandate.

Table 9 — The five-tier screening system, mapped to teaching and to instruments

Tier	Posture	Grounding in CST / Catholic guidance	Primary instruments	Reporting metric
1. Exclusionary	Avoid complicity in grave evil	Refusal of formal cooperation in evil; dignity of life	Restricted-securities list; mandate exclusions	Restricted-holdings audit; exceptions log
2. Norms-based	Constrain serious misconduct	Human rights; dignity of work; care for creation	Norms screen; watchlists	Breaches identified and actioned
3. ESG integration	Analyze material factors	Integral ecology; prudence	Manager research process; data	Integration in mandates; analysis quality
4. Positive / thematic	Orient toward the good	Common good; preferential option for the poor	Thematic allocations; tilts	Capital allocated to themes
5. Impact / mission-related	Generate measurable good	Universal destination of goods; charisma	Impact funds; direct investments	Impact outcomes vs. targets

Governance of screening. Three governance questions determine whether screening is robust or illusory. The *first* is **authority**: who decides the scope of screens? The framework reserves the definition of screening policy to the governing authority on the recommendation of the investment committee, with theological and canonical input as required, precisely because these are moral and not merely technical judgements. The *second* is **implementation**: how are screens enacted across a portfolio held through external managers and pooled vehicles? Separately managed accounts permit direct application of bespoke screens; commingled funds may not, requiring either the selection of compliant funds, engagement with managers, or — where compliance cannot be achieved — exclusion of the vehicle. The *third* is **verification**: how does the institution know its screens are being observed? Independent monitoring of holdings against the restricted list, a documented exceptions process with explanation and remediation, and periodic audit are the controls that convert a screening *policy* into a screening *practice*. The distinction between **formal cooperation** in evil (which is impermissible) and **remote material cooperation** (which may be tolerated under proportionate reason) is a matter for the institution’s moral and canonical advisers and should inform, but not be substituted for, the operating policy.

4.7 Stewardship and Active Ownership

Stewardship is the distinctively Catholic complement to screening. Where screening expresses what the institution will *not* hold, stewardship expresses what the institution will *do* with what it holds. It rests on a simple theological premise: ownership confers not only rights but responsibilities, and the rights of ownership — engagement with management and the casting of votes — are instruments through which the investor can promote human dignity, the dignity of work, the common good, and the care of creation within the enterprises it owns. This is the practical meaning, for an investor, of the “social mortgage” on property and of the principle of participation. Catholic guidance has consistently taught that the faithful investor is called not merely to withdraw from evil but to use the influence of ownership for good; *Mensuram Bonam* frames investment itself as a form of discipleship exercised through ownership.

Active ownership comprises three principal activities. **Engagement** is structured dialogue with the management and boards of investee companies, conducted to encourage conduct consistent with the institution’s values — whether directly, through the institution’s managers, or collaboratively with other investors. **Proxy voting** is the disciplined exercise of voting rights according to a written policy that reflects the institution’s values, rather than the default deferral to management or to a vendor’s standard policy. **Public witness and collaboration** include filing or co-filing shareholder proposals, joining investor coalitions, and contributing

to public dialogue, where these advance the common good and are consistent with the institution's prudence and standing.

Engagement is most effective when escalated through a defined ladder, beginning with private dialogue and proceeding, where necessary and proportionate, to firmer measures. The escalation ladder formalizes the principle that the investor should prefer persuasion to coercion and reserve stronger measures for serious and unremedied concerns.

