



Church Investors Group Annual Conference 2014: 31st March - 1st April

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Church
Investors
Group

The Church Investors Group Conference was attended by delegates representing the following church investor organisations:

Advisory Committee of the Charifaith Common Investment Fund

Arbeitskreis Kirchliche Investments

The Archbishops' Council

Baptist Union of Great Britain

BMS World Mission

CBF Church of England Funds

Central Finance Board of the Methodist Church

The Children's Society

Christian Aid

Church Commissioners for England

Church of Scotland Investors Trust

Church of Sweden

Council of Lutheran Churches

Heart of England Baptist Association

Joint Advisory Committee on the Ethics of Investment
(Methodist Church)

Jesuits in Britain

Joseph Rowntree Charitable Trust

Medical Mission Sisters

Methodist Ministers Pension Scheme

OVF (Norwegian Church Endowment Fund)

Plater Trust

Polden Puckham Charitable Foundation

Religious Society of Friends

Servite Friars

URC Eastern Synod

URC Ministers Pension Fund

William Leech Foundation



Welcome from the CIG Chair - Bill Seddon

Welcome to this overview of the Church Investor's Group's 2014 Conference. Whilst it is only in its second year the CIG Conference is quickly becoming an established part of our programme and we were delighted that over 80 people joined us.

We are proud that our membership includes global leaders in ethical investment and the CIG Conference provides a unique forum for them to share their expertise as we endeavour to represent the Christian faith within our investment portfolios. We are well aware that we work in a constantly changing environment and that we all need to adapt and develop our approaches over time. For this reason the contributions of all our speakers over the two days was of great benefit to members and we continue to be tremendously grateful for the time and effort freely given by such highly regarded experts in their respective fields.

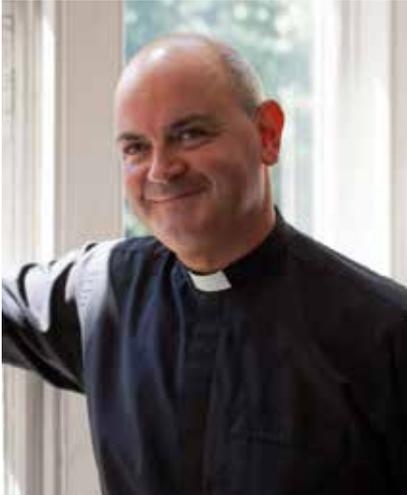
It is no surprise that climate change dominated the conference's agenda. It is the major ethical investment issue of our time and we remain committed to helping members play their part in accelerating the transition to a sustainable low carbon economy, whilst recognising the risks and opportunities that climate change poses for our investment portfolios.

I hope that this brief report conveys the sheer depth and breadth of the issues that our members take into account in their investment practice and provides a showcase for their good work.

Bill Seddon

MONDAY 31st MARCH 2014

Opening act of worship: The Reverend Canon Mark Oakley, Canon Chancellor St Paul's Cathedral



“Unless you stand for something, you will fall for anything”

The Reverend Canon Mark Oakley, Chancellor of St Paul's Cathedral, through an opening act of worship, reminded delegates of the need to look beyond the distractions that surround society and, particularly, the investment sector. He warned of the false gods of “Gloss”, who focus us on surfaces and promotion; “Obese”, who promotes an endless hunger for more; “Punch”, who promotes

combative existence and withdrawal from human connection; and “Instantaneous”, who overemphasises ‘now’ to the detriment of the long-term. As church investors our delegates were reminded of the need to see these self-referential gods for what they are and to be rooted in the generosity and eternal values of a fresh Christian faith.

Energy Scenarios to 2035:



Paul Appleby
Head of Energy Economics, BP

The delegates engaged with BP over their projections for energy demand and sources. To allow a full, frank, and productive discussion the content of all CIG engagement sessions is treated as confidential by all of the participants in the meeting. However, the presentation slides showing BP's approach are available at:

http://www.bp.com/content/dam/bp/ppt/Energy_economics/Energy_Outlook_2035_presentation.pptx.

Climate Change and Church Investors

Climate change continues to be a key issue for CIG members both in terms of protecting the value of their investments and also playing a key role in promoting the transition to a sustainable low carbon economy. This session gave members a clear sense of the steps that they could take.

