



ETHICAL INVESTMENT
ADVISORY GROUP

Ethical Investment Advisory Group

Annual Review 2021/22





The Church of England Ethical Advisory Group provides independent ethical investment advice to the Church of England's three National Investing Bodies detailed below:



The Church Commissioners for England, who support the work and mission of the Church of England across the country.



The CBF Church of England Funds, collective investment schemes managed by CCLA Investment Management Ltd in which Church of England parishes, dioceses, schools and church charitable trusts invest. CCLA is predominantly owned by its church and not-for-profit clients.



The Church of England Pensions Board provides retirement services (pensions and housing) for those who have served or worked for the Church of England.

Contents

- 1 The National Investing Bodies of the Church of England 5
- 2 A letter from our Chair, Barbara Ridpath..... 7
- 3 A review of 2021/22 9
- 4 The EIAG Group and EIAG Nominations Committee Membership..... 13

This page is intentionally blank.
Text continues on the next page.

The National Investing Bodies of the Church of England

The Church of England Ethical Advisory Group (EIAG or “the Group”) provides independent ethical investment advice to the Church of England’s three National Investing Bodies (“NIBs”) detailed below:

The Church Commissioners for England is a charitable body, established in 1947 to support the Church of England’s mission and ministry in perpetuity. It does that through the management of the Church of England’s endowment fund which stewards £10.1bn of investment assets and has two duties: to create long-term financial returns to fund mission activities through churches, cathedrals, and dioceses and to make sure that the way they invest, and what they invest in, brings benefits to the wider world in a way that consistently shows positive outcomes in its contributions to the common good and seeks to make the Church’s teachings and values real.¹

The CBF Church of England Funds, managed by CCLA Investment Management Ltd (CCLA), provide integrated investment and cash deposit services for nearly 13,000 Church of England parishes, dioceses, cathedrals and other Church of England bodies wishing to avail themselves of it. CCLA is predominantly owned by its church and not-for-profit clients and manages over £2.7bn of Church of England assets.²

The Church of England Pensions Board is a regulated pension fund which stewards £3.7bn of assets sustainably for its beneficiaries and in line with church teachings, to provide retirement services (pensions and housing) for approximately 41,000 members who have served or worked for the Church of England. It also holds some charitable funds for other purposes. Around 700 different Church organisations participate in their three pension schemes, including dioceses, parishes, Church charities and mission agencies.³

Each NIB operates within its own legal and regulatory framework for investment by charities, pension funds and investment managers, and each owes certain fiduciary and other duties to their beneficiaries. The way in which the NIBs invest is an integral part of the Church of England’s witness and mission, and Christian stewardship informs how these duties are performed.

THE ROLE OF THE EIAG

The role of the EIAG is to provide practical and timely ethical investment advice to enable the NIBs to invest in a way that is Christian and distinctly Anglican. By interpreting Scripture, in conjunction with the Christian tradition and reason, the EIAG provides guidance and investment policy advice reflecting the big picture of God’s relationship to the world. This enables the NIBs to address and respond to investment issues specific to particular industries or sectors (gambling or the extractive industries, for example) as well as broader systemic risks (such as climate change or human rights) in a way that forms an important part of the Church of England’s witness and mission. The EIAG works together with the NIBs to formulate Policy which embraces stewardship, engagement and investment exclusions, and publishes the Advice and Policy together on the EIAG’s website.

Thus, in addition to the exclusions, the EIAG’s advice may also relate to:

- stewardship by the NIBs of their investments (including voting and engagement);
- relationships with investment managers and other investors;
- asset classes, industries, sectors or investment markets;
- public policy issues affecting investments;

or any other aspect of investing, as requested by the NIBs.

1. See Church Commissioners for England, “For the Common Good: Stewardship at the Church Commissioners”, Stewardship Report 2021, available at: <https://www.churchofengland.org/sites/default/files/2022-06/The%20Church%20Commissioners%20for%20England%20Stewardship%20Report%202021.pdf>.

2. See CCLA Investment Management Limited, “Annual Report & Audited Financial Statements for the year ended 31 March 2021”, available at: <https://www.ccla.co.uk/documents/ccla-annual-report-and-accounts-2021/download?inline>.

