

Ethical Investment Advisory Group

Annual Review 2020/21





THE CHURCH
OF ENGLAND

ETHICAL INVESTMENT
ADVISORY GROUP

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.

CCLA

GOOD INVESTMENT

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

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

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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, detailed below:

The Church Commissioners for England manage an investment portfolio to support the work and mission of the Church of England across the country, including grants for mission activities, bishops and cathedrals.

The CBF Church of England Funds are collective investment schemes managed by CCLA Investment Management Ltd in which nearly 13,000 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 is a regulated pension fund which provides retirement services (pensions and housing) for approximately 41,000 members who minister in or work for the Church of England. It also holds some charitable funds for other purposes.

The three bodies are collectively known as the Church of England National Investing Bodies (NIBs) and together represent funds totalling £15 billion.

Each NIB operates within its own legal framework for investment by charities or pension funds 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 (or re-interpreting) Scripture, the Christian tradition, and reason, the EIAG's guidance allows the NIBs to address and respond to complex ethical questions as well as systemic environmental, social and governance risks posed by their investments in a way that is grounded in Christian teaching and tradition.

The EIAG's Advice may 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
- investment exclusions
- public policy issues affecting investments
- or any other aspect of investing, as requested by a Member or the NIBs

The EIAG receives updates from the NIBs on all their investment stewardship activities, giving Members the opportunity to see the practical outworking of their Advice and to question the NIBs on the approaches they have taken.

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A letter from our Chair, Barbara Ridpath

My first full year of service as Chair of the EIAG occurred in the most extraordinary circumstances, with all meetings, working groups and roundtables held remotely. In spite of this, as you can see from this report, we managed to accomplish a great deal. Paradoxically, the pandemic-induced remote working permitted us to speak with a wider range of experts and stakeholders around the world than might have been the case had we needed to travel to see them, most notably at our Lambeth Conference in February generously hosted by the Archbishop of Canterbury. Nonetheless, I look forward to being able to meet not only with the members of the EIAG in person again soon, but also with the responsible investment teams of the National Investing Bodies (NIBs), and others interested in our work.



Barbara Ridpath, Chair of the EIAG

This report details our year's work. I would only highlight three things.

First, my sincere thanks go out to all the members of the EIAG for their service, as well as to the NIBs for their hard work and cooperation. I would also like to thank the members of the Nominations Committee who support the EIAG. Special thanks are reserved for Anna McDonald, EIAG Secretary, who does so much of the heavy lifting for the group.

Second, later this year, you will see a new thematic framework for the EIAG on our website.¹ This will ground our work in a Christian theological context, eventually permitting easier organisation and updates of our Advice and the accompanying Policies. This should help users beyond the NIBs to better use and understand our work.

Third, I am cognisant that too often the work of the EIAG is seen as exclusionary—a series of “thou shalt nots”. It is vital that, as we advance, responsible investment advice be centered on active engagement for positive change. Part of the work of reframing the EIAG's publications is to help shift that emphasis.

All of us have seen just how important investing in accordance with our principles has become in helping to bring about the change we want to see

in the world over the last few years, whether it is around climate change, diversity, or corporate governance more generally. Every year, more investors and more investment managers are recognising this. The EIAG is proud to have been at the forefront of many of these ideas and will work to continue to be at the vanguard of this movement in the years to come. Our work on big tech, our new thematic framework and active engagement for positive change are all part of this effort.

1. See www.churchofengland.org/eiag/policies.

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The EIAG has been pleased to publish new Advice and revisit previous Advice on topics ranging from Human Rights to Gambling, Alcohol and Climate Change. The main focus of the EIAG's work continued to be on developing Advice on Big Tech, and the Group was acutely aware that it was able to continue its focus largely thanks to innovative and cost-effective tech products such as Zoom, Slack, Teams and WhatsApp. In such a tumultuous year, the context for investing in Big Tech shifted dramatically, and the need for practical, implementable Advice grounded in Christian theology has become increasingly pertinent. We were delighted that in February 2021, amid an impassioned flurry of public debate around the role of social media in society following the storming of the Capitol building in the US, the Archbishop of Canterbury hosted an EIAG roundtable event to bring together world-leading experts with global tech leaders to discuss the developing thinking of the EIAG on Big Tech. The below provides a snapshot of the varying streams of the EIAG work in 2020 and 2021.