Dr Rory Sullivan, Consultant to the Church of England Ethical Investment Advisory Group



Rory reminded the conference of the important need to integrate climate change into all investment activity given the financial risks and opportunities it posed. He also cautioned that the

impacts of climate change will differ across assets and asset classes, and that therefore, investors should be wary of adopting a one-size fits-all approach to assessing risks and opportunities.

In regards to investor ethics Rory reminded delegates of their fiduciary duties and highlighted four steps that church investors could take when developing climate change policies. First, they could join wider groups, such as the Institutional Investors Group on Climate Change (IIGCC), in pushing governments to adopt suitable legal frameworks. Second, through

engagement with companies, CIG members could, and should, encourage the companies that they invest in to reduce their greenhouse gas emissions and work with them to ensure that any governmental lobbying aligns with the investor's own policy position on climate issues. Third, he noted that church investors are ideally placed to provide a moral voice on the issue in and beyond investment market. Fourth, he suggested that church investors could also influence investment markets by asking their investment managers questions on the steps that they are taking on their behalf.



Morgan LaManna, Project Manager Institutional Investors Group on Climate Change

Morgan provided delegates with an update on IIGCC's work with governments to promote public policy solutions that would provide the framework for an accelerated transition to a low carbon economy. She noted the increased importance of this in the run up to the forthcoming

inter-governmental negotiations in Lima in 2014 and Paris in 2015. She finished by thanking CIG members for their continued support and noted the longstanding agreement whereby the CIG paid a central membership fee that allowed the majority of members to support IIGCC free of charge.

Helen Wildsmith, Head of Ethical and Responsible Investment, CCLA



Helen informed delegates of the importance of active engagement. She described how the Church Investors Group's annual greenhouse gas

engagement programme, conducted by the CBF Church of England Funds on behalf of all CIG members, was actively making a difference and raising corporate environmental standards across the UK market as a whole. This encouraged FTSE100, and FTSE250 constituent companies (in carbon intensive sectors), that could be considered to be laggards in their disclosure and management of greenhouse gas emissions, to improve their CDP score. 53 companies had been engaged during 2013 and 72% of these had improved their score following the project. This

had been analysed by academics at the University of Edinburgh who found that the improvement within FTSE250 companies could, with a 90% confidence rate, be attributed to the CIG's engagement work. She finished by noting how companies within the utilities and extractives sectors were particularly at risk from changing public policy and that some of the largest CIG members were working with the 'Aiming for A' coalition of investors to help them improve their practices to the level that would qualify for entry into the CDP Carbon Performance Leadership Index.

Modern Slavery

CIG members continue to be interested in the ways in which the corporate world can contribute to initiatives that help reduce modern slavery. This session built upon engagement work that they had conducted in 2012 helping FTSE 100 constituent hoteliers develop and implement initiatives to help staff mitigate the risk of their facilities being used for the purposes of child sex trafficking. This engagement had been conducted as part of an international coalition of faith investors and built upon the longstanding work of CIG partner the Interfaith Center for Corporate Responsibility.



Nick Grono, CEO The Freedom Fund

Nick informed the conference that whilst it was estimated that there were several thousand victims of human trafficking in the UK, estimates suggested that there were upwards of 30 million victims worldwide. This took on a number of forms including domestic servitude, bonded labour, child soldiers, and labourers producing, for example, products in mobile phones. He noted that The Freedom Fund was the world's first private donor fund dedicated to ending modern slavery. It identifies and invests in community-based organisations working on the frontlines against slavery in those regions of the world with the highest concentration of slavery.

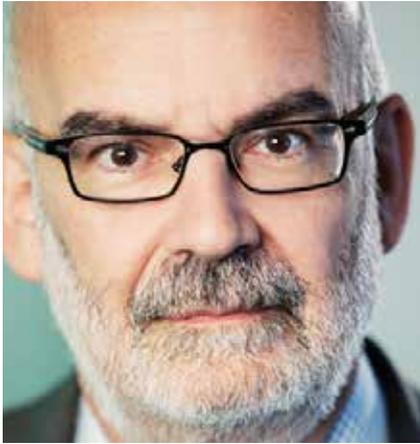


**Laura Berry, Executive Director,
the Interfaith Center for Corporate Responsibility**

Laura introduced the longstanding engagement work that had been conducted by ICCR members to help reduce levels of modern slavery. This had been conducted with companies in a variety of sectors but had focussed on the hospitality industry where they had worked with airlines and hoteliers amongst other sectors. Amongst many successes the engagement had aided the recovery of seven trafficked girls during the Super Bowl.