3. See The Church of England Pensions Board, “Stewardship Report 2021: Investing

for a just and sustainable world”, available at: https://www.churchofengland.org/sites/default/files/2022-05/5562_Stewardship%20Report_2021_FINAL.pdf.

This page is intentionally blank.
Text continues on the next page.

A letter from our Chair, Barbara Ridpath



Barbara Ridpath, Chair of the EIAG

I would like to express my thanks to all EIAG members and our colleagues at the NIBs and at the Nominations Committee for working so diligently throughout the pandemic. It has been a joy to begin to be able to meet face-to-face again. It is my sincere wish that we will learn from the experience of the pandemic to create a better working environment for all. For EIAG members, we are able to gain the benefit of the wisdom of members who cannot always be present, like Amanda Nelson, our newest member who is based in Budapest, Hungary. We can also draw on the expertise of people around the world, or around the corner, who can speak to us remotely if that is easier for them. For staff, they can continue to do productive and useful work while having a better work-life balance. Nonetheless, it is a delight to be able to re-engage with colleagues in person for the constructive and creative ideas that often arrive spontaneously from conversation. The work of the EIAG is built entirely around constructive collaboration, so to all my colleagues I express my gratitude, and none more so than to Anna McDonald, who runs our Secretariat.

But with the worst of the pandemic now hopefully behind us, we face unprecedented challenges. At COP26 in Glasgow, global leaders, church-goers, civil society and investment professionals gathered at the end of 2021, and faced a growing realisation that climate change is the greatest challenge humanity

faces. The investment decisions the Church's investing bodies make, whether around the energy transition or social justice, affect our whole world and everything in it.

The Advice that the EIAG provides must continue to remind us that we are stewards of these funds for those who come after us. To that end, the EIAG has re-shaped the way it offers its advice to the NIBs and adopted a new framework under which to organise its advice. We have three pillars:

- investing for a renewed and sustainable world;
- investing for a peaceful, just and flourishing world; and
- investing in resilient and well-governed systems.

The theological vision that underpins these three pillars is based on an understanding of Christian teaching, informed by Scripture, in conjunction with tradition and reason. A brief version of this vision appears below. The full version will appear on our website.

Last of all, I would commend to you the stewardship reports published by the Church Commissioners and the Pensions Board for a full view of their activities and how the ethical advice of the EIAG is translated into action.⁴

4. Church Commissioners for England, "For the Common Good: Stewardship at the Church Commissioners: Stewardship Report 2021", available at: <https://www.churchofengland.org/sites/default/files/2022-06/The%20Church%20Commissioners%20for%20England%20Stewardship%20Report%202021.pdf> and The Church of England Pensions Board, "Stewardship Report 2021: Investing for a just and sustainable world", available at: https://www.churchofengland.org/sites/default/files/2022-05/5562_Stewardship%20Report_2021_FINAL.pdf.

This page is intentionally blank.
Text continues on the next page.

THEOLOGICAL PRINCIPLES UNDERPINNING EIAG ADVICE

This year the EIAG has adopted a new framework under which it organises its Advice and the resultant NIB policies. The framework is influenced by the Anglican Communion's Five Marks of Mission and a reading of Scripture and of Christian theology and ethics that seeks to locate our modern contexts and present concerns within the big picture of God's relationship to the world presented across Scripture as a whole.

The new framework organises all EIAG advice into three pillars:

- **Investing for a renewed and sustainable world;**
- **Investing for a peaceful, just and flourishing world;**
- **Investing in resilient and well-governed systems.**

The theological vision that underpins EIAG advice is rooted in Jesus' own understanding of his mission, as presented by Luke. At the beginning of his ministry, Jesus returns one sabbath to the synagogue in his home town Nazareth, where he reads from Isaiah:

*"The Spirit of the Lord is upon me,
because he has anointed me
to bring good news to the poor.
He has sent me to proclaim release
to the captives,
and recovery of sight to the blind,
to let the oppressed go free,
to proclaim the year of the Lord's favour."*

Then he says, "Today this Scripture has been fulfilled in your hearing" (Luke 4.16–21).

