



The Ecumenical Council
for Corporate Responsibility

Investment and Engaging with Companies

A Guide for Faith Communities

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Ethical Screening



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About ECCR

ECCR is a membership organisation working for economic justice, environmental stewardship, and corporate and investor responsibility. ECCR's British, Irish and international members and partners include representatives of many Christian denominations, faith-based investors, religious communities and orders, non-governmental organisations, ethical investment managers, and committed individuals. ECCR's corporate members are listed on the inside back cover of this Guide. For more information about ECCR, please visit www.eccr.org.uk.

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How useful was this Guide?

ECCR invites readers and users of this Guide to send us their comments. Please inform us how useful you found it and how we can improve it. Contact us by email: research@eccr.org.uk or at the address below.

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1. The purpose of this Guide

ECCR's mission is to encourage companies to adopt and maintain the highest standards of corporate responsibility, and to work with the Christian churches and their members in striving to uphold these high standards through responsible investment.

Since ECCR formed in 1989, corporate responsibility and responsible investment have progressed significantly. Many companies have adopted international human rights and environmental standards and invested in their implementation. Many faith-based and responsible shareholders have developed ethical policies and striven to put these into practice. Recognition of the 'business case' for corporate and investor responsibility has grown with awareness that good environmental, social and governance policies and practice address many business risks.

However, concerns remain strong within and beyond the churches and other faith communities – and within companies – that current business and market models and practices continue to impact negatively on the human rights of vulnerable communities and on the natural environment. Frequently cited examples of such concerns are:

- the impact of extractive industries such as oil, gas and mining on indigenous peoples and other natural-resource-based local communities, as well as on ecosystem integrity;
- the dehumanising working conditions endured by millions of casual, informal and migrant workers – particularly women and often also children – in global supply chains;
- the apparent inability of the pharmaceuticals industry – one of the world's most profitable industrial and commercial sectors – to meet the needs of millions of the world's poorest people for life-saving and life-improving medicines;
- the arms industry, particularly companies involved in controversial weapons and arms exports to conflict areas;
- the negative impacts of multinational companies' involvement in such activities as corporate lobbying, aggressive tax avoidance, tax evasion, transfer pricing and 'facilitation payments'.

In some cases companies have shown genuine leadership in addressing such issues. However, progress has often come largely through the efforts of people of faith, responsible shareholders, non-governmental organisations (NGOs) and others in engaging with companies and persuading them to act with more commitment towards their moral responsibilities.

ECCR remains committed to the long-term goal stated in the *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance*: 'to transform the way corporations relate to people, communities and the environment' and to work for a 'new relationship between corporations, communities and ecosystems' (pp. v, 5).¹

The purpose of this Guide is therefore:

¹ *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance* were developed by ECCR and international partners through a series of drafts and consultations between 1995 and 2003, www.bench-marks.org.

- to support faith-based and responsible investors in engaging with companies on the basis of Christian and ethical values;
- to help church members and others understand how their, the churches' and other institutional funds are invested and how these investments can be used as a basis for dialogue to bring about more responsible policy and practice on the part of business;
- to help church members understand what they themselves can do to encourage corporate and investor responsibility.

1.1 Who the Guide is for

This Guide is primarily intended for ECCR's immediate constituency: the Christian churches in Britain and Ireland, their component bodies and individual members. We also hope the Guide will be of relevance to people and groups of other faiths, to the secular responsible investor community, and to other members of civil society who are concerned about the impacts of business on human rights and the environment.

Within the churches there is considerable expertise on corporate and investor responsibility. Many church fund managers and church members have undertaken valuable work in this regard, in relation to the Church Investors Group and in association with ECCR.² This includes developing and applying theologically based investment policies and entering into dialogue with companies about their policies and practice in the endeavour to achieve more just and sustainable outcomes from business activity.

At the other end of the spectrum are those with little awareness or only recently aware of the theological, moral and practical issues involved in corporate and investor responsibility. Many people in the churches probably come somewhere between the two.

In this Guide we aim to complement the wisdom of the investment professionals and the experience of the committed; to make the issues more accessible to newcomers to the subject; and to meet the need for information and advice of those who have some understanding of, or involvement with, the issues and seek more. Some sections of the Guide will necessarily be of more relevance to individual church members and others seeking to influence the way funds are invested on their behalf than to institutional investors or fund managers.

Readers who find in the Guide anything with which they disagree, who fail to find the information and advice they seek, or who have any other comments, are invited to contact ECCR to let us know (contact details are on the inside front cover).