BIG TECH

When the EIAG began its review at the end of 2019, it was well known that the sector was facing rapid market disruption from consumer demand and regulators but few anticipated just how astonishingly quickly Big Tech products and services would become entrenched and influential in the lives of so many around the world.

The worldwide response to limit the devastation of the COVID-19 pandemic has accelerated the trend towards digitalisation and intensified how society and companies think about and engage with tech products and services. As the pandemic rapidly spread and many countries developed tech solutions such as contact tracing apps, the EIAG's previously theoretical reflections on data privacy, surveillance, data storage, transparency and human autonomy took on a heightened relevance. The ethics of tech products and their ability to allow us, or direct us, to do things—for good or ill—has been debated passionately by the general public over this past year. Whilst the pandemic allowed the tech industry to showcase its ingenuity and beneficence—enabling relationships to thrive across locked-down borders, students to continue learning and many workers to work remotely, all in a seamless and cost-effective

way—it has heightened public awareness of the societal and human-scale impact of Big Tech products and services in our lives. Following the murder of George Floyd in 2020 and the storming of the Capitol in early 2021, questions are increasingly being asked not only about how these products and services change *what* we do, but how they change *who* we are.

Whilst the Bible does not say anything about Big Tech or social media, it does have a lot to say to help us respond to these urgent questions. It speaks to the nature of human beings and the nature of society. This can be re-interpreted afresh for our modern contexts and to address these pressing concerns. Grounding our Advice in Scripture and in a Christian, and distinctly Anglican, understanding of humanity has been central to our approach.

As Christians, we believe human beings are made in the image of God and, in Jesus Christ, are called to know God and to participate in the divine life. The EIAG's Advice seeks to draw out what “made in the image of God” means in relation to Big Tech through four theological principles. Those are that we are all called to:

- 1 **Flourish as persons:** that is, we are given freedom in order that we can flourish (even if we also use our freedom to do evil). We are also given irredeemable dignity which must be protected and should not be threatened or undermined.
- 2 **Flourish in relationship:** people are naturally social beings—whatever enhances their relationships will enable them to flourish, whatever harms their relationships or causes hatred or division will inevitably diminish them.
- 3 **Stand with the marginalised:** throughout the Bible, there is a consistent refrain that God has a special concern for those who are vulnerable or excluded from society, and all of us have a duty to stand with those who suffer from all abuses of power.
- 4 **Serve the common good:** society and the individual organisations that make it up are to serve community and not their own private good—when this fails, it is the responsibility of other bodies, including the Government, to ensure they do.

In all of these ways, it is possible to act in a way that enhances our humanity as well as to act in a way that diminishes it. Whilst they are high-level moral claims, these themes provide the high-level approach grounded in Scripture, Christian tradition, and reason to allow the EIAG to consider the performance of Big Tech.

In the latter part of 2020 these theological principles were explored in a series of fact-finding events, held on Zoom, to enable EIAG Members and other stakeholders to hear from and engage with a diverse selection of experts from civil society, leaders in the tech industry, politicians, regulators and academics. During these events, attendees discussed examples of varying harmful impacts, including political manipulation, amplification of hate speech, misinformation, threats to privacy from opaque data collection and aggregation, as well as an enormous range of benefits for humans individually and for society collectively, including those for the vulnerable, for refugees and those in conflict zones.