Table 10 — The stewardship engagement escalation ladder

Stage	Action	When used	Posture
1	Private dialogue with management	First response to a concern	Constructive; informational
2	Written expression of concern; meeting with senior management/board	Concern not addressed in dialogue	Persuasive; specific asks
3	Voting against management (directors, pay, resolutions)	Concern persists; AGM mechanism available	Use of the vote as signal
4	Filing / co-filing shareholder proposals	Material concern; dialogue exhausted	Public, collaborative pressure
5	Public statement; coalition action	Serious, systemic, unremedied concern	Witness; reputational influence
6	Divestment	Engagement judged futile or complicity intolerable	Exit as last resort or moral necessity

The placement of **divestment** at the foot of the ladder is deliberate. In the stewardship paradigm, exit is the option of last resort: by selling, the investor relinquishes the influence that ownership confers and transfers it to a buyer who may have no such concerns. There are circumstances — where an activity is intrinsically evil, or where engagement has demonstrably failed — in which exit is the right or the morally required course. But the framework treats the choice between voice and exit as a matter for deliberate, documented judgement rather than reflex, recognizing that the Catholic tradition values both the refusal of complicity and the patient exercise of influence for the good.

Governance of stewardship. To be credible, stewardship must be governed, not merely professed. The institution should adopt a written **stewardship and voting policy**; assign responsibility for its implementation (typically to managers under instruction, overseen by the committee); ensure that voting is executed consistently with policy and not silently delegated to a vendor's default; and **report** on stewardship activity and outcomes with the same seriousness as on financial performance — recording engagements undertaken, votes cast against management, proposals filed, and results achieved. A stewardship policy that is not implemented and reported is indistinguishable, in its effects, from no policy at all. (A dedicated CFI framework — the *CFI Stewardship Model* — develops the stewardship function in full; the present paper situates it as one pillar of the governance architecture.)

4.8 Risk Management

Risk management in the Catholic institutional context is broader than the management of market volatility. The framework defines risk as any threat to the fulfilment of the institution's mandates — financial, fidelity, and witness — and adopts a comprehensive taxonomy that extends beyond the financial risks familiar from secular practice to the **mission and reputational risks** that are distinctive and, for a religious institution, often paramount.

Table 11 — Risk taxonomy for Catholic institutional investors

Risk category	Definition	Examples	Principal controls
Market risk	Loss from movements in asset prices	Equity, rate, credit, currency, spread risk	Strategic asset allocation; diversification; risk budget
Liquidity risk	Inability to meet obligations when due	Capital calls; spending needs unmet; forced selling	Liquidity ladder; cash buffers; pacing of illiquid commitments
Concentration risk	Excessive exposure to a single factor	Single manager, asset, sector, or counterparty	Diversification limits; counterparty limits
Operational risk	Loss from failed processes, people, systems	Settlement failure; valuation error; fraud	Controls; segregation of duties; custody; audit
Counterparty / custody risk	Failure of a counterparty or custodian	Manager fraud; custodian default	Independent custody; due diligence; monitoring
Cyber / information risk	Loss from cyber attack or data failure	Ransomware; fraudulent payment instructions	Cyber controls; payment verification; vendor assurance
Spending / sustainability risk	Spending erodes real capital over time	Over-distribution; failure of intergenerational equity	Spending policy; smoothing rule; sustainability testing
Governance risk	Failure of the governance system itself	Undefined delegation; conflicts; key-person dependence	This framework; charters; succession; review
Fidelity / values risk	Holding assets inconsistent with values	Screening breach; non-compliant fund	Screening controls; verification; audit
Reputational / scandal risk	Damage to the institution's standing and witness	Public association with grave wrongdoing	Values screening; stewardship; disclosure; vigilance
Mission risk	Failure to serve the mission as intended	Drift from charism; donor-restriction breach	Mandate alignment; purpose-restriction controls

The framework requires that risk be **governed as a system** through three mechanisms. The *first* is a **risk appetite statement**, articulated by the governing authority and embedded in the Investment Policy Statement, that expresses the institution's tolerance for each category of risk — including, importantly, its tolerance for tracking error and short-term financial under-performance that may accompany the fidelity and witness mandates. The *second* is a **risk dashboard** reviewed at each committee meeting, presenting key indicators against limits, so that risk is monitored continuously rather than examined only after losses. The *third* is **stress and scenario analysis** — the examination of the portfolio's behavior under adverse conditions (market dislocation, liquidity stress, inflation, and scenarios specific to the institution such as a sharp decline in donations or an unexpected spending demand) — so that vulnerabilities are identified before they are realized.

