



The Church of England's National Investing Bodies (NIBs) - the Church Commissioners, Church of England Pensions Board, and CBF Church of England Funds (managed by CCLA) - today announced the launch of a new policy on investing in extractive industries.

The policy provides a distinctively Christian approach to investment in the extractives industries and is the culmination of theological reflection, expert input, public consultation and site visits to mine sites and communities over a 24-month period. It states that key ethical concerns in the extractive industries are not to be found in extraction in itself, but in business conduct including management of risk, the effects of operation on communities and national economies, and operating standards.

The new policy acknowledges the positive contribution that mining can make to development and the material that it provides for many of the products in modern life. However, it also highlights that extractives companies are particularly vulnerable to poor governance and ethical controversy, and harmful, long-lasting impacts on communities and the environment.

For companies to benefit society and the common good, issues of responsibility, corporate governance and five ethical areas are highlighted throughout the document, namely:

1. Human rights
2. Social and economic concerns
3. Health and safety
4. Corruption and taxation
5. Environment and ecology

The policy raises concerns around ownership structures such as joint ventures and concerns about different corporate reporting standards and varying standards of operation. It also highlights the need for much greater focus by company boards on the risks around tailings dams and raises concerns around frequency and seriousness of dam failings. Finally, the policy highlights the ethical importance of protected areas such as World Heritage Sites and the threat that extractives can pose.

The policy underlines the responsibility of investors to 'know their companies' and to engage with companies as the principal and most effective means by which the NIBs can seek to improve company performance and contribute to making the sectors more sustainable and responsible.

Under the policy, the NIBs commit to assess whether dialogue and engagement with companies that are unwilling or unable to uphold high standards is likely to produce improvement.

As a last resort, and on a case by case basis, under the policy the NIBs may disinvest from companies where engagement is rebuffed or is clearly not leading to progress. Disinvestment applies in cases where companies are unresponsive to investor concerns, require a disproportionate level of engagement and / or pose too great an ethical risk to warrant continued engagement.

In recent years the NIBs have disinvested from two extractive companies based on ethical and corporate governance concerns. Both disinvestments followed an extensive programme of engagement.

Commenting on the policy, Loretta Minghella, First Church Estates Commissioner, said: "This policy provides a clear ethical framework to encourage extractive industries to benefit society and the common good. As responsible investors, the Church's National Investing Bodies are committed to robust engagement with companies in the extractives sector.

"This policy recognises that good economic management aligned with strong ethical standards of operation can go hand-in-hand with long term economic sustainability. It also provides clarity about the sorts of concerns which, left unresolved, could ultimately lead to disinvestment."

Adam Matthews, Head of Engagement for the Church Commissioners and Pensions Board and Secretary of the Ethical Investment Advisory Group (EIAG) said: "Companies carry enormous responsibility and joint ventures raise serious questions around standards of reporting and operation. This policy makes clear that we consider a company to have responsibility for both its direct and in-direct operations and that we will be engaging with them on that basis.

"In addition, this policy also makes clear the ethical importance we attach to respect for the world's protected areas such as world heritage sites."

The Bishop of Manchester, David Walker, Acting Chair of the Church of England Ethical Investment Advisory Group commented: Strong returns to support our beneficiaries can go hand in hand with robust and transparent ethical investment policies. Our approach to policies like this is grounded in theology and is also practical and seeks to ensure we play our role as a faith investor in supporting those companies that seek to improve their practice and play their part in contributing to the good of society."

Revd Dr Malcolm Brown, Director of Mission and Public Affairs at the Church of England, said: "This policy recognises mining, as an expression of human vocation and enterprise, has its place within a Christian understanding of society, and therefore of the investable business sector. However, this must be balanced against the need for wise stewardship and sustainable patterns of human activity."

Alan Fletcher, Chairman of the Church of England Pensions Board Investment Committee, said: "We will engage with companies on the key ethical concerns highlighted in this policy. We believe that extractive companies have an important role to play in society, but that they have a clear ethical responsibility in the way they act on issues such as human rights. We engage robustly and where companies are unresponsive we will be willing to disinvest."