Our final session of this series was a roundtable hosted by the Archbishop of Canterbury together with the Bishop of Oxford and world-leading experts that sought to bring together the various threads of our learning with leaders from the tech industry. This event, which was the first time the Archbishop of Canterbury had hosted an EIAG discussion, was structured around a single question: “How can we be assured that Big Tech enhances rather diminishes our humanity?” and the assembled leaders and experts framed their responses with regard to the four theological principles described above. Key themes that emerged included an overriding hope for the flourishing of all human beings—especially the vulnerable and the marginalised—and an acknowledgement of the responsibility of all of society—regulators, shareholders, consumers and tech leaders—to collaborate together and move towards prioritising a human-centred flourishing throughout the tech sector.

The insights and networks formed from this series of events have informed the EIAG’s thinking and also promoted the sharing of knowledge and building of collaborative networks within the wider responsible investment community. The EIAG Secretariat has input into a variety of investor, Church and civil society initiatives on investment in Big Tech and

AI, and has worked alongside the NIBs with the Swedish Council on Ethics on the publication of clear investor expectations on Human Rights and Big Tech companies. The EIAG is now finalising its Advice and working together with the NIBs to develop an investment policy which it expects to publish alongside its formal Advice in the last quarter of 2021.

HUMAN RIGHTS

The EIAG was pleased to publish its first formal Advice on Human Rights² to guide how the NIBs approach international human rights norms. Investors, like all business actors, have a responsibility to respect human rights and the EIAG was encouraged to see the NIBs publish their first stand-alone Human Rights policy in response to this Advice and set out a robust approach to stewardship on Human Rights.

As highlighted during the COVID-19 pandemic, the ability of companies, in any industry, in any country to impact people and their human rights—either positively or negatively—through how they treat their customers, employees, contract workers, their supply chains and the local communities in which they operate can be hugely significant to the flourishing of society as a whole. In recognition of this, the EIAG has long advised that the NIBs should expect the companies they invest in to display “conscientiousness with regard to human rights” and indeed the NIBs have a long track record of engaging with portfolio companies on human rights grounds. However, this new Advice represents the first time the EIAG has reflected upon the concept and body of human rights and offered formal guidance on international human rights norms such as the UN Guiding Principles on Business and Human Rights.

In the published Advice, the EIAG offers a reasoned and theological reflection and contends that a strong Christian case can be made for an enduring support for human rights. The Christian understanding that all human beings are made in the image of God (*imago Dei*) and have an irremovable dignity as

2. See <https://www.churchofengland.org/sites/default/files/2021-05/EIAG%20Human%20Rights%20-%20web%20%281%29.pdf>.

Human Rights

The Policy of the Church of England National Investing Bodies and
The Advice of the Church of England Ethical Investment Advisory Group



The EIAG's advice on Human Rights is available to download from the EIAG website.

persons which must be respected and protected is fundamental to the EIAG's Advice. When international human rights norms such as the UN Guiding Principles on Business and Human Rights stipulate that companies must respect human rights and ensure they are not complicit in abuses, the EIAG understands that demand upholds and protects the concept of human dignity found in the *imago Dei*.

Whilst the EIAG contends that a truly Christian conception of a just society needs more than a minimal legal framework established by rights, it believes that such a minimum framework is helpful with regard to the NIBs' investments in companies, particularly given the increasingly complex and global world the NIBs invest within. As such, the Group formally affirms that international human rights norms, including those embodied in the UN Guiding Principles on Business and Human Rights, provide an appropriate framework by which Christian, and specifically Anglican, investors may hold companies accountable with regard to their human rights responsibilities.

The Group expects this formal Advice to strengthen the NIBs' existing stewardship activities on human rights grounds. Recent stewardship has included collaborative engagements with the mining sector on indigenous rights following the destruction of the Juukan Gorge site in Australia; the development of investor expectations on Human Rights and Big Tech companies and the continued support of the ground-breaking *Find It, Fix It, Prevent It* initiative, which unites the investment sector with NGOs and academics to call on companies to proactively identify modern slavery in their supply chains, to take action to improve the lives of those affected and to work to prevent reoccurrence.