Two risks deserve particular emphasis because they are characteristically underweighted in religious institutions. **Liquidity risk** is frequently mismanaged by institutions that, attracted by the return premium of private and illiquid assets, commit beyond their capacity to meet capital calls and spending needs through market cycles; the discipline of a liquidity ladder — mapping assets and obligations across time horizons — is an essential control. **Reputational and scandal risk** is, for a religious institution, potentially existential: the discovery of a holding gravely inconsistent with the faith can damage the institution's witness and the trust of the faithful in a manner no financial return can offset. This is the risk that most clearly demonstrates why, for the Catholic investor, the fidelity mandate is not a constraint upon prudent governance but an element of it.

5. Best Practices

The following practices distil the framework into a set of operative norms that distinguish mature from immature governance. They are presented as a checklist against which an institution may assess itself.

1. **Adopt and maintain a written Investment Policy Statement.** The IPS is the central governing document, integrating objectives, strategic asset allocation, risk appetite, ethical-screening policy, stewardship policy, and governance arrangements. It is reviewed at least annually and approved by the governing authority. (A dedicated CFI framework develops the IPS in full.)
2. **Separate governance from management, and document delegation.** Reserve to the governing authority the matters canon law and prudence require; delegate clearly to the investment committee under a written charter; allocate decision rights explicitly (Table 5); and match every delegation with accountability.
3. **Constitute a competent, appropriately independent investment committee, and meet on a disciplined cycle.** Select for competence and integrity; include external expertise where internal competence is insufficient; manage conflicts of interest under a written policy; minute decisions with their reasoning; and review the committee's own effectiveness annually.
4. **Codify ethical screening as a layered system in policy, not as ad hoc judgement.** Define the scope, materiality thresholds, and treatment of pooled vehicles; reserve the definition of screens to the governing authority with theological and canonical input; and verify compliance through independent monitoring and audit.
5. **Govern stewardship as seriously as screening.** Adopt a written voting and engagement policy; ensure votes are cast consistently with it; escalate engagement deliberately; and report activity and outcomes.
6. **Oversee managers through structured selection, monitoring, and termination.** Document selection against the due-diligence dimensions including the fidelity overlay; monitor against a scorecard combining quantitative and qualitative criteria; operate a watch list; and document termination decisions.
7. **Adopt a comprehensive risk framework and a sustainable spending policy.** Articulate risk appetite; monitor a risk dashboard; conduct stress and scenario analysis; manage liquidity through a ladder; and set spending to preserve real capital and intergenerational equity.
8. **Report by audience, and in plain language for accountability.** Provide the governing authority with assurance, the committee with detail, and members, donors, and beneficiaries with an intelligible account of stewardship; give fidelity and witness reporting equal standing with financial reporting; and meet the canonical duty to render account (c. 1287).
9. **Maintain records, an asset register, and an audit trail.** Keep an inventory of goods (cc. 1283–1284), minute deliberations, and preserve documentation sufficient to evidence prudent process and to ensure continuity across changes in personnel.
10. **Plan for succession and continuity.** Avoid key-person dependence; document processes; and ensure that the loss of any individual does not impair the governance of the patrimony.