² The Church Investors Group (CIG, www.churchinvestorsgroup.org.uk) is a body focused on, and applying, Christian principles in the investment of the central funds of the churches – their pension funds and trust assets.

2. The context: faith, responsibility and business

2.1 Faith, values and finance

ECCR's members are deeply concerned about issues of human rights and the environment.³ Our society increasingly recognises that larger companies have a key role and responsibility arising from their influence on the quality of life not only of their own workforce but of the wider community and from the longer-term human and environmental consequences of their decisions.

Corporate and investor responsibility is a key matter for Christians who believe in an incarnate God working in our world. Faith communities evaluate companies not only by what they produce and their apparent profitability and efficiency, but by their impact on the environment, by their contribution to sustainable community, and by whether their actions tend to protect or undermine the dignity of the human person.

Our challenge is to ensure the just distribution of the costs and benefits of economic activity, supporting sustainable community and preserving the integrity of creation. The promotion and protection of human rights – civil, political, economic, social and cultural – are minimum standards for all social institutions, including companies.

For ECCR, companies are not the centre of economic life. Human communities and the environment are. Corporate responsibility has to look at the impacts of economic activity on people and the environment.

As Christians we accept responsibility to work for a society marked by justice, love, compassion and peace. Justice requires that we stand in solidarity with those oppressed by poverty and exploitation and work to change the structures, policies and practices that support oppression.⁴ It also requires us to evaluate the allocation of income, wealth and power in light of their impact on the poorest and most vulnerable people.

We believe that more active involvement of the Church, its member organisations and individual members can deepen the values of corporate and investor responsibility and help maintain and restore human dignity and the integrity of creation.

The 'extra-financial' values that responsible investors are interested in relate to the 'triple-bottom-line' of corporate responsibility: concern for the social (including human rights) and environmental as well as the purely financial outcomes of business activity. Other terms often used to describe these issues include 'ESG' (environmental, social and governance) and 'SEE' (social, environmental and ethical).

2.2 The business case for corporate and investor responsibility

Corporate and investor responsibility doesn't just make theological and moral sense; it also makes business sense. The term 'enlightened shareholder value' has come into use

³ ECCR corporate members are listed on the inside back cover of this Guide and at www.eccr.org.uk/module-htmlpages-display-pid-36.html; ECCR also has individual members.

⁴ See e.g. World Council of Churches, 'Justice, peace, creation', www.wcc-coe.org/wcc/what/jpc/hist-e.html.

to indicate the view that companies are more likely to achieve long-term success for the benefit of their shareholders if they act responsibly.

According to the Joint Advisory Committee on the Ethics of Investment (JACEI) of the Methodist Church: 'Companies with a significant public profile acknowledge the contribution that responsible practice can make to the value of their brand.'⁵

Björn Stigson, president of the World Business Council for Sustainable Development, puts it this way:

*'[B]usiness cannot continue to generate wealth if the society around it fails. A coherent [corporate responsibility] strategy, based on integrity, sound values and a long-term approach, can offer clear business benefits. These cover a better alignment of corporate goals with those of society; maintaining the company's reputation; securing its continued license to operate; and reducing its exposure to liabilities, risks and associated costs ... [C]ompanies will increasingly have to manage their social issues in the same way as they manage other strategic business issues. And those that don't will not stay in business long-term.'*⁶

Business benefits

Overall, there is evidence that companies that take pains to 'walk the talk' of corporate responsibility – and communicate this to their stakeholders – build reputations and business accordingly. In a 2007 global online survey by the Economist Intelligence Unit, companies gave the following responses on the business benefits of having a defined corporate responsibility policy:

'We have a better brand and reputation' – 52.9% of respondents agreed.

'We make decisions that are better for our business in the long term' – 42.4% agreed.

'We are more attractive to potential and existing employees' – 37.5% agreed.

'We meet the ethical standards required by our existing and potential customers' – 35.6% agreed.⁷

In another study, nearly 70 per cent of chief executives were reported as saying that corporate responsibility is 'vital to profitability'.⁸

Research by the Chartered Management Institute in 2008 indicated that nine out of ten managers aged under 36 prefer to work for a company that 'does something I believe in', and more than half expect their employing company to have 'strong values'.⁹

Non-exploitative supply chain relationships and high standards of environmental care help ensure security of supply and a 'social licence to operate' in host countries, and a good international reputation. Energy-, water- and waste-conservation measures can generate

⁵ JACEI, 'Journeying together: using investments to influence change', 2007, www.methodist.org.uk.

