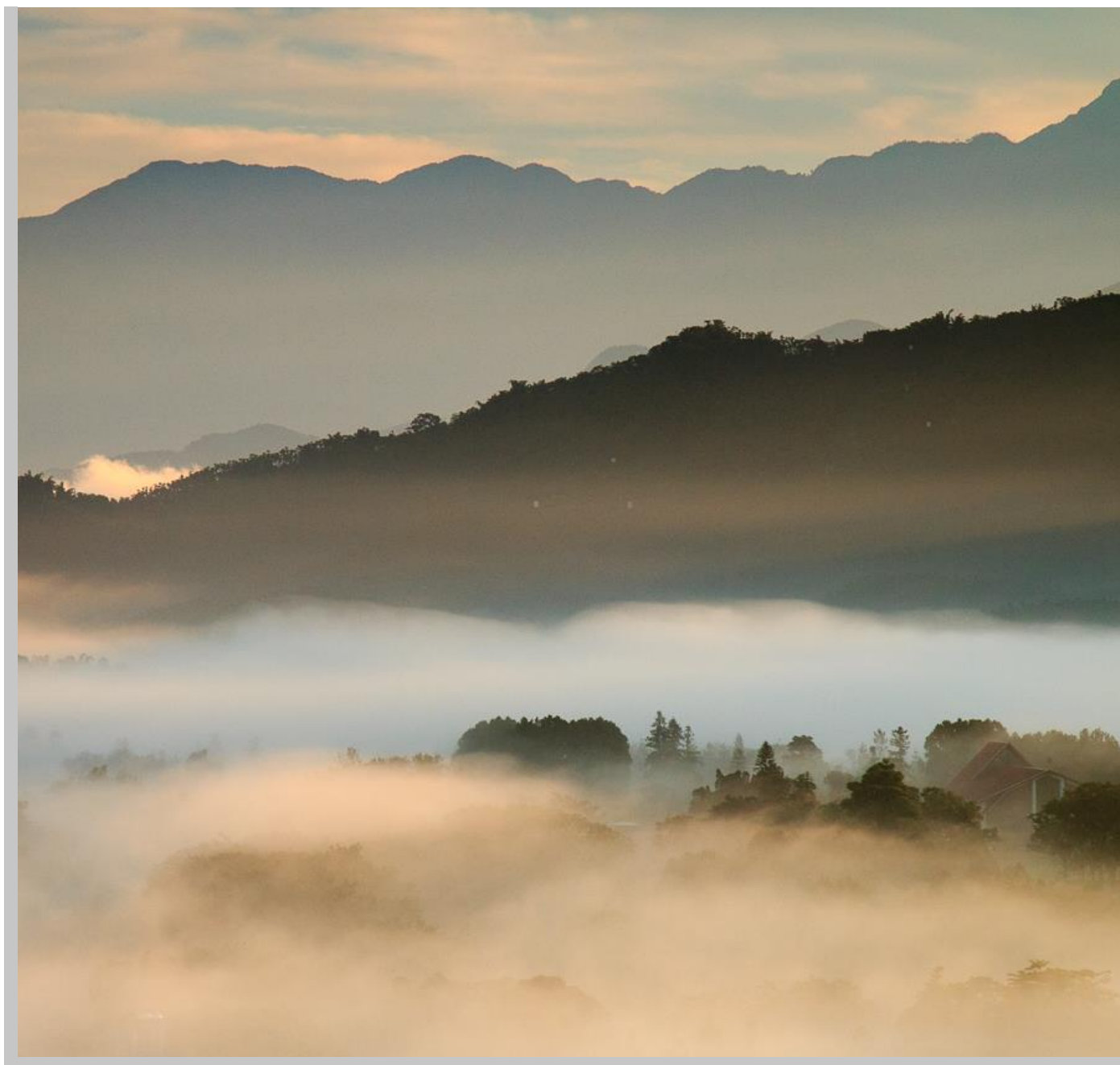




Letter from the Chair

Bill Seddon



“More than ever before the Church Investors Group is making a genuine difference in the financial markets.”

It is with great pride that I look back on the achievements of the Church Investors Group in my last Annual Report as Chair.

In my time as Chief Executive of the Central Finance Board of the Methodist Church I have seen the CIG grow from a small informal network of institutional church investors to a credible collaborative membership organization with 59 members and collective investment assets of over £16bn. Whilst adopting different policies and practices all of our members share two responsibilities: to assist in funding their church through the returns that they generate and a commitment to invest in a manner that reflects the Christian faith. The CIG provides a unique forum for us to share best practice, learn from leaders in ethical and responsible investment and come together to deliver positive change.

With the introduction of our new strategy, financed by the additional resource provided by our members, I believe that increasingly the CIG is making a genuine difference in the financial markets. Central to this new strategy is an increase in our focus on engagement with investee companies. We continue with our established work on issues such as climate change and corporate water use. However, the CIG is also at the forefront of investors in seeking to tackle modern slavery in company supply chains. Although this work is only in its first year it is already making a visible difference.