Table 12 — Governance maturity model

Dimension	Level 1: Initial	Level 2: Developing	Level 3: Defined	Level 4: Managed	Level 5: Optimized
Policy (IPS)	None / informal	Basic, outdated	Written, current, approved	Reviewed annually; integrated	Living document; regularly improved
Delegation	Undefined	Partial	Charter; RACI defined	Monitored; accountability enforced	Continuously refined
Committee	Ad hoc / none	Exists; weak process	Competent; disciplined cycle	Independent expertise; self-evaluation	High-performing; developmental

Dimension	Level 1: Initial	Level 2: Developing	Level 3: Defined	Level 4: Managed	Level 5: Optimized
Screening	Informal / none	Exclusions only, ad hoc	Codified, layered policy	Verified and audited	Integrated across all tiers
Stewardship	None	Voting outsourced by default	Written policy; voting per policy	Active engagement; reported	Collaborative leadership; measured impact
Manager oversight	Trust-based	Periodic review	Structured selection & monitoring	Watch list; documented decisions	Best-in-class diligence
Risk	Market only	Several categories	Comprehensive taxonomy	Dashboard; stress testing	Embedded; forward-looking
Reporting	Minimal	Financial only	Layered by audience	Equal standing for fidelity/witness	Transparent; benchmarked

6. Case Studies (Illustrative Composites)

The following case studies are composites, constructed for pedagogical purposes from patterns commonly observed across religious-institution portfolios. They do not describe any identifiable institution. Each illustrates the application of the framework to a recurring governance situation.

Case Study A — A mid-sized diocese: from informal stewardship to defined governance

Situation. A diocese administers a consolidated investment fund aggregating an endowment, clergy retirement reserves, cemetery funds, and several donor-restricted gifts. Historically, investment decisions were made by the finance officer in consultation with a single trusted external adviser. There was no written Investment Policy Statement; ethical screening consisted of an informal understanding that “we don’t invest in anything inappropriate,” unverified against actual holdings. Performance was reported to the finance council annually, in financial terms only.

Diagnosis against the framework. The diocese sat at Level 1–2 of the maturity model across most dimensions. Governance and management were conflated in a single official (violating Principle 3); delegation was undocumented (Principle 4); fidelity was professed but neither codified nor verified (Section 4.6); and risk was understood only as market volatility, with liquidity needs across the several sub-funds unmapped (Section 4.8). A subsequent review revealed holdings, within a commingled fund, inconsistent with the diocese’s stated commitments — a fidelity-risk and reputational-risk exposure that had gone undetected for years.

Intervention. The finance council, exercising its canonical oversight role (cc. 492–494), constituted an investment committee under a written charter, adding two members with investment and audit competence and one independent external member. The committee adopted an Investment Policy Statement integrating a strategic asset allocation, a written five-tier screening policy, a stewardship policy, and a risk-appetite statement. Commingled funds were assessed for screening compatibility; where compatibility could not be achieved, separately managed accounts were substituted to permit direct application of the diocese’s screens, and a quarterly restricted-holdings audit was instituted. Reporting was restructured by audience (Table 6), with an annual plain-language stewardship report to the faithful satisfying the duty of c. 1287.

Outcome. Within two cycles the diocese reached Level 3–4 maturity. The fidelity breach was remediated; liquidity across sub-funds was mapped and managed through a ladder; and the governance system became transparent and accountable. The intervention required no exceptional resources — only the disciplined application of the framework.

Case Study B — A religious congregation in demographic transition

Situation. A congregation of declining and ageing membership administers patrimony intended to support its members in retirement and to sustain its charism through sponsored ministries. The investment horizon, once effectively perpetual, is now bifurcated: a defined and rising liability to care for ageing members over a finite horizon, and a desire to endow the charism beyond the congregation's own life.

Diagnosis. The congregation faced a classic asset-liability and intergenerational-equity problem complicated by demographic decline. Spending pressure from members' care needs threatened the preservation of capital required to endow the charism — a sustainability-risk and mission-risk interaction (Section 4.8). The proper law of the institute, and the role of the bursar (oeconomus) and council, framed the governance, but no explicit policy reconciled the competing claims.

Intervention. The council, advised by the investment committee, separated the patrimony conceptually into a *care* pool (matched to the projected liability for members' support, managed with a shorter horizon and greater liquidity and capital-preservation emphasis) and a *legacy* pool (endowed to sustain the charism, managed with a longer horizon). A spending policy was adopted for each, tested for sustainability under adverse scenarios. Acts contemplated for the legacy pool that touched the stable patrimony were assessed against the alienation rules (cc. 1291–1294) and the consents required by the proper law. Mission-related and impact allocations (Tier 5) were directed toward activities continuing the charism, so that the legacy pool itself bore witness to the congregation's mission.