⁶ Björn Stigson quoted at www.responsiblepractice.com.

⁷ Economist Intelligence Unit, Global Business Barometer, online survey Nov.-Dec. 2007 (1,122 respondents), www.economist.com/media/pdf/20080116CSRResults.pdf.

⁸ 'The business case for corporate responsibility', Arthur D. Little Ltd and Business in the Community, December 2003, www.bitc.org.uk

⁹ Cited in Media Planet supplement, 'Corporate responsibility', *Guardian*, 24 June 2008, p.12.

cost savings that translate into higher share values. The UK Department for Environment, Food and Rural Affairs estimates that a 20 per cent reduction in water use across the country's food and drinks manufacturing industries could save £60 million per year.¹⁰

Risks and costs

Failure to effectively implement corporate responsibility policies runs risks and can incur significant costs. A recent investor briefing from CAFOD and FairPensions identifies a range of risks that mining companies may be exposed to if they fail to implement effective corporate responsibility practice: risks of community opposition and violent conflict, reputational risks, financing and construction risks, operational and company risks, litigation risks, and home and host country political risks.¹¹

ECCR's monitoring of, and dialogue with, Royal Dutch Shell Plc since the mid-1990s has enabled us to recognise some of the costs to a multinational company of failing to fully implement its own corporate responsibility policies and standards. The poor environmental performance and reputation of Shell's Sakhalin II oil and gas project gave the Russian authorities a pretext – if not a justification – to reduce the company's mandate there. Shell's unsatisfactory relationships with some local communities in Nigeria and County Mayo, Ireland, have disrupted and delayed production and increased operational costs. The expense of providing security and insurance for Shell personnel and plant in the Niger Delta, for example, is estimated to be very significant.

Analyst, fund manager and investor views

In a 2001 survey of European financial analysts and fund managers, 86 per cent considered that social and environmental risk management has a positive impact on companies' long-term profitability.

A 2004 study by the United Nations Environment Programme Finance Initiative found that most investor analysts agreed that 'environmental, social and corporate governance issues affect long-term shareholder value'.¹²

Since the United Nations' Principles for Responsible Investment were launched in 2006, institutional investors around the world representing trillions of dollars' worth of shareholdings have committed to them.¹³

2.3 Can faith-based and responsible investment bring about change?

The Church and ethical investment

The Church has addressed issues of business morality since at least the late seventeenth century, when it is reported that 'the Philadelphia Yearly Meetings of Friends [Quakers] advised against involvement in the slave trade as a business venture' on moral grounds.¹⁴

¹⁰ Department for Environment Food and Rural Affairs, cited in ECCR, *Water Sustainability: Meeting the Challenge – a comparative analysis of water consumption in the food processing and beverage industries*, 2008, pp.9-10.

¹¹ FairPensions/CAFOD, Business Briefing, Mining and Investors Campaign, May 2008.

¹² UNEP Finance Initiative, *The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing*, 2004, p.4, www.unepfi.org.

¹³ www.unpri.org.

¹⁴ Andreas Follesdal, 'Ethical investment and human rights', *Nordic Journal of Human Rights*, 2007, p. 430.

In the eighteenth century, black and white Christians, from Quakers to evangelicals, led the campaign to abolish the Transatlantic Slave Trade, against strong opposition from some in the church hierarchy.

Over the next century, Methodists and Quakers raised concerns about fair employment and other corporate responsibility matters, while papal criticism of laissez-faire economics helped give rise to Roman Catholic social teaching.

In the first half of the twentieth century the Methodist Church began to invest in the stock market, avoiding companies involved in alcohol and gambling. Gradually more churches and charities, as well as individuals, began to seek ways to invest more ethically. The Church of England's ethical investment policy dates from 1948, making it one of the UK's oldest and largest responsible investors. Besides excluding shareholdings in companies with a significant involvement in alcohol, tobacco, gambling, pornography and the arms trade, the Church of England seeks to use its moral strength to engage positively with business on a range of issues.

Most other major Christian denominations and organisations in Britain and Ireland – including the Baptist Union, the Church of Ireland, the Church of Scotland, the Church in Wales, the Religious Society of Friends (Quakers), Roman Catholic dioceses, the Salvation Army, the Society of Jesus, the United Reformed Church, and numerous religious orders – have explicit or implicit ethical investment policies that they strive to implement. Larger faith-based investors actively dialogue with the companies they invest in, seeking to bring about improvements in corporate responsibility policy and practice.