Finally, I want to take the opportunity to thank all of the people I have worked with in the world of Church investment for over 30 years. Over that time ethical and responsible investment has developed from being considered a faintly amusing eccentricity to a main stream activity, in which most fund managers are anxious to prove their capability. Without the vision of those early pioneers and the enthusiastic support of current members, CIG would not be the organization that it is today. I would like to give particular thanks to my colleagues on the CIG Steering Group, who put in huge efforts on your behalf. I have no doubt that the Group will continue to grow and prosper under their custodianship.

I hope that you enjoy reading this review of the year.

Bill Seddon

The Church Investors Group is committed to encouraging responsible business practices in the companies our members invest in. Members seek to raise standards both across the market as a whole and at specific companies on key issues.

The Church Investors Group benefits from the engagement activities of our largest members. Over and above this our members have provided extra resource to enable a further engagement work stream on corporate responses to modern slavery.

Modern Slavery

Modern slavery is a broad term that encompasses slavery, servitude, forced and compulsory labour and human trafficking. The International Labour Organization believes that there are currently 21,000,000 victims of forced labour worldwide and the Home Office estimates that there were 10,000-13,000 victims in the UK alone.

Research conducted by the Ashridge Business School found that 71%, of 51 retailers included within their study, felt that there was a likelihood of modern day slavery being present within their supply chain. To help counter this the UK's Modern Day Slavery Act requires companies with a UK turnover above £36m to produce an annual 'Slavery and Human Trafficking Statement'. This should either detail the steps that they have undertaken to ensure that slavery is not taking place in their supply chain or confirm that no such steps have been carried out.

The CIG is committed to assisting investee companies in their attempts to ensure that their supply chains are 'slavery free.' Consequently, we have written to 266 UK listed companies encouraging improved due diligence and risk assessment processes. We are also working with subject matter experts to develop a more targeted approach to engagement for 2017.

CDP Water Engagement

Globally within the next 11 years demand for water is set to outstrip supply by 40%. To address this the Central Finance Board of the Methodist Church commenced a new engagement programme for the CIG which targeted FTSE 350 companies. This focussed on the CDP Water Survey which asks companies with material water risks to disclose their policies and practices on water usage and disposal.

Following engagement seven companies indicated a commitment to participate in the CDP Water Survey for the first time and a further 9 companies were open to participating in the future. However, weaknesses in the survey also emerged, which will be fed back to CDP in order to improve the process going forward.

Engagement

Promoting Responsible Business

Continued

Climate Change – ‘Aiming for A’

Intensive engagement around the risk of climate change continued with the largest UK listed utilities and extractives companies. The largest CIG members remain key parts of the ‘Aiming for A’ coalition and many CIG members supported the work by co-filing successful shareholder resolutions at the 2016 Rio Tinto, Anglo American and Glencore AGMs. These followed similar successful resolutions passed in 2015 at BP and Royal Dutch Shell and asked the companies for further information on operational emissions management, portfolio resilience, lobbying activity, key performance indicators and low carbon research and development.

The Church Commissioners worked with American colleagues including the Methodist organisation Wespath Investment Management to file an Aiming for A style resolution on portfolio resilience disclosure at US oil & gas majors Exxon and Chevron. Unlike the UK companies the boards of Exxon and Chevron did not support the resolutions. Even so they received unprecedented shareholder support with c40% of the AGM vote filed in favour. Follow up work with all the companies above continues.

The CDP Climate Change Programme

The CBF Church of England Funds continued their longstanding engagement programme with FTSE 350 constituent companies with poor CDP Climate Change Programme scores. The CDP Climate Change Programme is an annual survey which assesses the steps that companies have taken to address climate change within their business including the ongoing management of greenhouse gas emissions.

During the year CCLA conducted engagement with 54 companies who had failed to achieve a ‘C’ Grade with their 2015 response. Of these 41% of companies showed improvement with their 2016 survey response. This included five companies that had not previously responded to CDP.

The Church Investors Group Proxy Voting Initiative

As responsible investors members of the CIG seek to promote best practice standards of corporate governance at investee companies. Exercising ownership rights by voting at company AGMs is an important part of many of our members’ collective approach. Consequently, CIG members have developed a common voting policy administered by proxy voting agency ISS on a global basis. Members currently implementing the policy include the Church Commissioners for England, the CBF Church of England Investment Funds, The Church of England Pension Board, the Central Finance Board of the Methodist Church, and the United Reformed Church Ministers Pensions Trust.

In the UK, during the first three quarters of 2016 the CIG initiative has not supported 13.86% of the resolutions proposed by FTSE 350 constituents. This dissent has focussed upon priority areas such as executive pay (where we only supported 34% of Remuneration Reports and 48% of Remuneration Policies) and board composition (we only supported the election of 85% of directors). Our approach to board composition includes factors such as the level of independence from management and gender diversity.

The full voting template is available on our website.

Annual Conference and Member Meeting

Sharing best practice



The Right Honourable Sir Vincent Cable addresses the CIG Conference

The CIG hosted two major meetings during the year.