Outcome. The congregation gained a defensible, documented basis for reconciling care for present members with the endowment of its charism — converting an anxious, ad hoc tension into a governed, transparent policy. The case illustrates that governance is not the preserve of large or growing institutions; institutions in decline face the most acute stewardship problems and benefit most from disciplined frameworks.

Case Study C — A foundation building a stewardship capability

Situation. A Catholic foundation with a clearly defined grant-making mission held a well-diversified portfolio and had long applied exclusionary screens. It professed a commitment to the dignity of work and the care of creation but exercised no active ownership: proxies were voted by default along management lines through its managers' standard policies, and no engagement was undertaken.

Diagnosis. The foundation had implemented the fidelity mandate only in its avoidance dimension (Tier 1) and had neglected its affirmative dimension (Tiers 4–5) and the stewardship pillar (Section 4.7) entirely. It was, in the framework's terms, refusing complicity in evil but declining to use the influence of ownership for good — a partial discharge of the Catholic investor's vocation.

Intervention. The board adopted a written voting and engagement policy aligned to its values, instructed its managers to vote accordingly and to report votes cast, and joined a collaborative investor coalition to amplify its engagement on issues central to its mission. It introduced an engagement escalation discipline (Table 10) and began reporting stewardship activity and outcomes alongside financial performance. A modest allocation to mission-related investments (Tier 5) was initiated, with an impact-measurement framework.

Outcome. The foundation moved from a defensive to an integral practice of Catholic investing, exercising both voice and capital in the service of its mission, and gaining a stewardship narrative that strengthened its accountability and witness. The case demonstrates that screening and stewardship are complementary, not alternative, and that mature Catholic governance requires both.

7. Recommendations

The framework yields a set of prioritized recommendations for institutions, for the advisers who serve them, and for the wider Catholic financial ecosystem.

For institutions (dioceses, congregations, foundations, and other ecclesiastical entities):

1. **Assess current maturity** against the model in Table 12, candidly and across all eight dimensions, to establish a baseline and identify priorities.
2. **Establish the foundations first:** a written Investment Policy Statement, a chartered investment committee with clear delegation, and a documented screening policy. These three are the indispensable core; institutions should not pursue sophistication in any pillar while the foundations are absent.
3. **Verify, do not assume, fidelity:** institute independent monitoring of holdings against screens, and treat fidelity and reputational risk as first-order governance concerns.
4. **Govern stewardship**, not merely screening: adopt a voting and engagement policy and report on its exercise.
5. **Build risk and liquidity discipline** appropriate to the portfolio's complexity, with particular attention to liquidity, sustainability, and reputational risk.
6. **Apply subsidiarity to governance itself:** adopt arrangements proportionate to scale, and collaborate with peer institutions to access competence and scale that no single small institution can achieve alone.

For advisers, asset managers, and intermediaries serving Catholic institutions:

7. **Develop genuine fidelity competence:** the capacity to implement bespoke Catholic screens, to vote and engage consistently with an institution's values, and to report on both. Technical investment competence without fidelity competence is insufficient for this market.
8. **Report on the dual and triple mandates** with equal rigor, resisting the temptation to treat values compliance as a marketing overlay rather than a governed obligation.

For the Catholic financial ecosystem (including the Catholic Finance Institute):

9. **Develop shared standards and instruments** — model policies, due-diligence questionnaires, screening taxonomies, and impact metrics — so that the cost of robust governance falls and small institutions are not excluded by want of scale.
10. **Foster collaboration and the pooling of capacity**, enabling smaller institutions to achieve, collectively, the governance quality and stewardship influence that elude them individually.