In an influential case in 1991, the Bishop of Oxford and others argued in the High Court that, in keeping with the Church's mission, the Church Commissioners should not invest in ethically questionable activities such as businesses operating under the South African apartheid regime.

The Bishop of Oxford's case led to a clarification of Charity Commission guidance on ethical investment for charities.¹⁵ It also gave impetus to the Christian Ethical Investment Group, which merged with ECCR in 2008.¹⁶

Today the Church Investors Group (CIG), bringing together churches of Britain and Ireland, combines more than 30 trustee bodies representing more than £12 billion of investments.¹⁷ Many church investors large and small are members of ECCR.

Achieving change

The rationale underlying faith-based and responsible investment is that engaged shareholders can be a force for good in the life of companies and the wider society, and

¹⁵ The revised Statement of Recommended Practice (SORP) 2005 requires charities to include in their investment policies, and to report on, the extent to which they take social, environmental or ethical considerations into account; see e.g. Charity Commission, CC61(a), *Charity Accounts: The framework*, 2005, 'Additional requirements for charities subject to statutory audit', www.charity-commission.gov.uk

¹⁶ For more on the Bishop of Oxford's case and CEIG, see www.eccr.org.uk / About us / Christian Ethical Investment Group.

¹⁷ www.churchinvestorsgroup.org.uk.

that bringing about improvements in companies' impacts on society and the environment is therefore possible.

A classic example of this effect is the way pressure from responsible shareholders and other civil society organisations has led major international pharmaceutical companies to reduce the cost of HIV/AIDS medicines and make these drugs more affordable to developing countries and their citizens.

Examples of change in which British and Irish church investors have played a role include the case of Reed Elsevier Plc and its involvement in managing arms exhibitions. CIG member the Joseph Rowntree Charitable Trust saw Reed Elsevier's involvement in this trade, widely regarded as deeply unethical and irredeemably corrupt, as being in conflict with the Trust's Quaker roots. The Trust engaged with Reed Elsevier on the issue from 2004 to 2006, seeking to persuade it to stop organising such exhibitions, culminating in February 2007 with the Trust's public decision to exclude all investment in the company. Following activity supporting the Trust by the CIG, Reed Elsevier announced the sale of its armament exhibition operations in May 2008.

The Church of England's Ethical Investment Advisory Group (EIAG, a member of ECCR and of CIG) drew on its ongoing dialogue with UK supermarkets in 2007 to undertake consultations with dairy farmers in its research into ways to better support the dairy sector and other parts of the rural economy. The EIAG's published report on the process included recommendations to retailers, consumers and the government, which were submitted to the Competition Commission for its review of the groceries market.¹⁸

In ECCR's case, we know that our long-standing dialogue with Royal Dutch Shell Plc has had an impact. This engagement has strengthened the standing of our Niger Delta partner organisation, the Centre for Social and Corporate Responsibility (CSCR) in Port Harcourt, with Shell in Nigeria, enabling CSCR to be a more effective champion of the rights of Delta communities affected by oil extraction. After ECCR's first Shell shareholder resolution in 1997, a senior corporate environment manager said that the resolution had emboldened people working within companies for more responsible practice.

Over the years, a significant number of church investors, and ECCR, working separately and together, have undertaken dialogue with many multinational companies in such sectors as extractive industries, pharmaceuticals and high-street retailing. Outcomes and impacts are always difficult to evaluate, but we believe such efforts have helped ensure higher standards of corporate conduct than would otherwise have been the case.

Faith communities in other countries have similar experience of using the moral weight of faith-based shareholdings as a basis for advocacy with companies. The Interfaith Center on Corporate Responsibility (ICCR), a large coalition of North American faith-based institutional investors, religious groups and others, has an impressive track record of helping bring about change through its engagement with companies. In April 2008, for example, ICCR reported persuading Ford to be the first US motor company to commit to concrete plans for reducing its fleet's greenhouse gas emissions by at least 30 per cent by 2020.

¹⁸ EIAG, *Fairtrade begins at home: supermarkets and the effect on British farming livelihoods*, 2007, www.cofe.anglican.org.

Yet while good examples can be found of shareholder advocacy leading to real progress, there are few quick wins. The engagement process can be long and uncertain in its outcomes. While the language that companies use and their openness to dialogue have changed markedly, improvements on the ground are sometimes harder to identify.