Our Member Meeting, that took place in November 2015, approved the CIG's strategy for the period 2016-2018. It also introduced new work programmes on corporate water stewardship and assisting CIG members to work with their fund managers on ethical and responsible investment issues.

Our Annual Conference provided an overview of the diverse work undertaken by CIG members. Keynote presentations were provided by the Right Honourable Sir Vincent Cable, on the need to promote long-termism in business, and Iain Conn (Chief Executive Centrica) on the challenges of managing an electrical utilities company during the transition to a low carbon economy.

We are grateful to them, as well as our other speakers who focussed on issues as diverse as nutrition, banking and climate change. A full report on the conference is available on the CIG website.

International Partnerships

The CIG is committed to international collaboration as part of a wide network of faith investors sharing ideas and engaging with companies in their own country.

Investors from Europe, North America and Australasia were present at the CIG Annual Conference and delegates heard of the work of partner groups Interfaith Center on Corporate Responsibility (USA), SHARE (Canada) and Arbeitskreis Kirchlicher Investoren (AKI – Germany).

Following the Conference a formal relationship agreement was agreed between CIG and AKI.

About the CIG

About the CIG

The Church Investors Group represents many Church denominations and organisations predominantly based in Britain and Ireland. Each member has its own investment policy but members work together on issues of common concern. It has 59 members and 4 international partners with combined assets of over £16 billion.

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 CIG in its current form dates from 1 January 2005, building on an informal ecumenical ethical investment network that had existed since 1973.

2016-2018 Strategy

The CIG has set three strategic goals for the period 2016-2018. These are:

- To help our members share their wisdom of developing, evolving and implementing investment policies that are based upon Christian teachings.
- To help our members implement responsible investment practices to secure the best-possible long-term financial returns.
- To increase the emphasis on engagement and the scale of the engagement work we undertake.

We believe that by supporting our members in the stewardship of their assets we will assist in the mission of the Church today and help safeguard society in general and the environment in particular for future generations.

CIG Steering Group

The CIG is guided by a Steering Group elected by its members. During 2016 the CIG Steering Group was formed of:

Chair: Bill Seddon, Central Finance Board of the Methodist Church

Vice-Chair: Edward Mason, Church Commissioners for England

Treasurer: Jackie Turpin, Joseph Rowntree Charitable Trust

Paolo Camoletto, Diocese of Westminster

Revd Canon Edward Carter, CBF Church of England Funds

Brian Duffin, Church of Scotland Investors Trust

Richard Nunn, United Reformed Church Ministers Pensions Trust

CIG Members

The Archbishops' Council
CBF Church of England Funds
Church Commissioners for England
Church Mission Society
The Church of England Pensions Board
The New Zealand Anglican Church Pension Fund
The Representative Body of the Church of Ireland
The Representative Body of the Church in Wales
The Scottish Episcopal Church
USPG
Baptist Union of Great Britain
BMS World Mission
The Heart of England Baptist Association
Advisory Committee of the Charifaith Common Investment Fund
The Apostleship of the Sea
Catholic Trust for England and Wales
Congregation of Jesus Charitable Trust
Diocese of Arundel and Brighton
Diocese of Birmingham
Diocese of Hexham and Newcastle
Diocese of Lancaster
Diocese of Middlesbrough
Diocese of Northampton
Diocese of Nottingham
Diocese of Plymouth
Diocese of Portsmouth
Diocese of Salford
Diocese of Shrewsbury
Diocese of Southwark
Diocese of Westminster
The English Province of the Order of Preachers
Jesuits in Britain
Medical Mission Sisters

Plater Trust
Servite Friars
The Council of Lutheran Churches
Evangelisch-Lutherische Kirche in Bayern
OVF (The Norwegian Church Endowment Fund)
Central Finance Board of the Methodist Church
Methodist Ministers' Pension Trust
Trustees of the Methodist Church in Ireland
The Investment Advisory Board of the Methodist Church in New Zealand
The William Leech Foundation Limited
The Church of Scotland Investors Trust
The Free Church of Scotland
The United Reformed Church Ministers' Pension Trust
The United Reformed Church Trust
The United Reformed Church Eastern Synod
The United Reformed Church South West Synod
The United Reformed Church Wessex Synod
The Religious Society of Friends
The Barrow Cadbury Trust
The Friends Provident Foundation
The Joseph Rowntree Charitable Trust
Polden-Puckham Charitable Foundation
The Salvation Army
Churches Together in Britain and Ireland
Christian Aid
Panahpur

International Partners

Arbeitskreis Kirchlicher Investoren
CIG South Africa
The Interfaith Center for Corporate Responsibility
SHARE

The Church Investors Group represents institutional investors from many church denominations and church related charities. Whilst each investor is responsible for its own investment policy our members come together on issues of common concern.

Currently the CIG has 59 members, predominantly drawn from the UK and Ireland, with combined investment assets of over £16bn.

Further information

www.churchinvestorsgroup.org.uk

or from the CIG Secretary at:

information@churchinvestorsgroup.org.uk

or call 0207 489 6047

The CIG secretariat is provided by

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