8. Implementation Roadmap

The framework is implemented as a sequenced program rather than a single event. The roadmap below sets out a four-phase sequence, adaptable to institutional scale. Phase durations are indicative; the logical order — foundations before sophistication — is essential.

Table 13 — Four-phase implementation roadmap

Phase	Objective	Key activities	Principal deliverables	Indicative timeframe	Primary owner
Phase 1 — Assess & Establish	Create the governance foundation	Maturity assessment; constitute / reconstitute committee; draft charter; conflicts policy; inventory of assets	Maturity baseline; committee charter; RACI; asset register	Months 0–3	Governing authority + committee

Phase	Objective	Key activities	Principal deliverables	Indicative timeframe	Primary owner
Phase 2 — Codify Policy	Make objectives, values, and risk explicit	Draft IPS: objectives, strategic asset allocation, risk appetite; five-tier screening policy; spending policy	Approved IPS; screening policy; spending policy	Months 3–6	Investment committee
Phase 3 — Operationalize	Implement and verify	Manager review against due-diligence dimensions (incl. fidelity); transition to compliant mandates; restricted-holdings monitoring; voting & engagement policy; risk dashboard; reporting by audience	Compliant manager line-up; verification process; stewardship policy; reporting suite	Months 6–12	Committee + finance officer + advisers
Phase 4 — Mature & Sustain	Embed continuous improvement	Annual IPS review; committee self-evaluation; stress testing; stewardship reporting; succession planning; periodic audit	Annual review cycle; effectiveness review; succession plan	Ongoing (annual cycle)	Governing authority + committee

Critical success factors. Implementation succeeds where four conditions hold. *Sponsorship*: the governing authority owns the program and signals its priority. *Sequence*: foundations precede sophistication; an institution that pursues impact investing or private markets while lacking a written policy and clear delegation builds on sand. *Competence*: the institution secures, internally or through advisers, the competence each phase requires. *Proportionality*: the program is scaled to the institution; a small congregation implements a lighter version of the same logic, not a different logic. The most common implementation failure is not technical but sequential — the pursuit of investment sophistication ahead of governance foundations.

9. Conclusion

The temporal goods of the Church and of religious institutions are mission capital, held in trust for worship, ministry, charity, and the care of the poor, and intended to serve the present without exhausting the future. Their governance is therefore at once a financial discipline and an act of ecclesial stewardship — and the central challenge facing Catholic institutional investors is not a contest between fidelity and prudence but the absence, in too many institutions, of governance architecture capable of holding the two together.

This paper has argued that the integration of moral and financial obligation is not a compromise but a single, coherent standard of *faithful prudence*, and that for a purpose-bound asset owner the mission is constitutive of, not external to, the prudent-investor analysis. It has located that integration in three normative orders — Catholic social teaching, canon law, and civil and fiduciary law — and shown how each, properly under-

stood, points in the same direction. And it has offered a reference architecture, the **CFI Catholic Investment Governance Framework**, expressed through ten governance principles and eight functional pillars — governance principles, fiduciary responsibilities, investment committees, reporting and transparency, manager oversight, ethical screening, stewardship and active ownership, and risk management — together with a maturity model, best practices, illustrative cases, recommendations, and a phased implementation roadmap.

The framework's central conviction is that good governance is not an administrative burden imposed upon mission but the very means by which mission is faithfully served. An institution that governs its patrimony well — that defines its objectives and values, delegates clearly and accountably, screens and stewards with discipline, oversees its managers and its risks, and renders a true account of its stewardship — is an institution that has made its capital an instrument of the Gospel rather than a source of anxiety, opacity, or scandal. That is the standard to which the goods of the Church are entitled, and the standard this paper, and the work of the Catholic Finance Institute, exists to advance.

This is the first in a series of CFI frameworks. Subsequent papers develop in full several functions treated here in summary — among them an Investment Policy Statement framework for religious institutions, a Catholic values investing due-diligence questionnaire, a dedicated stewardship model, and handbooks on Catholic finance and on the asset management of religious institutions — so that the architecture set out here may be matched, function by function, with the operational instruments required to build it.