Ethics in Business

The CIG aims to promote responsible business standards in the companies our members invest in and our members are very interested in promoting high standards of ethical conduct.



Peter Montagnon,
Associate Director, Institute of Business Ethics

Peter addressed the conference noting that it was essential that businesses adopted high standards of business ethics as a method of rebuilding trust. However, if this was to be successful ethics had to be embedded into a company's business model through a sole focus on adding value to the end customer. He finished by giving examples of business who had achieved success by adopting this model and those who had not by ignoring it.



Nick Spencer, Research Director, Theos

Nick explored the notion of 'Self interest ethics' in relation to the operation of business. He noted that issues had arisen because a 'self interest gap' had arisen between companies and societies meaning that the two were not working in alignment. He concluded by noting, however, that 'self interest ethics' could be mutually beneficial for both companies and society if a business' purpose is in line with society's needs.

**Mark Burton, Global Head
of Leadership, Talent and
Resourcing, Barclays**

Mark noted that he had been at Barclays for 18 months and was tasked with embedding a new cultural approach within the bank as a whole. His focus was on ensuring that, in the moment of choice, Barclays staff made the correct decision.

A significant challenge in this regard was working to embed the right values in group behaviour. Whilst this would be a long process Mark stated that he had already identified positive outcomes from the programme.

TUESDAY 1st APRIL 2014

Keynote Speech: Lord Deben, Chair UK Committee on Climate Change



“Climate change becomes more urgent every day; it is time to ask what you are doing that makes the difference”

Lord Deben, Chair of the Independent Committee on Climate Change - responsible for setting the UK's carbon budget, gave the keynote speech. He began by noting that climate change was difficult for the population at large.

Scientists always insist that however sure they are of facts they must always be open to any new facts.

This proper reservation can always be presented as uncertainty while politicians who deny climate change can offer their unshakeable certainty. However, the overwhelming consensus of science is that man-made climate change is happening and therefore none of us can avoid the responsibility to take action. Each day of inaction made the problem, and the cost for investors, worse.

Technology development was critical to establishing a low carbon transition. A key development would be the ability to store electricity from renewable sources and Lord Deben was heartened by the work of Google, amongst others, in this regard. Collaborative efforts were required to implement carbon capture and storage at a meaningful scale and nuclear technology should be seen as an important bridging step on the journey to renewable energy.

Church investors had a moral obligation to be at the forefront of best practice amongst the wider investor community. However, there was no easy single socially responsible investment approach. Instead, Lord Deben argued that church investors should be working at three levels. The first was at the political level as changing public policy would be central to enhancing the transition to a low carbon economy and investors had a key role to play in this regard as governments did listen to them. Second, rather than advocating divestment church investors were challenged to work with the extractives and energy companies to learn which ones wanted to be part of the climate solution. By way of example Statoil were pushing for a clear international policy framework and increasing their investment in renewable technologies. Lord Deben warned that stranded assets could become a reality for extractives companies who did not transition. Finally, church investors needed to go further in their engagement and push companies about how they intended to contribute to the world in 2035.

In conclusion the conference were reminded that the church existed to bring change to the world. Businesses were not perfect and should be encouraged to become part of the climate solution. The question of how to address this challenge was at the heart of stewardship and delegates were encouraged not to support the companies who did not respond to their engagement.

Impact Investment

Whilst working within the constraints of fiduciary duty, church investors have been amongst the leaders in understanding the positive impact that can be realised through their investment portfolios.



James Perry, CEO, Panahpur

James addressed the conference and introduced Panahpur, a charitable foundation that was managed along Christian lines. He reminded the conference that, although church investors existed to maximise invested value for their beneficiaries, they should not be ashamed of their moral conscience and the work that they do to promote the church's values.

In this light James stated that all mainstream investment asset classes could also deliver benefit to a church's mission and gave examples of how investment

organisations had used different approaches, such as values-led engagement, to optimise positive outcomes as well as maximising investment return.

As a foundation Panahpur did not have obligations to beneficiaries in the way that several other CIG members did. As a consequence they were seeking to play a leading role in advocating impact investing and bringing the market to a scalable level for mainstream investors. One example had been their support for the Social Stock Exchange.