2.4 Voluntary vs mandatory standards and reporting, and the Companies Act 2006

There has been considerable debate about whether companies should be required to observe specific legal standards of corporate conduct in relation to social impacts, human rights and the environment, and whether there should be a legal duty for companies to report on such impacts. Some have argued that voluntary standards and voluntary reporting regimes are sufficient or preferable. Others argue in favour of greater legal accountability on the part of business.

The Companies Act 2006, which came into force in 2007, took a step towards mandatory reporting. The Act requires directors of the UK's approximately 1,300 publicly listed companies to report, where this is necessary to understand the company's business, on environmental matters (including impacts on the environment), their employees, social and community issues, and supply chain risks. It is not yet clear how these requirements will be met by companies in practice. To help interpret the Act, the UK Government's Department for Business, Enterprise and Regulatory Reform (BERR) has published 'Ministerial statements', while useful guidance has also been published by the Corporate Responsibility (CORE) Coalition.¹⁹

¹⁹ BERR, 'Ministerial statements', 2007, www.berr.gov.uk; CORE, *The Companies Act 2006: Directors Duties Guidance*, 2007, www.corporate-responsibility.org.

3. Practicalities of engaging

3.1 Why faith groups need to invest responsibly

The primary legal obligation of trustees of faith groups and other investment bodies is a fiduciary one. Fiduciary responsibility (from Latin *fides* = faith) means acting in the best interests of the charity's or fund's beneficiaries. 'Best interests' involve potential benefits and risks beyond the purely or immediately financial.

Shareholders, as company owners, give companies their mandate to operate. Consequently, what companies do, they do in their shareholders' names. Investment therefore signals endorsement and entails responsibility. Recognition of this is key for faith-based organisations.

Accepting responsibility is empowering. Faith-based investors can encourage companies through dialogue to improve their policies and practice. Shareholder initiatives can lead companies to institute positive change. They also provide an opportunity for the Church and other institutions to become known for constructive and positive engagement.

Responsible investment means being aware of risks. If the policies and practices of the company or fund in which a group invests turn out to be in conflict with the group's own values or mission, there is a moral and reputational risk involved, and there may be financial implications. As the Charity Commission of England and Wales has recognised, where a faith group's or a charity's investments are not consistent with its values, this may alienate members, potential beneficiaries (because of the source of its money), donors and supporters.²⁰

Faith groups concerned for their mission, their reputation and – if the business case for responsible investment is accepted – the long-term value of their holdings will therefore recognise the need to guard against such conflicts of values by investing responsibly.

3.2 How churches hold their funds

As with any charity, churches, church bodies and other faith groups are permitted by law to hold shares and investments. The Charity Commission has issued guidance on the extent to which ethical considerations can be taken into account in a faith group's or a charity's investment policy.²¹

In most cases, legal responsibility for how and where a church or church body invests its assets lies with the trustees, who often appoint a treasurer. Denominational national and regional church bodies may appoint finance directors. Individual churches have treasurers, and religious orders have bursars. Trustees may appoint an investment manager and a nominee company to manage their shares, and funds may be subject to further layers of management by trust officers and members of the trust's finance advisory team.

Churches may invest in a range of different share and asset types and investment vehicles, involving a spectrum of rights to influence the companies invested in. For more detail, see section 4.2, Sources of further information.

²⁰ Charity Commission, *Investment of Charitable Funds: Detailed guidance*, 2003, www.charity-commission.gov.uk.

²¹ See preceding note.

3.3 Responsible strategies and ethical policies

The terms 'ethical investment' and 'responsible investment' are often used interchangeably. They refer to three main investment strategies:

- negative screening (avoidance) and disinvestment;
- positive screening (support), e.g. 'best in class or sector';
- engaging and dialogue with companies.

Investors may combine these approaches across their range of shareholdings. 'Ethical investment' tends to refer to a fund's policies regarding positive and negative screening. 'Responsible investment' is more commonly applied to a fund that has a strategy of active engagement and dialogue with companies.

A fourth strategy, linked to positive screening, is beginning to emerge in the charity and voluntary sector. This is mission-related or social investment.

Negative screening (avoidance) and ethical policies

Probably the best known ethical/responsible investment approach is negative screening or avoidance, whereby the investor decides not to hold shares in companies whose activities are seen as conflicting with the investor's values.

The Charity Commission has recognised the right of faith groups and charities to avoid certain kinds of investments where these 'would for practical reasons conflict with the aims of the charity; for example, a charity with objects for the protection of the environment and wildlife may decide not to invest in businesses which pollute what the charity is trying to protect'.²²

Many churches take this position with regard to alcohol, tobacco, gambling, pornography and the arms trade. Roman Catholic funds usually also avoid holding shares in companies connected with abortion and euthanasia.