GAMBLING

The EIAG was also pleased to publish updated Advice on Gambling this year.³ The EIAG last offered formal Advice on Gambling in 2006 and, with rapid technological advancements outpacing the regulatory environment over the past fifteen years, the NIBs asked the EIAG to reflect on the industry and advise particularly with regard to innovations such as loot boxes, skins and financial derivatives offered to retail customers such as contract for differences.

Central to the EIAG's advice in 2006 was the understanding that the NIBs should avoid deriving any profit from, or providing capital to, activities that are materially inconsistent with Christian values. In its updated Advice the EIAG did not change its view that gambling, as a form of normalised exploitation, is materially inconsistent with Christian values and should therefore be a restricted investment. It examined the new innovations within the industry and reflected upon their characteristics and impacts, particularly on children and vulnerable adults. The Group considered these innovations in the light of Christian teaching and tradition and published an updated theological reflection, noting that whilst the Bible does not explicitly condemn gambling and associated gambling-like behaviours (such as loot boxes), it provides plenty of guidance that gambling as an industry raises serious theological and ethical concerns.

3. See <https://www.churchofengland.org/sites/default/files/2021-05/Gambling%20-%20web.pdf>.

Gambling

The Policy of the Church of England National Investing Bodies and
The Advice of the Church of England Ethical Investment Advisory Group



The EIAG's advice on Gambling is available to download from the EIAG website.

The guidance notes the legal ambiguity of innovations such as loot boxes but highlights the addictive potential of many of these new technologies and recommends that the NIBs engage with investee companies offering in-game purchases akin to gambling to highlight the concerns discussed in the EIAG's Advice, particularly where psychological cues with addictive techniques may be employed, to seek protections for children or those vulnerable to gambling-related harm. The EIAG also encourages the NIBs to engage with companies offering financial derivative products that may, depending on how they are used, share features with a gambling activity, and to seek protections, particularly for those vulnerable to gambling-related harm. The EIAG is pleased to see NIBs publish an updated investment policy in response to this Advice and set out an approach for engaging with companies that offer gambling-like game mechanics to ensure that appropriate controls are in place to protect the vulnerable.

The updated review particularly benefits from the insights and observations of the wider Church in

the work led by the Lord Bishop of St Albans and we hope it will prove insightful to many in the wider Church.

CLIMATE CHANGE

The EIAG has been encouraged by the NIBs' climate change programme over the past twelve months. In 2020, the NIBs updated their Climate Change Policy, first published in 2015, to reflect their recent work and best practice in tackling this urgent issue. The EIAG reviewed the updated Policy and, given the complexity of the issue, will continue to seek updates and review the NIBs' Policy on an annual basis.

As part of their journey to net zero, all the NIBs have set interim emissions reductions targets in line with a goal to limit global warming to 1.5 degrees Celsius, compared to pre-industrial levels. Alongside engagement to bring holdings, asset managers and governments onto the same decarbonisation pathway, each NIB has continued to scale up their low carbon investments and lead the sector in developing frameworks to help drive the transition. These include the Net Zero Investment Framework, co-led by the Pensions Board; a campaign on net zero banking co-led by the Commissioners; and Powering Past Coal Alliance, a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy.

In 2020 the NIBs focused their engagement on companies at risk of failing the NIBs' 2020 climate change standards. Of 21 companies originally identified as being at risk of divestment, 12 improved their disclosure and strategies after engagement and remained investable. However, 9 high carbon companies, in sectors such as power generation and the automotive industry, did not meet the NIBs' standards and were divested in December 2020. These companies will continue to be restricted until their performance, as judged by the Transition Pathway Initiative, improves to meet the NIBs' required standards.

