



The CIG Annual Report 2014

Letter from the Chair

As the CIG begins to celebrate our 10th anniversary it is a privilege to be able to look back at our accomplishments over the past year.

Having served as the initial vice-chair in 2005, when 14 founder members took the first uncertain steps in formalising an informal network of investors that had existed since 1973, our progress together has been marked. The CIG was formed to help our members assist each other develop and implement investment policies that were based upon the Christian faith and to act together to encourage responsible business practice. Whilst our aims remain the same, those initial 14 collaborators have grown to become a family of 54 members, and three partner organisations, representing institutional church investors from four continents. I was especially pleased to welcome nine new members, from three different countries, this year alone.

In addition to growing in size we are also constantly increasing our impact and influence; we are living out those initial aims in bigger and better ways. Through our partnership with St Paul's Institute, alongside our other co-hosts CCLA and Shrinking the Footprint, we were able to welcome over 1500 people to St Paul's Cathedral to hear a lecture from Christiana Figueres, Executive Secretary to the United Nations Framework Convention on Climate Change. This event formed part of our members' continued commitment to playing a leading role in accelerating the transition to a low carbon economy.

When it comes to climate change our members are not sticking their heads in the sand.

Climate change remains the highest ethical investment priority for us and I hope that this Annual Report reassures you of this. As you will read, although the majority of our members have resisted campaigners' calls for total and immediate divestment from companies involved in the extraction of fossil fuels, we are working extensively to bring about the change that we all need to see. Whilst the focus of our work in this regard is on productive and results orientated engagement, many of our members are also assessing the individual merit of each fossil fuel, and extraction technique.

We have once again achieved great success in our engagement with investee companies. Our largest members have continued to encourage the 10 FTSE100 constituent extractives and utilities companies to 'Aim for A' in the CDP's Carbon Performance

Bandings, as part of the CCLA convened investor coalition. This has delivered further improvements in corporate practice. Coupled with our work raising environmental standards at UK companies, it is clear that we are carefully targeting our efforts where it matters, and seeing positive results.

But climate change is not the only area focused on by our members. Following extensive dialogue a major global telecommunications company agreed to cease the active retail of pornographic material in the UK and, my own organisation, the Central Finance Board of the Methodist Church has led a global, ecumenical, reflection upon the purpose and operation of the mining industry alongside some of the world's largest extractives companies.

Great strides have also been taken this year in our commitment to better communicate our activities with the wider church. If you have time I would strongly encourage you to read our guide to corporate engagement 'Being Good Stewards', our climate change resource 'Framing the Debate' or the review of our Annual Conference. Under my chairmanship the CIG will continue to keep you ever more informed of our work.

Finally, I want to thank my fellow Steering Group members and the CIG Secretariat for their hard work and CCLA for their continued unstinting support. But the most important people to thank are our members. The journey I have described in this introduction is theirs; they are responsible for continuing to develop the CIG, enabling us to deliver the vision that the fledgling group had back in 2005. The CIG continues to prove that we are stronger and achieve more when we work together.

I hope that you enjoy our review of the year.



Bill Seddon
CIG Chairman

Bill Seddon

Engagement

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 where issues exist. The CIG benefits from the engagement activities of all of our members and, following a resource sharing agreement made in 2009 between the largest members, seeks to promote ecumenical collaboration and coordination so as to maximise its effect.

Carbon Disclosure Project

In 2014 CCLA (with the assistance of EIRiS) has continued its longstanding engagement for the CIG, encouraging companies across the UK market to report their carbon emissions and adopt emissions reduction schemes through the Carbon Disclosure Project (CDP). Through this process a laggard company was identified as being a FTSE 100 constituent or a FTSE 250 constituent operating in a carbon intensive sector with a Carbon Performance Score of D or lower. To achieve a C grade a company must disclose a significant amount of information in their response to the CDP and be able to demonstrate positive action on climate change (for example setting and meeting companywide carbon reduction targets). Given previous engagement success, and the analysis of the carbon footprint of a CIG member's portfolio, we increased the scope of the engagement in 2014 to include the Consumer Discretionary sector for the first time. This led to the prioritisation of 53 companies for engagement. Following the completion of the engagement nearly a quarter of the companies had achieved the desired C grade with 58% of companies in total improving their score. This work is funded, for the wider CIG, by the CBF Church of England Funds.