Many church bodies publish ethical investment statements and policies where they describe their wider approach, as well as their policies on specific sectoral avoidance. The following extracts from more detailed policies give examples of this:

- The Church of England's national investment bodies 'reserve the right to avoid investment in companies whose management practices they judge to be unacceptable'.²³
- The RC Diocese of Plymouth avoids companies with 'operations in areas of oppressive regimes where these operations contribute to the oppressive nature of these regimes'.²⁴

²² CC14: *Investment of Charitable Funds: Basic Principles*, December 2004, www.charitycommission.gov.uk.

²³ EIAG, 'Statement of ethical investment policy', 2007, www.cofe.anglican.org/info/ethical.

²⁴ Plymouth Roman Catholic Diocesan Common Investment Fund, 'Ethical policy and proscribed investments', 2005, in Church Investors Group booklet, *Ethical Investment Policies*, November 2005.

- The Baptist Union avoids investments ‘where ... there is systematic abuse or harmful impact on community development’.²⁵
- The Joseph Rowntree Charitable Trust excludes companies ‘materially involved’ in ‘activities which are felt to harm society more than they benefit’.²⁶
- The Conference of Religious of England and Wales avoids investments connected with ‘known injustice in the third world’.²⁷

Faith groups’ negative screening may also avoid animal testing, banks, pharmaceuticals and heavily polluting industries such as the oil and gas sector. Or they may avoid those individual companies within such sectors that have poor reputations for managing social, ethical or environmental risk.

A company or fund may be largely acceptable as an ethical or responsible investment but may have a subsidiary element that does not comply, so fund trustees often apply a threshold to their exclusions. Trustees will decide not to invest in a company ‘substantially’ involved in an activity or sector they wish to avoid, with thresholds of between 5% and 20% of turnover or profit commonly applied.

For sectors – or companies – of particular ethical or environmental sensitivity, faith-based investors may develop specific policies. The Methodist Central Finance Board, for example, has a range of ethical investment policies and positions with regard to such sectors as mining and other extractive industries, the food industry, and the media.²⁸ The Church of England’s Ethical Investment Advisory Group (EIAG) publishes policy statements and advisory papers for parishes, dioceses, cathedrals and other church agencies on such issues as embryonic stem cell research, HIV/AIDS, company supply chains and baby milk.²⁹

Disinvestment or divestment

Disinvestment (also called divestment) refers to the selling of shares in a company that were previously held. This has a potential impact if the number of shares is substantial and the investor has a public profile. A large sale of shares could both drive down the price and cause public embarrassment to the company’s reputation, thereby shocking the company’s directors into a remedial change of policy to avoid further damage.

However, disinvestment is widely seen as a last resort, because thereafter any possibility of influencing the company directors through shareholder dialogue is lost.

In 2006, for example, the Church of England’s EIAG confirmed its decision to resist calls to disinvest from Caterpillar Inc., the US manufacturer of construction and mining equipment supplied to the Israeli defence forces and know to have been used in the demolition of Palestinian homes. This decision involved a commitment to continue

²⁵ ‘Ethical investment policy of the Baptist Union of Great Britain’, 2003, in Church Investors Group booklet, *Ethical Investment Policies*, November 2005.

²⁶ Joseph Rowntree Charitable Trust, ‘Statement of investment policy’, www.jrct.org.uk.

²⁷ Conference of Religious, Annual Report and Accounts 2006, Charity Commission Central Register of Charities, www.charity-commission.gov.uk.

²⁸ Central Finance Board of the Methodist Church, ‘Mission, policy statements and position papers’, www.cfbmethodistchurch.org.uk.

²⁹ EIAG, www.cofe.anglican.org/info/ethical/.

engaging with the company and to revisit it if there were future sales of Caterpillar equipment that were then employed for a similar purpose. The decision was based on the view that there were 'no current or projected sales of Caterpillar equipment for use by the Israeli Government; Caterpillar sold its equipment to a US Government body and had no direct sales to the Israeli Government, and moreover, had no after sales contract with the Israeli authorities; the EIAG could find no compelling evidence that Caterpillar is or has been complicit in human rights abuses.'³⁰

Positive screening (support) and 'best in class/sector'

The positive screening approach seeks to invest in and support companies that are committed to corporate responsibility and/or involved in making or providing products or services that are considered socially or environmentally beneficial.