Revd Canon Edward Carter, CBF Funds Member of the EIAG and Chair of the ecumenical Church Investors Group, said: "This policy will provide a useful framework to guide our engagements with companies in this important sector."

Notes to Editors

The Extractives Policy can be found [here](#).

Accompanying the new Extractives Policy is more detailed advice to the National Investing Bodies from the Ethical Investment Advisory Group.

This advice will help inform the engagement that the NIBs will now undertake with extractive companies. Key from the advisory note include:

Responsibility

- Extractive industries are not sustainable: i.e. once the resource has been extracted, it is gone from that area. This places a special burden of responsibility on companies, governments and on investors in these sectors.
- Profit maximisation does not sufficiently take into account the wider responsibilities of extractive operations. Legality nor accepted common practice are guarantees of good business or ethical behaviour.

Human Rights

- Particularly relevant to extractive industries are the rights communities and individuals hold not to be subject to violence or intimidation, for communities' voices to be heard in consultation on proposals that may affect them, and for the rights of indigenous peoples to be protected.
- The EIAG would expect companies to identify, prevent, mitigate and remedy infringements of human rights.
- The EIAG advise that oversight of human rights should be held at the most senior level of the company.

Joint Ventures

- The EIAG consider a company's joint ventures to be just as ethically important as the sites they manage.
- Our concern is that JVs may lead to double standards, and an inconsistency in company reporting. Often equity held in joint ventures is reported annually. But the health and safety, environmental, and other sustainability factors which may be reported on by a company on their core operations is typically not or is only inconsistently reported on JVs.
- This kind of ownership structure should not afford those involved, the opportunity to abrogate their responsibilities. Core standards should be consistent, reported on, and high enough to satisfy investors.

Corporate Governance

- Good corporate governance including policy, implementation and reporting must be at the heart of an investor's appraisal of extractive

companies. Transparency is a way that the extractive industries can build trust and establish their 'social license to operate'.

- Transparency is an important principle in extractive industries. While the practice should be sensitive to commercial data, the strong presumption should be on transparency.
- Transparency can improve accountability, and mitigate corrupt or unfair practices. It is relevant in relation to negotiation, tax arrangements, beneficial ownership, fair pricing, corporate reporting, compensation and relationships with communities.

Social Concerns

- Free Prior and Informed Consent (FPIC) is used in the sector to show respect towards indigenous people who have prior claim on the land and resources marked for extraction. Governments in the first instance, not companies, get to decide whether an indigenous communities' right to say "no" is unequivocal.
- We expect commitments to communities to be honoured or improved when mines change hands or are closed. Where a mine supports a large community of miners and dependants, it has a particular responsibility to consider the ongoing welfare and sustainability of the community.

Health and Safety

- We support a 'Zero Harm' approach to occupational and community health and safety.
- Extractive industries are inherently dangerous (particularly underground operations) but we expect to see constant improvements, a trend of reduction of casualties across all mine sites, a special focus on challenging sites, and a parity of standards (best practice rather than lowest common-denominator) across all operations including Joint Ventures.

Corruption and Taxation

- Transparency should work hand-in-hand with good corporate governance (see above). We have an expectation of fair business practices, and of clear lines of accountability. We do not recognise cultural practice as a reason for multinational companies to pay bribes or act in other corrupt ways.
- It is incumbent on investors to assure themselves that companies have relevant policies and are operating to the highest standards.
- EIAG's tax policy is relevant to these sectors. There is a need, in the interests of the common good, for the payment of the right amount of tax at the right time, and transparently. As the resources being extracted are not renewable, the opportunity for governments to realise tax

income is therefore limited.

Environment and Ecology

- Mining must be approached with cultural sensitivity, and an acknowledgment that there may be shared responsibility for evils committed by others from which one profits. We are concerned with legacy issues on disposal (i.e. sale to another owner) and closure.
- The EIAG recommend that closer attention is paid to tailings dams and the impact and risks of large scale infrastructure. In particular, the group recommends that the NIBs consider forms of assurance and protection, such as 'tailings safety bonds' or 'legacy bonds', since tailings dams appear to fail with some regularity, causing significant loss to life, communities and the environment. These instruments may also help focus company board's minds on this important responsibility.

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