



Letter from the Chair

Revd Canon Edward Carter



“The fifty-nine members of the CIG are a force for good.”

It is a pleasure to introduce my first Annual Report as the Chair of the Church Investors Group.

With activity ranging from engaging with investee companies to helping our members work with their investment managers we are making a bigger impact than ever before.

Addressing Modern Slavery has once again been the main focus of our engagement activities. With the ILO estimating that over 40 million people are victims of modern slavery and 77% of businesses believing that it exists somewhere within their supply chain, there is a key role for investors to step up and play a positive role.

Climate change remains a key focus for our members. We were pleased to receive a presentation on the, Church of England National Investing Bodies-led, Transition Pathway Initiative at our Annual Conference and our work with FTSE350 companies continues to bear fruit.

I would like to take the opportunity to thank my predecessor, Bill Seddon, for his involvement in founding the CIG and for handing over the reins of an organisation with such a healthy membership. We would not be the group we are today without his tireless work over the last few decades. The end of this year also sees our vice-chair, Edward Mason, step down from the Steering Group. The CIG owes him a debt of gratitude for his long service and we are encouraged that he will continue to be connected to the CIG.

The CIG is undergoing a period of change and are currently seeking a new legal status as an incorporated charity. This will set us up for the next stage of our collective journey. As such, we anticipate that this will be the last Annual Report in our current guise.

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

Edward Carter.

Engagement

Promoting Responsible Business

Addressing Modern Slavery

The Church Investors Group is seeking to address the risk of modern slavery existing in company supply chains.

Our members have provided extra resource to the CIG to enable an engagement work stream on corporate responses to modern slavery.

Modern slavery is a broad term covering slavery, servitude, forced and compulsory labour and human trafficking. Our engagement seeks to help companies address the risk of slavery occurring within their supply chain.

The first strand of our engagement work involved writing to 265 UK-listed companies encouraging them to adopt best practice standards for Transparency in the Supply Chain reporting. 103 companies have responded with many providing commitments to undergo increased due diligence in the future. Further details of this project are available in our Modern Slavery Engagement Report, available on the CIG's website.

Follow up work has begun in three complimentary areas. This involves:

- In-depth engagement with three hospitality companies about their approach to recruitment.
- Collaboration with the Clewer Initiative, the Church of England's anti-slavery programme, to address the risk of modern slavery occurring in car washes located in supermarket car parks.
- Engagement with FTSE100 constituent companies who have been identified by the Business and Human Rights Resource Centre as having poor responses to the UK's Modern Slavery Act.

We will issue a second report on our progress against these three areas in June 2018.

Engagement

Promoting Responsible Business

Our Wider Work

Church Investors Group members have continued their strong focus on addressing climate change.

Climate Change – Portfolio Resilience

The Church Commissioners were instrumental in the filing of a successful shareholder resolution at Exxon Mobil. This called for the company to analyse their portfolio against climate change scenarios, including one that limits temperature rises to below two degrees above pre-industrial levels. The resolution was contested by the Exxon board but 62.1% of shareholders voted in favour of the proposal.

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. This is an annual survey which assesses the steps that companies have taken to address climate change within their business. It includes the ongoing management of greenhouse gas emissions. In response to a change in the CDP methodology we have increased our expectation of companies. We are now asking them to reach a 'B' grade or higher.

During the year CCLA conducted engagement with 62 FTSE 350 companies. 31% of the companies improved their response to the 2017 survey after engagement with the CIG. This work has been conducted by CCLA as the investment manager of the CBF Funds.

AKI, a German group of Church investors affiliated with the CIG, began a similar initiative with companies in the DAX 30 index during 2017.

Corporate Governance Reform

During the year the Department for Business, Energy, Innovation and Skills (BEIS) held a consultation about reform of UK corporate governance. CIG members met with the BEIS team as well as contributing to and endorsing the response filed by the Church Commissioners.

Through this CIG members called for stronger shareholder powers over variable remuneration; mandatory disclosure of fund managers' UK voting records; the disclosure of pay ratios and a longer-term approach to variable pay.

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 2017, the CIG initiative did not support 15% of management proposals within the FTSE350. Once again remuneration issues dominated our voting considerations. Over the period we supported 40% of remuneration reports and 44% of remuneration policies.

We continued our policy of holding directors to account for their actions and only supported 84% of director elections. Unlike other guidelines which are focused on structural issues, many of the votes against directors were focused on committee chairman where we believed the company had not made progress in terms of: gender diversity; audit independence or executive remuneration.

A summary of the voting template is available on our website.

Sharing best practice

Meetings and Reports



Sir Andreas Whittam Smith, retiring First Church Estates Commissioner for the Church of England, provided the keynote speech at the CIG Conference.

The CIG hosted two major meetings during the year.

Our Member Meeting, which took place in November 2016, focused on Modern Slavery. Attendees heard from expert speakers about the Modern Slavery Act's implications for investee companies and the new CIG engagement project. An engagement session took place at the meeting with a listed luxury goods company who shared about their response to the Act. There was also a session from the Principles of Responsible Investment (PRI) on their annual assessments of asset managers and asset owners.

Our Annual Conference again touched on many of the important issues facing church investors including climate change and corporate governance. The keynote presentation was made by Sir Andreas Whittam Smith who was retiring after 15 years as the Church of England's First Estates Commissioner. He provided the group with reflections on his time as a Church Investor; his role included being responsible for an £8bn endowment as Chair of the Church Commissioners Assets Committee.

We are grateful to Sir Andreas, as well as our other speakers who focussed on topics as diverse as the Taskforce on Climate Related Financial Disclosures, the Transition Pathway Initiative and Executive Remuneration.

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 and Australasia were present at the CIG Annual Conference and delegates heard of the work of partner groups SHARE (Canada) and Arbeitskreis Kirchlicher Investoren (AKI – Germany) as well as from CIG Member Opplysningsvesenets Fond (the Norwegian Church Endowment).

About the CIG

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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 £17 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 2017 the CIG Steering Group was formed of:

Chair: Revd Canon Edward Carter, CBF Church of England Funds

Vice-Chair: Edward Mason, Church Commissioners for England

Treasurer: Jackie Turpin, Joseph Rowntree Charitable Trust

Stephen Beer, Central Finance Board of the Methodist Church

Paolo Camoletto, Diocese of Westminster

Louise Davies, The Representative Body of the Church in Wales

Brian Duffin, Church of Scotland Investors Trust

Christophe Flad, Evangelisch-Lutherische Kirche in Bayern

Ole-Wilhelm Meyer, OVF (The Norwegian Church Endowment)

Richard Nunn, United Reformed Church Ministers' Pensions Trust Ltd

CIG Members

The Archbishops' Council
CBF Church of England Funds
Church Commissioners for England
Church Mission Society
The Church of England Pensions Board
Leicester Diocesan Board of Finance
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
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)
Central Finance Board of the Methodist Church
The Investment Advisory Board of the Methodist Church in New Zealand
Methodist Ministers' Pension Trust
Trustees of the Methodist Church in Ireland
The William Leech Foundation Limited
The Church of Scotland Investors Trust
The Free Church of Scotland
The United Reformed Church Ministers' Pension Trust Ltd
The United Reformed Church Trust
The United Reformed Church Eastern Synod
The United Reformed Church South Western 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 on 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 £17bn.

Further information

www.churchinvestorsgroup.org.uk

or from the CIG Secretary at:

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or call 0207 489 6047

The CIG secretariat is provided by