Ahead of the NIBs' commitment to divest by 2023 from any fossil fuel company not aligned with the Paris Agreement, the NIBs continue to engage with companies of concern. Recent highlights include

the Church Commissioners' support of an activist-style campaign at ExxonMobil, and the Pensions Board's leadership of engagement with Royal Dutch Shell. The campaign at Exxon, the first of its kind, succeeded in getting three directors elected, bringing much-needed energy transition experience to an intransigent board. These directors have a mandate from investors to push for an ambitious transition plan and climate strategy. At Royal Dutch Shell, the Pensions Board's engagement led to the company putting their climate strategy forward for a "Say on Transition" vote at their recent AGM; the first energy company to do so, a marked step for net zero efforts in the sector.

THEMATIC FRAMEWORK

In addition, to developing its formal Advice, the EIAG is also keen to ensure its written Advice is easily accessible to the wider Church and other interested church or non-church investors. In addition to producing clear and salient new Advice, and updating outdated Advice, the Group intends to organise its Advice and the resultant NIB policies within a thematic and theological framework. This new framework will be published on the EIAG's website by the end of 2021 and it is hoped will make the EIAG's Advice more user friendly and intuitive.

CHANGE OF MEMBERS

After a rigorous search process, we were delighted to welcome Dami Lalude as a new Member in October 2020. Dami brings a breadth of investment experience to the Group, drawing from her roles at Helios Investment Partners and from her time as a Special Advisor to the Minister of Finance in Nigeria, under the guise of the UK Department for International Development (DFID). Dami has already brought fresh insights and her investment expertise to the work of the EIAG and we look forward to meeting her in person soon.

In May 2021, after a temporary leave of absence, Paula Vennells stepped down from the EIAG. We are grateful for all the time, wisdom and support that Paula has provided to the Group since her appointment in 2019 and wish her well. The EIAG Nominations Committee is currently undertaking a search for her replacement.

We also wish to thank Stephen Beer for his service to the EIAG in his capacity as an Observer from the Joint Advisory Committee on the Ethics of Investment (JACEI), which provides advice on ethical issues to the Central Finance Board of the Methodist Church (CFB). JACEI and the EIAG have a reciprocal arrangement whereby representatives of JACEI and the EIAG attend as Observers of each other's meetings and exchange Minutes. The EIAG will miss the insight and experience that Stephen brought to this Group but are grateful he will remain on the EIAG's Nominations Committee as the representative of the Church Investors Group. We look forward to welcoming Revd Andrew Harper, who will attend as the JACEI Observer from our next meeting in July 2021.

The EIAG Group and EIAG Nominations Committee Membership

THE ETHICAL INVESTMENT ADVISORY GROUP MEMBERSHIP

Mr Stan CHAN (CBF Church of England Funds)
CBF Trustee Director and member of the Audit Committee, Director at Straits Consulting 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, Helios; also serves on board of Directors of GBfoods Africa

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

Mr Clive MATHER (Church of England Pensions Board)
Chair of the Church of England Pensions Board; former Chair of the Shell Pensions Trust (2008–18), Chair of Tearfund (2008–18) and Commissioner of the Equal Opportunities Commission (1991–94)

Mr David NUSSBAUM (Independent Member)
Chief Executive of The Elders, Senior Independent Director of Drax Group plc, and a Deputy Chair of the International Integrated Reporting Council; former Chief Executive 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, Co-Chair of the Transition Pathway Initiative, Chair of the Institutional Investors Group on Climate Change (IIGCC), Member of the UK Green Technical Advisory Group

Ms Anna MCDONALD (Secretary)
Secretary to the EIAG and its Nominations Committee

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 is served by the Secretary to the EIAG.

Ms Barbara Ridpath—Chair (Ex officio)

Rt Revd David Walker—Deputy Chair (Ex officio)

Ms Loretta Minghella (Appointed by the Church Commissioners)

Canon Niccy Fisher (Appointed by the Church of England Pensions Board)

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)

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

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