Some investors choose to hold shares in industries and sectors they consider beneficial as a whole, such as renewable energy, waste management and recycling, environmental technology, public transport, education and telecommunications.

Other funds select and invest in companies they consider 'best in class' or 'best of sector'. These may include companies in a particular sector judged as having especially good policy and practice in terms of working conditions, equal opportunities, education and training, energy efficiency, recycling, or support for fair trade or for community projects.

Responsible investors often argue that positive screening is closely linked to financial performance, because companies that are well run in terms of people management, community relations, environmental impacts and corporate governance are thought more likely to be sound investments (see section 2.2, The business case). While this appears demonstrably true in a significant number of cases, especially over the medium and long term, there are also many instances where high profits have been made, especially in the short term, by exploiting workers and cutting corners regarding environmental protection and the rights of local communities.

Selection by positive screening may combine ethical and financial criteria. Thus 'best in class' may be used to select from among a range of companies in the same sector that are judged to demonstrate similar financial performance.

Research

Faith-based institutional investors and their fund managers variously create and/or choose their shareholding portfolios using different combinations of own research and approved lists created by specialist researchers. Some fund management groups have their own in-house researchers, while others look to external providers for information and analysis regarding companies' environmental, social, human rights, and governance policies and practice, or on specific areas of concern.

Issues covered by such research include company policies and codes of ethics; stakeholder consultation; environmental policy, management systems and pollution

³⁰ 'Caterpillar: Ethical Investment Advisory Group confirms earlier decision', 7 March 2006, www.cofe.anglican.org.

convictions; reporting and disclosure; how the company board is structured and operates; the approach to such issues as risk management and executive pay and bonuses; and observance of human rights and core labour standards.

A range of specialist companies provide ethical research and advice services to investors and fund managers. A useful place to start if you are looking for such services is the website of the Charity Project run jointly by the EIRIS Foundation and the UK Social Investment Forum (UKSIF), www.charitysri.org (see also section 4.2, Sources of further information).

Engaging and dialogue with companies

Engagement and dialogue occur when investors raise concerns or make proposals about company policy or practice directly to the company's directors. Commonly this takes place through correspondence, face-to-face meetings and shareholders' attendance at company AGMs. AGMs provide the opportunity to ask questions, to vote on resolutions and, on occasion, to bring a shareholders' resolution to the attention of the meeting. This last option is unusual in the UK, although much more common in the USA and Canada. A more detailed discussion of the practicalities of engaging follows in the next section.

Some of the larger UK church investors, such the Church of England's Ethical Investment Advisory Group and the Methodist Church's Central Finance Board, report publicly on their dialogue with companies.

In ECCR's view, any faith group that decides to invest directly in companies, as opposed to buying into a unit trust or shares in an investment company, has a theological and moral duty to monitor the policies and practice of that company and to raise concerns with the company if it is not fully satisfied with the conduct of its business. This is likely to extend beyond a review of what the company says about itself to being aware of reports on the company from third parties, including regulatory authorities, the media and non-governmental organisations.

Where church trustees and fund managers hold shares in a company or sector whose activities are the subject of criticism on the part of other church bodies or a significant number of individual church members, there is a need to work towards a common position with regard to the company or sector concerned.

Mission-related and social (or socially directed) investment

Related to positive screening is an emerging strategy of mission-related or social investment, which has been defined as 'investments which generate a social as well as a financial return'.³¹ This refers to consciously investing in things we believe in. According to the EIRIS/UKSIF Charity Project, mission-related investment 'has considerable overlap with responsible investment when considering market-rate investments. It is an area that has sparked much interest and debate in the UK and is likely to develop in future years.'³²

³¹ Esmée Fairbairn Foundation, 'Foundations and social investment', October 2005, www.esmeefairbairn.org.uk.

³² EIRIS/UKSIF Charity Project, *Responsible Investment Approaches to Non-Equity Investments: An Introduction for Charity Trustees*, 2006, www.charitysri.org.

A range of alternative investment opportunities are emerging, not all of them low return or high risk. These include community land and reinvestment trusts, ecological building projects, organic food and fair trade initiatives, and microcredit-based social development programmes. The EIRIS/UKSIF project cites as examples ‘mission-based financial organisations which provide a focused range of financial services linked to certain social and environmental objectives’ and concludes: ‘A number of US foundations have pioneered the use of mission related investment to achieve market rate returns.’³³

In 1975 the World Council of Churches Assembly in Nairobi embraced the goal of a ‘just, participatory and sustainable society’. Looking ahead, as we come to better understand and address the rising inequalities, social disruption and environmental degradation of our world, why should church funds not align at least a portion of their investments more closely with our shared religious and ethical values?

