

SUPPLY CHAIN ENGAGEMENT FRAMEWORK

The Ethical Investment Advisory Group (EIAG) is cognisant of the importance supply chains play in complex business operations, recognising that they are an integral part of everyday modern life; with this arises many environmental, social and governance concerns for the Church as a responsible investor.

In today's society, where consumer demand is continuously growing, pressure on natural and finite resources is intense. For business to continue to make and sell goods and services to its customers, it is imperative that their supply chains remain in place and are sustainable. Supply chains are complex: they involve those providing the raw materials of component parts, through to the manufacturing process, distribution and onward sale. Beyond, there is also the end life of finished goods to consider. The demand for affordable consumer goods places tensions along supply chains that may ultimately prove detrimental to the environment, employees or communities if these are poorly managed.

This investment framework supports an engagement policy that reflects and is in keeping with a theology of creation, compassion and justice. Five broad areas have been identified that encompass the extensive ethical issues along the supply chain, these are:

- the environment
- human rights
- employment
- communities
- business ethics

These five areas of concern align with the “positive” ethical criteria used to assess companies as outlined in the EIAG's Statement of Ethical Investment Policy. The EIAG sets out below an investment engagement framework that seeks to be in keeping with the thinking of the Church, being mindful of its Christian witness and values. This framework is intended to apply to any company with significant supply chain exposure, particularly if this extends to the developing world, where cheaper labour costs and weaker environmental legislation may prevail

➤ *An active engagement policy should be applied to companies whose business operations are heavily dependent upon a supply chain. These companies may fall within any sector and operate locally, nationally or globally. In keeping with the framework, the EIAG:*

- *is committed to encouraging engagement with companies that have extensive supply chains as part of their business operations;*
- *recognises the role the three Church investment bodies can play in encouraging the companies in which they invest to identify ethical considerations within supply chain operations and to manage them responsibly. These considerations fall within the five areas of environment, human rights, employment, communities and business ethics*
- *accepts that within these five areas, the investment bodies and their agents need to be alive and responsive to many complex sub-issues, such as conflict diamonds, bribery or child labour that may change and endure depending on geo-political disruption, theatres of conflict, development of technologies, changing consumer demand and media awareness.*

This engagement framework is supported by the EIAG's document “*Company supply chains: The issues for responsible investors*” which can be found on the Church of England's website.

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