

GENERAL SYNOD

ETHICAL INVESTMENT

1. Ethical investment is important to the Church of England.
2. With assets of more than £5bn under the combined stewardship of the Church Commissioners for England, the CBF Church of England Funds and the Church of England Pensions Board, how the Church meets the challenge of making best returns for its beneficiaries, whilst also meeting ethical investment expectations, is of close interest to the Church and to wider society.
3. The Ethical Investment Advisory group (EIAG) has initiated this debate so as to give the General Synod the opportunity to discuss the Church's policy approach to ethical investment and what it means for the Church to be a responsible investor. The Ethical Investment Advisory Group acts as steward for the Church on ethical investment matters, and as adviser to the three central investment bodies named above.

4. The EIAG was established in 1994 and includes representation from the Assets Committee of the Church Commissioners for England, the CBF Church of England Funds Investment Committee, the Church of England Pensions Board, the General Synod, the Archbishops' Council, and the Mission and Public Affairs Council. The Group also appoints up to two co-opted members for their professional, technical or theological expertise.

5. The EIAG develops and co-ordinates ethical investment policy for the Church of England investing bodies through a process of research and consultation. It offers practical advice in a theological context and seeks to promote high standards of corporate behaviour and the principles of integrity, accountability and transparency in corporate life. The Group aims to provide assurance to the investing bodies and to the wider church of a robust process in developing an appropriate ethical investment policy for the Church of England. The overarching Statement of Ethical Investment Policy is added to this Explanatory Memorandum.

6. The EIAG's role is therefore complex: it is to provide advice to the managers of the Church's assets on areas where investment would be inimical to the role and purpose of the Church, but it also represents the Church in discussing ethical issues with the companies in which the Church invests.

7. In the last year the work of the EIAG has been diverse; it has reviewed two areas of investment exclusion, gambling and newspapers. It also gave care and time responding to representations received about investment in Caterpillar Inc, which resulted in a wide

ranging consultation process over the summer. Ongoing project work on supermarkets and mobile telephony continues. The EIAG commends ecumenical engagement and recommended the Church's involvement with 3iG, an international multi-faith ethical investment initiative. It also sponsored an important initiative engaging with 30 of the largest UK companies on HIV/AIDS in furtherance of the engagement framework adopted by the Church in 2004.

8. However, this is only part of the story. Our experience as a Group tells us that the Church can exert disproportionate influence compared to the size of its shareholding in many of the companies in which it invests. The Church's 20 largest shareholdings are in companies employing nearly 1.9 million staff, with a combined market capitalisation of over £900 billion. Influencing the governance and ethics of these companies can have a major impact on their own behaviour, and also on their employees, suppliers and customers.

9. The EIAG has made a significant impact on some of these companies, and has the ability to increase further its effectiveness on a number of major issues: the environment, corporate governance, areas of concern in scientific research such as stem cells and corporate policies with respect to HIV/AIDS.

10. In many ways, major quoted companies are themselves able to determine how major industries work: they employ millions, set internal and external ethical standards, and are the investment vehicles for pensioners and pension funds. Through the EIAG's

involvement with companies, the Church can ensure that its values inform this corporate decision making.

11. Many of the companies concerned welcome such dialogue and guidance from the EIAG: in practice, the Church of England is probably the largest ethical investment voice for most of the companies in which the Church has investments. This gives an opportunity for the Church's ethical and theological views to be at the centre of a debate on areas with which we are concerned, thereby influencing millions of employees across many countries, extending far beyond the boundaries of the companies themselves.

12. Although the EIAG is a servant of the central Church investment bodies, it also has a brief to communicate its work to the wider church; it strives to do this through a range of publications, and by offering ethical investment advice to parishes, dioceses, cathedrals and other Church of England agencies. The EIAG also commends debate and discussion of its work, of which this debate forms an important part.

13. This paper is deliberately brief, but much more information about the Church and ethical investment, including the EIAG Annual Report for 2004/05 is available from the Church of England website at www.cofe.anglican.org/info/ethical. Written requests for further information including publications and the Annual Report can be made to the SRI Unit, CCLA Investment Management Ltd, 80 Cheapside, London EC2V 6DZ; telephone 020 7489 6047 and by e-mail to ethics@ccla.co.uk. The next Annual Report will be

published in July 2006, and will be circulated to all members of General Synod.

John Reynolds
Chairman, Ethical Investment Advisory Group

Peter Selby, Bishop of Worcester
Deputy Chairman, Ethical Investment Advisory Group

Church House Westminster
6 January 2006



STATEMENT OF ETHICAL INVESTMENT POLICY

Ethical considerations form an integral part of the Church of England’s investment management process in keeping with its Christian witness and values. The Church of England Ethical Investment Advisory Group, on which the three main investment and Trustee bodies of the Church of England, the General Synod, the Archbishops’ Council, and the Council for Mission and Public Affairs are represented, carries out on their behalf ethical investment research, develops policy and communicates this to the wider Church. This policy is applied to all classes of asset under management including securities, land and real estate.

We seek to invest in companies that will successfully develop their business financially in the interests of their shareholders, but which also demonstrate responsible employment and best corporate governance practices, are conscientious with regard to environmental performance and human rights and act with sensitivity to the communities in which they operate. The use of “positive” ethical criteria in assessing companies is thus firmly incorporated within our ethical investment policy, although we continue to apply “negative” criteria as well.

We do not invest in any company that promotes pornography or supplies armaments and we do not invest in companies whose management practices are judged by us to be unacceptable. In addition, investment is avoided in any company, a major part of whose business activity or focus is gambling or the supply of tobacco products, alcoholic beverages or non-offensive military equipment. In order that we should not be identified with any political viewpoint, or associated with unacceptable news reporting standards, investment is normally avoided in newspaper publishing. Given the complexity of many companies, some will have business interests in areas we seek to avoid and these are closely monitored to ensure they meet our broader criteria.

The Church generally accepts the right of nations to defend themselves and to engage in peacekeeping initiatives. However we do not invest in companies that manufacture weapons platforms such as aircraft, naval vessels, helicopters, or tanks and neither will we invest in companies that manufacture weapons or weapons systems.

Investment in selected companies that have diversified away from brewing into catering, hotels, health and family focused activities is allowed. These companies, as well as complying with our stated positive ethical criteria, must also demonstrate a commitment to community involvement and to socially responsible policies that relate to alcohol consumption.

Companies are monitored according to our ethical investment policy and, where appropriate, by developing an ongoing engagement with them. We believe this to be the best means of exercising shareholder responsibility and communicating Church concerns. Disinvestment, if recommended, remains the preserve of each Trustee body, and is considered if a company

is in clear breach of our ethical investment policy or if, after sustained dialogue, it does not respond positively to our concerns.

October 2000

The Church of England Ethical Investment Advisory Group was established in 1994 and includes representation from the Church Commissioners for England, the CBF Church of England Funds, The Church of England Pensions Board, the General Synod, the Archbishops' Council, and the Mission & Public Affairs Council

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