The placing of this passage at the start of Jesus' ministry in the narrative of Luke is deliberate and strategic: it is a programmatic statement of Jesus' understanding of why he has been sent, which is why it is sometimes called the "Nazareth manifesto". The passage Jesus reads is taken from Isaiah 61, part of a prophetic vision about the future deliverance promised to God's people. This vision in part draws on the idea of the Jubilee year found in Leviticus 25, that is, a year when slaves would be freed, debts

forgiven, and property returned to its original owner. This in turn is expanded in Isaiah to encompass a holistic understanding of salvation as characterised by *shalom*, a Hebrew word which is understood in Israel's Scriptures to refer to a future time of peace and justice, of wholeness and fulfilment—an all-embracing healing of all that has gone wrong and a restoration of relationships between human beings, between human beings and the natural world, and between human beings and God. In saying that this has been fulfilled in their hearing, Jesus is indicating that in his person and ministry, that future has been made present in all of its dimensions.

Yet Jesus did not come only to preach the Kingdom and to demonstrate its presence in his actions. The gospels also tell that the Son of Man must suffer, be killed, and after three days rise again (Mark 8.31). After Paul's statement that "Jesus was handed over to death for our trespasses and raised for our justification" (Romans 4.25), we may see the cross as God's decisive "No!" to the sin and evil that harms creation, which from the beginning had been declared good (Genesis 1.31); and the resurrection as God's decisive "Yes!" that demonstrates the establishment of Christ's reign over all powers that would oppose it, the ultimate of which is death (1 Corinthians 15.26).

While the powers of sin and death have been defeated, their defeat will only finally be made manifest when God is "all in all" (1 Corinthians 15.28). In the meantime, the Church is called to bear witness to the good news of the Kingdom that Jesus preached, showing in its words and actions what the reign of God looks like. It is to demonstrate how all are called to reconciliation with God through Christ, and to show what that reconciliation looks like in practice in a broken world. The vision of *shalom*, when God's reign shall finally be manifest as the fulfilment of creation, is to guide the Church as it seeks to work out what principles would best embody and enable the kinds of relationships to which all human beings are called.

The following five principles are derived from a reading of Scripture and of Christian theology and ethics, but they are not only for the Church and for Christians. Christians believe that Jesus Christ is the one through whom the whole world was created and in whom it will be fulfilled. It follows

that these principles describe understandings and commitments which are valid for wider society, for social, economic and political institutions, indeed for everyone.

- 1 Flourishing as persons.** First, we are called to flourish as persons and to enable others to do so. The passage Jesus reads out gives us some clues as to what this means, by giving examples of lack of flourishing. Poverty, for example implies a lack of flourishing, as do captivity and oppression.
- 2 Flourishing in relationship.** Second, we are called to flourish in relationship. The vision of *shalom* is a profoundly relational one, in which nothing and no one exists by and of themselves, but only in relationship to others. Flourishing in community is the flip side of flourishing as persons: we are created not as individuals, but as persons for each other.
- 3 Standing with the marginalised.** Third, we are called to stand with the marginalised. Jesus declares that he has come to bring good news to the poor, release to the captives, and freedom to the oppressed. There is a constant refrain throughout Scripture that God cares for the smallest, the weakest, and the least powerful.
- 4 Caring for creation.** Fourth, we are called to care for creation. There is a sense throughout much of Scripture that the natural world is more than inert matter, but is capable of praising God. This suggests that it is not only to be treated well because it is in human interests to do so, but that it is to be loved and cherished for its own sake.
- 5 Serving the common good.** Finally, we are called to serve the common good. All of the different dimensions of *shalom* are encompassed within a holistic condition of peace and justice that is shared by all. It is a vision of the good that is held in common by all, from which all benefit and to which all contribute. It is a universal vision of the good, in which not only human beings participate, but also the whole of creation. The idea of the common good, developed especially in Roman Catholic social teaching in opposition to both individualism and collectivism, captures some of this sense.

These five principles provide the background for EIAG advice. They are intended to be guiding principles which require constant further thoughtful and imaginative exploration in relation to particular circumstances, rather than a tick-box exercise which can be checked off and then ignored. Moreover, although they are drawn from the Hebrew vision of *shalom* and Jesus' preaching of the reign of God, they are principles that are relevant for everyone, both those who are Christian and those who are not. And they are also relevant both for individuals and for society as a whole—for communities, voluntary organisations, businesses and governments alike.