Tomas Carruthers, CEO, The Social Stock Exchange

Tomas introduced the Social Stock Exchange, an attempt to bring scale and liquidity to the impact investment market. Companies listed on the exchange normally also had listings on other, more mainstream, markets. Through the Social Stock Exchange companies were seeking investors who were both financial and mission orientated. Listed companies had to produce an impact report in addition to conventional financial reporting. Tomas concluded by noting that this was the first phase of the Social Stock Exchange's plan.

Portfolio Monitoring: Environmental Impact

As church investors CIG members are aware of the risks that climate change could pose to the value of their value of their investments. In this session two members informed the conference of initiatives that they have been involved in to identify the greenhouse gas risks inherent within their portfolio.



Christophe Boryciewicz, Senior Fund Manager, Central Finance Board of the Methodist Church

Christophe introduced the Central Finance Board of the Methodist Church's longstanding approach to monitoring the carbon emissions inherent within their portfolio. This formed part of the CFB's ethical investment approach and they aimed to reduce the carbon footprint of their portfolio year-on-year. The monitoring was conducted through the use of data provided by Trucost.



Susan Seymour, Trustee, Joseph Rowntree Charitable Trust; Frances Way, Co-Chief Operating Officer, CDP; Dr Max Horster, Managing Partner, South Pole Capital

Susan (Joseph Rowntree Charitable Trust), Frances (CDP), and Max (South Pole Group) presented a project to measure the climate impact and monitor the carbon emissions inherent within one of their investment portfolios managed by CCLA.

Ms Seymour informed the conference that the Joseph Rowntree Charitable Trust had received a grant to fund the work and saw the project as part of their commitment to being a responsible investor and support innovative

work in the sector. It also helped the trustees understand some of the risks within the portfolio.

Frances and Max noted that carbon emissions reporting helped investors identify climate risks and opportunities within their portfolio. The risks were both financial, due to the possible impact of new regulation on the business within the portfolio, and reputational. The study had been conducted using both quantitative and, for the first time, qualitative analysis. The quantitative data was based upon businesses' carbon

disclosure, validation and modelling where necessary. The qualitative analysis was assessing in a forward-looking approach whether, amongst other factors, climate change was properly factored into the business model and supply chain.

By way of conclusion it was noted that the carbon footprint of the Joseph Rowntree Charitable Trust portfolio was 4,100 tonnes of CO₂ in comparison to 7,400 tonnes if the same amount of money was invested in the MSCI UK All Cap index (the fund's benchmark).



'Being Good Stewards' Church Investment and Corporate Engagement

Church investors place a large emphasis on active ownership of the companies in which they invest. This takes the form of monitoring the risks (financial or ethical) that they face, aiming to 'lift all boats' by raising the standards of corporate management of environmental, social, and governance factors across the market as a whole, and putting in 'heavy lifting' with individual companies where the situation demands it. The session featured examples of each of these engagement types.

Edward Mason, of the Church of England's Ethical Investment Advisory Group, informed conference delegates of the ethical investment issues he monitored on a recent trip to Israel. Dr Tatiana Rodionova, of the University of Edinburgh, explained an academic analysis she had conducted on the

CIG's engagement work on the management of carbon emissions. This showed that church investors were making a very real difference across the UK market as a whole. Finally, Stephen Beer, of the Central Finance Board of the Methodist Church, explored the issues surrounding Royal Dutch Shell's

hydraulic fracturing joint venture in China.

More details of CIG members' approach to engagement can be found in the publication 'Being Good Stewards', available at:

www.churchinvestorsgroup.org.uk

About the Church Investors Group

The Church Investors Group (CIG) is a group of institutional church investors, predominantly connected with the churches of Britain and Ireland, with combined investment assets of over c£15 billion. We believe it will serve to increase the witness and influence of the Church in society if our investment portfolios reflect the moral stance and teachings of the Christian faith.

It has four key aims:

- to encourage the formulation of investment policies based on Christian ethical principles;
- to assist each other in putting such policies into practice;
- to encourage responsible business practices through engagement with company managements;
- to share information and views on ethical matters related to investment.

The re-formed CIG took effect from 1 January 2005, building on an informal ecumenical ethical investment network that had existed since 1973. It is a collaborative ecumenical venture that seeks to empower and inform members as they pursue their own independent views and policies. Membership is open to investment or trustee bodies representing the charitable and pension funds of denominations, dioceses, religious orders and Christian based charities or their equivalents.

The CIG secretariat is provided by

CCLA

For more information please visit the Church Investors Group website www.churchinvestorsgroup.org.uk or contact the CIG secretariat info@churchinvestorsgroup.org.uk