



The CIG Annual Report 2015

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Group

Letter from the Chair

For the Church Investors Group this has been a year of continued progress as we have reflected on the past and planned for the future.

Engagement activity has been seen to make a real difference. Five of the seven FTSE 100 constituent Financial Services and Pharmaceutical sector companies we have engaged have either become accredited Living Wage employers or are now well on the journey to doing so. Similarly, academic assessment of our work promoting better management of greenhouse gas emissions across the UK market has again shown, to a 95% confidence rate, that our efforts have been the catalyst for positive change. Finally, and most publicly, many CIG members joined investors from across the world in filing successful shareholder resolutions at the BP and Royal Dutch Shell AGMs. This was part of the pioneering 'Aiming for A' initiative that is redefining how investors and companies can work together to accelerate the transition to a low carbon economy. Few would argue that this change is vital and it is something in which church investors are well positioned to play an important role. We must thank CCLA for their role in each of these pieces of work.

Our increasingly popular Annual Conference and Member Meeting provide a snapshot of the key evolving ethical and responsible investment issues. This year the topics covered ranged from clarifying the legal responsibilities of trustees under Fiduciary Duty to the conceptual role of business within society. Thank you to all of our speakers.

It has also been a year of consultation and planning as we have sought to set the CIG strategy for the next three years. Since we were established the CIG has brought church investors together to pool resources so that all can benefit. It is heartening that our largest members, which provide the bulk of our physical resources, have once again confirmed their commitment to this approach. This will enable more investor work to be done in the name of the Church and is a ringing endorsement of the power of coming together to speak to the capital markets with one voice.

Sadly, both Helen Wildsmith and the Revd Roger Short are stepping down from the Steering Group at the end of 2015. Helen played a key role in reshaping the CIG and Roger, as Treasurer, has kept us on a sound financial footing. Our bright future would not have been possible without their work.

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

Bill Seddon



Bill Seddon
CIG Chairman

Church Investors Group Member Meeting and Conference

The Church Investor Group Member Meeting was held in November 2014 and we hosted our Annual Conference in June 2015. These events continue to be essential for networking and sharing best practice amongst our members.

At the Member Meeting we were grateful to David Hertzell, of the UK Law Commission, who reassured CIG members of the legality of both ethical and responsible investment.

Climate change, which we recognise as the pressing engagement issue of our time, was the predominant focus

of our Annual Conference. Howard Covington and Raj Thamotheram challenged CIG members through the keynote speech to use their investments to accelerate the transition to the low carbon economy. Representatives of Royal Dutch Shell presented their response to the Aiming for A resolution in an engagement session and CIG members presented their approach to climate change engagement.

Other speakers focussed on issues as diverse as corporate tax transparency, the role of business in society, and the benefit of boardroom diversity.

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 on key issues. Rather than delivering engagement work itself the CIG benefits from the engagement activities of all of our members. An overview of our engagement strategy is available on our website.

Climate Change: 'Aiming For A'

The largest 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 2015 these members were joined by many other CIG members in co-filing shareholder resolutions at the BP and Royal Dutch Shell Annual General Meetings. The resolutions, entitled 'Strategic Resilience for 2035 and Beyond' asked the companies to provide shareholders with information about:

- The management of greenhouse gas emissions caused by the companies' operations
- Comparison of the companies' portfolio to the International Energy Agency's scenarios (including the 450Scenario which is the pathway to limiting global temperature increases to two degrees)
- Low Carbon research and development activity and investment strategy
- Relevant key performance indicators and how these relate to executive pay
- Climate change lobbying activity

The companies recommended that shareholders backed the resolutions and they were passed with over 98% support. This engagement is continuing.

The CDP Climate Change Programme

This is the last year of the CIG's pioneering, academically assessed, engagement programme that aims to improve the standards of greenhouse gas reduction management across the UK listed market. Over the past three years CCLA, with the support of EIRiS, have engaged with 60 FTSE 350 constituent companies who had failed to achieve a C on the CDP Carbon Performance Bands. Following engagement 32 of these companies made sufficient improvements to move up a CDP Band. Assessment by the University of Edinburgh has shown to a 95% confidence level that this would not have happened without our engagement.

In 2015 alone over 30% of the companies engaged moved up a CDP band with the academic assessment again showing that the CIG played a key role.

The Living Wage

As investors many CIG members are concerned about the number of people within the UK who are classified as living in 'poverty' despite being in employment and believe that companies have a duty of care for all staff. For this reason we have supported the Living Wage (as defined by the Living Wage Foundation). This is calculated every year according to the basic cost of living; the London Living Wage is £9.15 per hour and the national rate £7.85.

Over the past three years five of the seven FTSE 100 constituent Financial Services and Pharmaceutical sector companies that we have engaged have either become or committed to becoming accredited Living Wage Employers. During 2015 we were particularly pleased that, following CIG led engagement, GSK became a Principal Partner of the Living Wage Foundation and provided many contractors, who worked on their UK sites every day, with a pay rise up to the Living Wage level.

The Church Investors Group Proxy Voting Initiative

As responsible investors members of the Church Investors Group (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 our collective approach. Consequently, the CIG developed a common voting policy administered by proxy voting agency ISS on a global basis. A number of members have already signed up including 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 2015 the CIG initiative has not supported 9.2% of the resolutions proposed by FTSE 350 constituents. This dissent has focussed upon priority areas such as executive pay (where we did not support 72% of Remuneration Reports and 62% of Remuneration Policies), the independence of auditors (we did not support auditor remuneration on 5% of the resolutions proposed) and board composition (we did not support the election of 14% 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.

International Partnerships

The CIG aims to build an international coalition of faith investors enabling us all to conduct engagement with investee companies in our own home market. During the year we hosted a meeting attended by representatives of church investors from five countries to discuss collaboration on climate change and proxy voting.

CIG Steering Group

During 2015 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: **Roger Short**, *Baptist Union of Great Britain*. **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 57 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 CIG in its current form dates 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 Salford
 Diocese of Shrewsbury
 Diocese of Southwark
 Diocese of Westminster
 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 United Reformed Church 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
 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