

## **Investing in your Mission**

### **Churches and Socially Responsible Investment**

#### **Closing Session: Building up Church-related Alliances**

The Church Investors Group grew out of an informal arrangement that had been in place for over thirty years. Church organisations with relatively modest assets wished to take a more active role alongside those with greater financial clout in wrestling with the challenge of investing church monies in line with their beliefs. After a lengthy consultation process it was agreed to establish a more formal collaborative venture to help empower and inform its members in order that they could pursue their own independent views and policies. We believed it would serve to increase the witness and influence of the Church in society if as Church-related bodies our members were able to:

- formulate policies relating to investment that were based on Christian ethical principles;
- execute such policies in practice and
- act together on such matters whenever possible.

First of all we identified a number of aims. These were to:

- share with each other information and views on ethical, social responsibility and corporate governance as they related to investment;
- encourage members to formulate policies relating to investment that are based on Christian ethical principles and are consistent with the beliefs and traditions of our various denominations;

In respect of these two aims CIG has held two Trustee Training days that have proved extremely popular.

- commission research on matters relating to socially responsible business practices that are of common concern to members (For example CIG will shortly release a theological review entitled Usury, Investment and the Sub-prime sector);
- enable members to make joint representation to company managements with a view to encouraging socially responsible business practices;
- enable members to make public statements on matters of ethical principle relating to investment and socially responsible business practices. We were particularly careful in relation to this aim to make it very clear that any public statement by the CIG would only link members to it with their express permission and would not want to prevent members making their own public statements as they saw fit. In practice it has not been a problem. Last week CIG made its first public statement related to investment in Sudan.

We also made it clear from the outset that there would be certain expectations of CIG members. These were to:

- make available to all other members the contents of any ethical policy or statement relevant to the management of the funds under their control;

- Inform the Secretariat of the value of the funds under their control for the purpose of disclosing to the companies with which we engage, the total assets represented by CIG;
- Pay an annual subscription to meet the cost of the CIG and its activities. These fees are kept at modest levels with the express object of not excluding any organisation due to costs. The larger the assets under control of a full member, the higher the fee. We also have associate membership for smaller organisations and affiliate status for either individual overseas organisations or their umbrella bodies. I will return to this idea later;
- Contribute time and resources, according to means, to further the aims of the CIG. This is another reason to keep fees at a relatively modest level. As a collaborative project it is important that the larger bodies with the physical resources to contribute substantially are not expected to overpay when it comes to subscriptions;
- Be represented at member meetings except in exceptional circumstances. Again as a collaborative venture members need to invest some of their time and effort into CIG. We also recognise that not all will be able to do this and therefore introduced associate membership for smaller organisations that would like the information but may not be able to participate more fully.
- Respect the confidentiality of other participants at our meetings. Any discussions are non-attributive unless explicitly agreed otherwise. This is an important aspect of building up mutual trust.

An extremely important part of CIG activities is corporate engagement. I went into this in some detail in the earlier workshop, but for those that weren't present I will briefly repeat what I said.

- We invite large companies to make presentations on their corporate social responsibility profile to our member meetings. This also provides the opportunity for questions to be put to the companies on specific ethical issues. The briefing papers we prepare, company slides and notes of the meeting are all made available to our members.
- From time to time controversies emerge that CIG feels it appropriate to send a representative delegation to have an in-depth meeting with a company. Typically the delegation will be ecumenical, include full time executives with investment management responsibilities, those with trustee responsibilities and those with specific expertise within the churches on social justice issues. Reports of these meetings are of course made available to members once factual accuracy has been agreed with the company.
- Putting together a full scale delegation is a significant undertaking and we may feel that correspondence is the best approach. One member may take the lead in this.
- We also invite activists to our meetings which is useful not only for the information it provides but also for the discussions that ensue that allow our members to take better informed decisions.

The conclusions we have reached so far about corporate engagement might be summarised as follows:

- If we are serious about responsible investment we should be making the effort to engage with company managements. It is not enough to point to our portfolios and say that there are no holdings with ethically

controversial issues. Many of our members work for these companies and it is not fair to put them in a position of feeling morally compromised by a decision we have taken over a company if we have not first made the attempt to discuss ethical issues with their management.

- If we consider ourselves to be serious long term investors, it is appropriate to attempt to develop long term relationships with the companies in which we invest. We seek to develop mutual trust and with it positive results can be achieved that do not result from a short term high profile campaign.
- Best results are achieved when we are seen as working with management and not against them. If companies understand that we are long term investors looking for the best possible financial returns for shareholders they are likely to take more notice of what we say about any ethical shortcomings.
- This is more about the journey than the destination. As individuals, none of us is without sin but we look to do better. Similarly, no company in which we invest is perfect, but it is part of our mission to encourage them to improve.

Finally what lessons have I learned having been involved in building up alliances with other churches for over twenty years.

- Work to ensure that your denomination can speak with a single voice. Within the Methodist Church we have a mechanism that provides for the necessary internal debate. This is known as the Joint Advisory Committee on the Ethics of Investment and brings together the financial and the social justice arms of the church. Through this body we have established a process to address the ethical aspects of investment that is widely accepted and trusted.
- When you move beyond your denomination, begin with your local partners. The Methodist Church and the Church of England, the two churches with professional investment teams, have throughout my experience looked for ways in which to work more closely together. Whenever other opportunities for working ecumenically have occurred we have pursued them. The Methodist Church, Baptist Union and United Reformed Church now work together in the area of social justice through a Joint Public Issues Team. There will be local peculiarities that may lead you in a specific direction. In the US shareholder resolutions are an extremely fruitful area. This approach is less appropriate in the UK and may be totally impractical in other countries. We all need to find our own route.
- The best starting point internationally is with your own denomination or close partners. The first overseas contacts I made were with the US United Methodist Church and the Uniting Church in Australia. However, I would urge you to take the opportunity to build up relationships with other denominations whenever the opportunity arises. This has led us to very fruitful work with the US Mennonite Church and the Anglican Diocese of Sydney, Australia.
- Work to establish local groupings. It is very exciting to see that the South African churches have set up their own Church Investors Group, whilst the Interfaith Center for Corporate Responsibility is an inspiration to all of us involved in ethics and church investments.

- Look for ways in which national groups can work internationally. CIG has the facility for other umbrella organisations to be affiliated. In this way the information learned by one church can be passed on not only to other churches in the same country but right around the globe.
- Concentrate the bulk of your work on other church bodies because that is where the benefits will be greatest. However, do not ignore secular efforts. This is particularly true with environmental issues. For example the International Investor Group on Climate Change and the Carbon Disclosure Project are partnerships with which you can become involved to great effect.

I would like to conclude by setting out a challenge to you. This conference has been a most important event in bringing together European churches together to explore the topic of ethics and investment and I for one would like to see more work to bring together the church investment bodies in Europe. However, I think the time is approaching when we can attempt to make the Church approach to ethical investment truly global. Can you commit to explore the possibility of attending and contributing to a conference in, say, two years time when church investment bodies together with their denominational social justice arms meet to push the boundaries as we seek to align our investments with our values?