BIG TECH

The EIAG's Advice on Big Tech has continued to dominate the EIAG's work and we look forward to publishing our Advice together with the NIBs investment policy with regard to Big Tech later this year.

Nearly three years ago in the context of data scandals such as Cambridge Analytica and the spreading of misinformation, conspiracy theories, hatred and incitement of violence online—such as that directed towards the Rohingya minorities in Myanmar,⁵ the EIAG began its review of ethical investment into the Big Tech sector. Over the past three years, the EIAG has reflected on myriad questions from what it means to be human, to what makes up the full stack supply chain of the Amazon Echo Dot.⁶ The Group has engaged in conversations with—and learnt from—a broad range of stakeholders including Big Tech companies, civil society groups, investors, church-goers, theologians, policy makers and regulators. It has participated in and contributed to academic and faith-based roundtables and discussions, offered feedback on company policies as well as regulatory policy proposals, and contributed to collaborative investor working groups. It is through this iterative and collaborative process and the expertise of many generous and gracious experts that the EIAG has been able to finalise this Advice.

5. See HRBDT, "The Human Rights, Big Data and Technology Project—written evidence (DAD0077)", available at: <https://committees.parliament.uk/writtenevidence/445/html/>.

6. See "Anatomy of an AI system" at: <https://anatomyof.ai/>.

However, for a vast and rapidly evolving topic with such deep reaches into the day-to-day existence of billions of human lives throughout the world, it is hard to imagine that the EIAG can ever claim to offer Advice that is “final”. As complex technologies develop, as regulatory measures oscillate, as investor sentiment shifts and as public awareness of the human-scale impacts increases, the EIAG expects the tech ecosystem to continue to evolve and the NIBs to be continually refining their stewardship strategies. The Advice is therefore not intended to be a prescriptive final word but rather to set out high-level principles, grounded in Christian theology and tradition, to allow the NIBs to steward their investment assets in this fast-moving sector in a way that is manifestly Christian.

Whilst regulatory uncertainty, technological inexplicability or market volatility add innumerable challenges to responsible investment in this sector, they are not reasons for inaction. In an EIAG roundtable on Big Tech in 2021, the Archbishop of Canterbury urged tech companies, regulators and investors to act, stating: “There is no neutral ground, there is no point at which one is morally neutral. To do nothing is to do something.” Throughout this review, the EIAG has reflected upon the research and thinking of many data scientists, academics, civil society groups and policy makers calling for action. This has included the research of Cathy O’Neil, who in 2016 highlighted that that automated predictive models (including those that serve the digital advertising ecosystem that drive the revenues of so many Big Tech companies) are constructed not just from data but by the choices companies make about that data. She argued “those choices are not just about logistics, profits and efficiency. They are fundamentally moral.”⁷ Another researcher, Virginia Eubanks, urged in 2019 that algorithmic systems must be designed to deliberately redress structural inequalities, otherwise their speed and vast scale will intensify them.⁸ And yet we continue to see in 2022 people’s lives devastated by choices made about how to deploy algorithmic technologies from those automated systems seeking to detect child care

7. Cathy O’Neil, *Weapons of Math Destruction: How Big Data Increases Inequality and Threatens Democracy* (New York, NY: Crown, 2016), p. 218.

8. Virginia Eubanks, *Automating Inequality: How High-Tech Tools Profile, Police, and Punish the Poor* (Picador: New York, NY, 2019).

benefit fraud in the Netherlands⁹ to the algorithms of social media platforms that choose which users see which housing adverts, based on their race, sex and other characteristics.¹⁰

Algorithmic technologies are tools, and they are not neutral. They require deliberate and intentional design and deliberate and intentional use. Big Tech companies for whom algorithmic technologies underpin their business models must take moral responsibility for both their design and their use, and investors such as the NIBs must encourage them in this challenge to achieve positive outcomes for all people. As the Archbishop of Canterbury urged us all, not to act would be unethical. The EIAG’s Advice to the NIBs is therefore a call to action.