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- Note on sources.* References to magisterial and canonical texts are given by document and year; readers should consult the authoritative editions, including the official Latin of the *Code of Canon Law* and the most current revisions of guidance documents such as the USCCB *Socially Responsible Investment Guidelines*. The bibliography is selective and intended to ground the framework in the principal literatures it synthesizes rather than to be exhaustive.

11. Appendices

Appendix A — Investment Committee Charter (outline template)

A charter should address, at minimum, the following elements. Institutions should adapt the template to their juridic form and proper law and should obtain canonical and civil-law review before adoption.

1. **Purpose and authority** — the committee’s mandate; the governing authority from which it derives; the scope and limits of delegated authority.
2. **Reserved matters** — decisions reserved to the governing authority (e.g., approval of the IPS and

strategic asset allocation; screening policy; extraordinary acts and alienation above canonical thresholds).

3. **Composition and appointment** — number and qualifications of members; appointment and removal; terms; the chair; external and ex officio members.
4. **Conflicts of interest** — disclosure requirements; recusal; the conflicts register.
5. **Meetings and decision-making** — frequency; quorum; voting; minutes; extraordinary meetings.
6. **Responsibilities** — IPS oversight; strategic asset allocation; manager selection, monitoring, and termination; screening oversight; stewardship oversight; risk oversight; reporting.
7. **Delegation and decision rights** — the RACI allocation (Table 5); thresholds for escalation.
8. **Advisers and service providers** — appointment and oversight of consultant/OCIO, custodian, auditor, and counsel; the advisory/discretionary distinction.
9. **Reporting** — to the governing authority and to other audiences (Table 6).
10. **Review** — annual review of the charter, the IPS, and the committee's own effectiveness.

Appendix B — Investment Policy Statement (cross-reference)

The Investment Policy Statement is the central governing document referenced throughout this framework. A complete IPS for a religious institution should integrate: statement of purpose and mission; investment objectives and time horizon; governance and delegation; risk tolerance and risk-appetite statement; strategic asset allocation and ranges; spending/distribution policy; manager selection and monitoring criteria; the five-tier ethical-screening policy; the stewardship and proxy-voting policy; rebalancing policy; and reporting requirements. The CFI develops the IPS in full in a dedicated companion framework; this paper situates it as the policy instrument through which the eight governance pillars are codified and made operative.

Appendix C — Glossary of selected terms

Term	Meaning in this framework
Ecclesiastical patrimony / temporal goods	Property held by public or private juridic persons in the Church, ordered to the ends of canon 1254 §2.
Stable patrimony (<i>patrimonium stabile</i>)	Assets lawfully designated to provide ongoing support; subject to special protections and to the alienation rules (cc. 1291–1294).
Ordinary / extraordinary administration	Routine acts within delegated authority vs. significant acts requiring specified consents (c. 1281).
Alienation	The transfer or encumbrance of stable-patrimony assets above prescribed thresholds, requiring canonical permission.
Finance council / finance officer (<i>oeconomus</i>)	Canonically required organs of financial oversight and administration (cc. 492–494; 1278).
Prudent investor rule	The civil-law standard requiring a sound overall strategy, diversification, and ongoing monitoring; codified for institutional funds in UPMIFA.
Dual / triple mandate	Financial sufficiency and fidelity (and, optionally, witness) pursued simultaneously.
Five-tier screening	Exclusionary; norms-based; ESG integration; positive/thematic; impact/mission-related.
Active ownership / stewardship	Engagement, proxy voting, and public witness through the rights of ownership.
Intergenerational equity	The even-handed treatment of present and future beneficiaries through spending and preservation.
Formal vs. remote material cooperation	Moral-theological distinction governing the permissibility of association with the wrongdoing of others; a matter for the institution's moral and canonical advisers.

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