

Investing in your Mission

Churches and Socially Responsible Investment

Workshop: Churches and Corporate Engagement

Today I am speaking on behalf of two organisations: the Institutional Investors Group on Climate Change and the Church Investors Group. However, to understand their approaches to corporate engagement I need to tell you a little about my own organisation and our involvement with their development.

The CFB was established in 1960 to enable investment funds associated with the Methodist Church in the UK to be pooled in order to be efficiently managed. Very little happened until 1972 when an in-house team of investment professionals was established. Today, through a series of unitised funds we manage around €1.6 billion on behalf not only of Methodist churches, charities and pension schemes but also other denominations in the UK and overseas.

From the beginning we have always sought to invest in line with Christian values. For us this has never been just a matter of avoiding holdings that sit uneasily with our beliefs. It also involves encouraging the companies in which we invest to make social justice a growing influence in the way they operate. This naturally led us to a programme of engagement with companies. The model that we have developed over the past thirty five years has a number of distinctive features:

- Before we meet with a company to discuss ethical issues we ensure we are properly prepared with an in-depth briefing paper produced by one of our analysts.
- This integrates ethical and financial issues which ensure that company managements are aware that we understand the practical nature of their business and do not view social matters in isolation from financial considerations.
- We normally visit companies together with representatives of the Methodist Church Public Issues Team. This ensures that whether we are discussing social justice or financial issues companies understand the Church is speaking with a single voice.
- We write up the meetings and submit them to the company to ensure factual accuracy. The opinions remain our own.
- We ensure the company understands that we will share these notes with our ecumenical partners so speaking to us means speaking to the wider Church.
- We seek ongoing relationships with companies through which mutual trust is developed. This can lead to the advice of the Church being sought on sensitive matters.

The lessons learnt in developing this approach have been an important ingredient in shaping the way in which the Church Investors Group have approached corporate engagement. Similarly, our experience in integrating social issues into investment management led to the CFB being invited to participate in the establishment of the secular Institutional Investors Group on Climate Change.

IIGCC emerged out of a growing awareness that climate change can have a material impact on investment returns and to ignore it could be viewed as a dereliction of fiduciary duty. The organisation was established with the objective of being the main investor voice in Europe on climate change in order to engage with governments, investors and companies.

It works through worksteams with the following aims:

Public Policy Worksteam

- To encourage clear and substantial government targets for greenhouse gas emission reductions.
- To stimulate a global and liquid carbon market.

Investors Worksteam

- To encourage increased asset owner demand for asset managers to take action on climate change.

Companies Worksteam

- To encourage improved company performance on climate change.

IIGCC has already done much excellent work in bringing the voice of concerned investors to government ears. Similarly it has helped to raise awareness with investors. Time does not allow me to expand further but I would highlight the production of a trustee training module and guidelines on how to address the issue of climate change in investment policy. It has done considerable work with investment analysts with the objective of encouraging them to raise climate change issues as part of their analysis of and engagement with companies. Various pieces of work have been done focusing on Aviation, Power Generation and Construction. Recently it has produced a global disclosure framework for electric utility companies which:

- Identifies the failings of current corporate reporting.
- Provides investors with the data essential to make informal decisions.
- Was produced with the active collaboration of companies.

IIGCC now has forty seven members who control assets of around €4 trillion. These include the CFB of the Methodist Church, CCLA and the Church Commissions plus five other Church Investors Group members. This demonstrates three important features of engagement for churches:

- It is helpful to work in collaboration with other investors thereby presenting a clear and consistent message to the outside world.

- The support of church investment bodies is often welcomed by secular organisations as it adds a moral weight out of all proportion to the assets controlled.
- It allows church bodies to use its limited resources in areas where secular members have little concern thereby maximising its influence.

The Church Investors Group came into existence just over three years ago. However, it emerged from a more informal gathering of church investors that has taken place for over thirty years. The change came out of a desire for all the participating churches to contribute, in proportion to their circumstances, something to the challenge of integrating a Christian ethical approach to the management of their investments. Membership is limited to those organisations that control assets on behalf of Church denominations and Christian Charities. I will go into its aims in more detail in the next session but for now I will concentrate on just one: to enable members to make joint representation to company managements with a view to encouraging socially responsible business practices.

This is done in a number of ways:

- Large companies in which all members are likely to have investments are invited to make presentations on their corporate social responsibility profile. They are not selected because of particular ethical controversies and are given free reign in their presentation but are then open to questions which will include live ethical issues. Briefing papers are prepared for members beforehand either by the CCLA or ourselves. Notes on the meeting together with company responses to questions are produced and once agreed for factual accuracy with the company are made available to members on the CIG website. Companies that have made such presentations include Nestlé, Tesco, Vodafone and GlaxoSmithKline.
- When controversial issues emerge it is sometimes considered appropriate to send a delegation for an in depth meeting with a company. The CIG delegation will typically consist of full time executives, trustees and social justice experts from a variety of denominations. The analytical preparation and record of the meeting are as described earlier. Companies that we have met in this way include BP, Royal Dutch Shell and Rio Tinto.
- A third method of engagement is through correspondence, then made available to all our members. Recently letters have been exchanged with British Airways, regarding their decision to stop staff openly wearing Christian symbols, such as a cross. It was gratifying that the company later reversed this policy. Correspondence has also taken place with Reed Elsevier over their involvement in armament exhibitions. This may have contributed in some way to their subsequent decision to sell the business.

- Finally those who have specific issues with companies are invited to make presentations to CIG members. Last year we invited the proposer of a shareholder resolution regarding Tesco and the Sudan Divestment Taskforce. These enabled members to have first hand information from activists, discuss the merits of cases amongst themselves and then each makes their own decision as they see fit.

The CIG collaborative approach to engagement has a number of significant results that other church investment organisations might consider:

- By acting together members have the opportunity for face to face meetings with senior company executives that in many cases would be impossible acting alone.
- By acting together not only does it mean that CIG is backed by substantial shareholdings but, with congregations numbered in the millions, it speaks on behalf of a potentially significant consumer group.
- By acting together CIG members can target resources. One member led the correspondence with Reed Elsevier another with British Airways.
- By acting together we become a focus for those that are active on specific issues enabling information to be obtained and disseminated quickly.
- By acting together and using local contacts we can stand face to face with multi-national companies wherever they operate. Churches are unique in having such global reach and it could be a considerable strength in corporate engagement if we were prepared to use it.
- Last but not least, by acting together our Christian witness to the business community is made more powerful.

CIG is still developing its approach to corporate engagement, it is not always easy working together but we all believe it is worth the effort.