It is a call to Big Tech leaders throughout the world to assume moral responsibility to:

- prioritise human-centred flourishing;
- uphold human dignity—especially for the vulnerable, the young and the excluded;
- serve the common good; and
- continually reflect, act and explain the impacts of their products and services.

It is a call for collaboration between companies, investors, civil society and policy makers to work together to create a future where all people may enjoy a sustainable, flourishing and long-lasting relationship with Big Tech products and services.

The Advice and the call to action is rooted in the five theological principles outlined above, which inform all of the EIAG’s Advice and describe understandings and commitments which are valid for wider society and for social, economic and political institutions: that we are called to flourish as persons; flourish in relationship; stand with the marginalised and the vulnerable; care for creation; and serve the common good.

9. “Dutch childcare benefit scandal an urgent wake-up call to ban racist algorithms”, *Amnesty International*, 25 October 2021, available at: <https://www.amnesty.org/en/latest/news/2021/10/xenophobic-machines-dutch-child-benefit-scandal/>.

10. Roy L. Austin Jr, “Expanding Our Work on Ads Fairness”, *Meta*, 21 June 2022, available at: <https://about.fb.com/news/2022/06/expanding-our-work-on-ads-fairness/>.

The EIAG is looking forward to launching this Advice together with the NIBs investment policy later this year and anticipates a future where the Big Tech industry moves towards deliberate and intentional action to prioritise human-centred flourishing in the digital and physical worlds in which we live.

EIAG ADVICE IN FAST-MOVING AND COMPLEX MARKETS

The essence of the EIAG's work is to offer Advice that is grounded in Christian theology—but a vital element is to ensure that the Advice is practical. This means that the Advice reflects the economic reality of the institutional investment market and is able to envisage positive real-world impact on the world we live in.

We are right now in the midst of a fast-moving and complex economic crisis. In the last 18 months we have seen the fastest global growth in 50 years, followed by the most rapid slowdown. The inflationary pressures, stoked by the Russian war on Ukraine, together with slower growth especially in China and a backdrop of high indebtedness and increasing house prices, is a global economic configuration unprecedented in history.¹¹ In this environment, investing for positive change and addressing interconnected and ever-changing systemic issue requires constant learning. Best practice on systemic issues such as climate change and an equitable transition to a decarbonised economy have shifted rapidly over the past year. Responsible investors are no longer focused on companies' 2050 net zero targets but rather poring over absolute emissions and 2030 interim targets. In this rapidly shifting context, it is important the Advice the EIAG offers is able to remain relevant and able to serve the NIBs' needs.

A key part in ensuring relevance is that the EIAG engages in an iterative and imaginative exploration of the topic in collaboration with the NIBs and subject matter experts as well as theologians. The Advice the EIAG offers is not a one-way broadcast but seeks to learn from changing circumstances and

contribute to the evolving body of thought on a particular topic.

The EIAG needs to understand the evolving best practice within the field of responsible investment from the key parties involved including asset managers, ratings providers, data tools such as the Transition Pathway Initiative (TPI) or institutional investor collaborative groups such as the UN-convened PRI, IIGCC, Climate Action 100+ or the Net Zero Asset Owner Alliance. It is also important the Group understands the varied and evolving fiduciary and regulatory duties the NIBs must comply with. As such, the Group has been pleased to receive regular guest speakers to enrich the Group's expertise, including Professor Alex Edmans from London Business School and David Rouch, one of the authors of "The Legal Framework for Impact" report initiated by PRI, UNEP FI and The Generation Foundation.¹²

11. Bank for International Settlements, "Annual Economic Report", *BIS*, June 2022, available at: <https://www.bis.org/publ/arpdf/ar2022e.pdf>.

12. Freshfields Bruckhaus Deringer, "A Legal Framework for Impact: Sustainability impact in investor decision-making", available at: https://www.unepfi.org/wordpress/wp-content/uploads/2021/07/A-Legal-Framework-for-Impact_Report.pdf.