'Aiming For A'

Several CIG members have continued to encourage the 10 largest UK listed utilities and extractives companies to aim for continuous inclusion in the CDP's Carbon Performance Leaders Index (which requires an 'A' Carbon Performance Score) as part of the CCLA convened 'Aiming for A' initiative. During 2014 these members, in partnership with their investor collaborators such as the £150bn Local Authority Pension Fund Forum, have engaged with the companies in private and asked public questions at their AGMs about the anticipated transition to a low carbon economy. Following the year's engagement BHP Billiton, BP, and Glencore, increased their score to a 'B' grade and Centrica and SSE achieved the desired 'A' grade.

Ecumenical Reflections on Mining

CIG member, the Central Finance Board of the Methodist Church, co-convened an ecumenical day of reflection focussing upon the purpose of mining and how it could increase its contribution to the common good in the future. Building upon an initial day of reflection, hosted at the Vatican by the Pontifical Council on Justice and Peace, the Day was co-chaired by The Reverend Kenneth Howcroft, President of the Methodist Conference of Great Britain, and the Most Reverend Justin Welby, Archbishop of Canterbury at Lambeth Palace. It was attended by the Chief Executives of many of the world's largest mining companies, theologians, and Church investors. In order to prepare for the day several CIG members joined groups visiting mining operations in Australia, Brazil, Chile, Ghana and South Africa to better understand the impact of mining on local communities.

Protecting Children from Adult Material

During the year CIG members continued their work with UK listed digital media companies (broadband internet service providers, mobile phone operators, and television platforms) to ensure that they were protecting children from accessing adult content by blocking it from their services by default. Following the engagement one mobile telecommunications company, who have asked not to be named, took the further step of ceasing to retail pornography in the UK.

Church Investors Group Conference

The Church Investor Group hosted its Annual Conference in the spring with over 80 delegates attending. Amongst the topics covered were climate change, modern slavery, business ethics and impact investment. The keynote speech was given by Lord Deben, Chair of the UK Committee on Climate Change. A full overview of the CIG Conference is available at www.churchinvestorsgroup.org.uk.

Stewardship and Responsible Investment

The CIG remains committed to promoting best practice responsible investment amongst our members. Stewardship, the active ownership of companies, was the key focus of our November 2013 trustee meeting which included presentations from the Financial Reporting Council (the body responsible for the Stewardship Code) and Professor John Kay. To further aid our members in this area the CIG has produced a template response to the Stewardship Code.

International Partnerships

During the year further steps were taken in cementing our relations with our international partners. Bill Seddon and Helen Wildsmith represented the CIG at meetings of the Interfaith Centre for Corporate Responsibility and Edward Mason spoke to a gathering of Canadian church investors organised by SHARE. During 2015 we will continue to explore the possibilities for pioneering global church investor engagement on climate change.

CIG Steering Group

During 2014 the CIG Steering Group was formed of:
Chair: **Bill Seddon**, *Central Finance Board of the Methodist Church*

Treasurer: **Roger Short**, *Baptist Union of Great Britain*

Vice-Chair: **Edward Mason**, *Church Commissioners for England*. **Paolo Camoletto**, *Diocese of Westminster*. **Richard Nunn**, *United Reformed Church Ministers Pensions Trust*. **Jackie Turpin**, *Joseph Rowntree Charitable Trust*. **Helen Wildsmith**, *CBF Church of England Funds*

About the CIG

The Church Investors Group represents many mainstream 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 55 members and 3 international partners with combined assets of over £15 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 re-formed CIG took effect from 1 January 2005, building on an informal ecumenical ethical investment network that had existed since 1973.

CIG Members

The Archbishops' Council
CBF Church of England Funds
The Children's Society
Church Commissioners for England
Church Mission Society

The Mission to Seafarers
New Zealand Anglican Church Pension Fund
The Church of England Pensions Board
The Representative Body of the Church of Ireland
The Representative Body of the Church in Wales
US.
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 Hallam
Diocese of Lancaster
Diocese of Middlesbrough
Diocese of Northampton
Diocese of Nottingham
Diocese of Plymouth
Diocese of Portsmouth
Diocese of Shrewsbury
Diocese of Southwark
Diocese of Westminster
Medical Mission Sisters
Plater Trust
Servite Friars
Society of Jesus
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 United Reformed Church Pension Trust
The United Reformed Church Trust
URC Eastern Synod
The Religious Society of Friends
The Barrow Cadbury Trust
The Friends Provident Foundation
Polden-Puckham Charitable Foundation
The Joseph Rowntree Charitable Trust
The Salvation Army
Churches Together in Britain and Ireland
Christian Aid
Panahpur
International Partners
CIG South Africa
The Interfaith Center for Corporate Responsibility
SHARE