The EIAG Group and EIAG

Nominations Committee Membership

4

NEW MEMBERS

After a rigorous search process, we were delighted to welcome Amanda Nelson as an independent Member in October 2021. Amanda is CEO and Chair of Vodafone Hungary. She has worked for Vodafone for 20 years in various roles, including Chief Finance Officer and Head of Business development at Vodafone Netherlands and Chief Executive Officer and Chair of Vodafone Malta, and has global experience in Japan and New Zealand. She is a keen advocate of diversity and inclusion and women's equality.

We were also pleased to welcome Canon Emma Osborne who has succeeded Clive Mather as the Church of England's Pensions Board Nominated Member. Emma has a background in investment management, latterly as Chief Investment Officer for the Chubb Corporation's international assets. She is a Trustee of the Church of England's Pensions Board and on its Investment Committee and was previously a Church Commissioner. She is also a Lay Canon of Salisbury Cathedral. She is also a Board Member of VisionFund International, a US-domiciled Christian microfinance charity, and an Independent Investment Committee Member of the BBC Pension Trust.

THE ETHICAL INVESTMENT ADVISORY GROUP

Mr Stan CHAN
(CBF Church of England Funds)
CBF Trustee Director and member of the Audit Committee and Non-Executive Director in the not-for-profit sector

Mr Kumar JACOB MBE
(Independent Member)
CEO of a private Social Purpose Company, former Vice Chair of Christian Aid

Ms Dami LALUDE
(Independent Member)
Senior Vice President at Helios. Previously served on the Board of Directors of GBfoods Africa.

Ms Barbara RIDPATH
(Independent Member) (Chair)
Non-Executive Director Paragon Banking

Group, Non-Executive Director and Chair of the Remuneration and Nominations Committee of the Open Banking Implementation Entity, an external Director of ORX, Member of the Ethical Advisory Group of La Fondation Notre Dame, Member of the International Advisory Board of the Institute of Business Ethics, Associate Fellow at Theos

Canon Emma OSBORNE
(Church of England Pensions Board)
Trustee of the Church of England Pensions Board and Member of Investment Committee, Board Member of VisionFund International, Independent Investment Committee Member of the BBC Pension Trust

Ms Amanda NELSON
(Independent Member)
CEO and Chairwoman of Vodafone Hungary

Mr David NUSSBAUM
(Independent Member)
Senior Independent Director of Drax Group plc, Chair of the Joffe Charitable Trust; former Chief Executive of The Elders, of WWF-UK and of Transparency International

Professor Robert SONG
(Independent Member)
Professor in the Department of Theology and Religion, University of Durham, former President of the Society for the Study of Christian Ethics

The Rt Revd Dr David WALKER
(Church Commissioners)
Bishop of Manchester, Deputy Chair of the EIAG, Deputy Chair of the Church Commissioners' Board of Governors

Ms Faith WARD
(Independent Member)
Chief Responsible Investment Officer, Brunel Pension Partnership, Chair of IIGCC, Non-Executive Director, Transition Pathway Initiative Ltd

Mrs Anna MCDONALD
(Secretary)
Secretary to the EIAG

THE EIAG NOMINATIONS COMMITTEE MEMBERSHIP

The Membership of the EIAG's Nominations Committee is appointed by a range of church institutions, and it is convened by the Chair of the EIAG and served by the Secretary to the EIAG.

Ms Barbara Ridpath—Chair
(Ex officio)

The Rt Revd David Walker—Deputy Chair
(Ex officio)

Canon Paul Chandler
(Appointed by CBF Funds)

Mr Stephen Beer
(Appointed by the Church Investors Group)

Mr Bill Seddon
(Appointed by General Synod)

Ms Katie Harrison
(Appointed by the Archbishops of
Canterbury and York)

The Revd Dr Malcolm Brown
(Appointed by Mission and Public Affairs Council)

Mr Alan Smith
(Appointed by Church Commissioners of England)

This page is intentionally blank.

A publication of the Church of England Ethical Investment Advisory Group
and the Church of England National Investing Bodies.

July 2022.

Available online via www.churchofengland.org/eiag/policies

Further Information:

The Church of England Ethical Investment Advisory Group (EIAG)
Church House
Great Smith Street
London SW1P 3AZ
T: 020 7898 1461

www.churchofengland.org/eiag

Typesetting by Dona McCullagh
Editorial, Publishing & Design Services