3.4 Ways of holding shares

You do not have to own shares directly in a company to invest in it. Most people invest indirectly in companies through pension funds, unit trusts and other high-street investment products. Others may belong to or have links with churches or trade unions or subscribe to charities or other organisations that hold company shares. Our banks and insurance companies are also major shareholders. Here we summarise various ways that shares may be held in companies and who is likely to hold them. This applies mainly to the UK context but many of the principles will apply elsewhere.

Direct shareholders

These are investors holding shares in a company under their own name, which will usually appear on the company’s register of shareholders. This group can include individuals with shares in only one or two companies or with a portfolio managed by a professional company. It can also include institutions, often with a professional investment management team. Direct shareholders have considerable influence in using their shareholder rights. They can decide whether to buy or sell a company’s shares, how to vote at an AGM and whether or not to support a shareholder resolution.

Advocacy and campaigning groups may buy a few shares in a company in order to gain access to the company AGM or to count as one of the 100 individuals needed to support a shareholder resolution (see below). ECCR itself holds a small number of shares in selected companies as part of its own engagement strategy. Although companies may distinguish between advocacy-oriented shareholders and other investors, this can be an effective way to raise concerns.

Nominee holders

These are individuals or groups holding shares through an intermediary company, either as an individual account or in pooled funds. The individual or group owns the shares

³³ EIRIS/UKSIF Charity Project, previous note; see also New Economics Foundation, *Mission Possible: Emerging opportunities for mission-connected investment*, 2008, www.neweconomics.org.

as a 'beneficiary', meaning that they receive dividends. The name of the management company (the nominee) features on the company's shareholder register. Shareholder rights such as voting technically belong to the nominee, not the beneficiary. The influence of the beneficial owner in terms of voting and resolutions will vary; some will be able to exercise full rights only at the discretion of the nominee holder.

Indirect shareholders

These are individual or institutional investors who have bought into a pooled investment fund managed by professional financial managers. Such investments include unit trusts and some pension schemes. Shareholders' rights attached to these investments belong to the management company rather than to its customers, and investment companies vary enormously in their approach to exercising shareholder rights. Transparency and engagement also vary. Some funds provide periodic listings of the companies they hold investments in, while others may only list the top 10 or list none at all and need to be asked. Some funds have formal programmes by which they seek to persuade companies to adopt higher standards, and have active voting records. Others will be far less engaged. Some may support shareholder resolutions where their investors ask.

Pension funds

Pension funds form one of the largest parts of the investment market and thus can be key in trying to get environmental, social or governance issues on to a company's agenda. Personal pension schemes are often funds managed in a similar way to the pooled schemes outlined above. Occupational pensions are often managed by employers or by a contracted manager. The UK government encourages occupational funds to take an ethical approach and compels them to state the extent to which they take ethical considerations into account when making investment decisions and any voting policy that they apply to the shares they control. There can still be major differences between different occupational funds in terms of their ethical policies and their implementation.

Banks, building societies and insurance companies

Almost all these institutions have investments on the stock market. Finding out what these investments are and how they change can be far more difficult with a bank than with a pension fund. A few banks, notably in the UK the Co-operative and Triodos, have well-reported ethical investment policies and are more transparent about their investments.

3.5 Requesting information and influencing investors

There is little consensus about what information churches, charities or trade unions need to provide regarding their investments. In practice, some funds and organisations are much better at releasing such information than others. Ethical policies are usually easier to obtain than a list of shareholdings.

The Methodist Church's Central Finance Board publishes an annual report that makes full disclosure, company by company, of all equities and other investments held, both by country and by industrial sector. The report also includes a summary of key engagements with companies on difficult issues during the year.³⁴

³⁴ Methodist Church Central Finance Board: www.cfbmethodistchurch.org.uk/ethics/index.php.

The Church of England also publishes an annual report through its Ethical Investment Advisory Group that discloses research undertaken into ethical issues and the past year's engagement with sectors and with specific companies, including a summary of its voting record at company AGMs.³⁵

The campaigning organisation FairPensions recommends that trustees demonstrate how they implement their responsible investment strategy by disclosing each year:

- their statement of investment principles;
- at least the top 100 equity investments they hold;
- their annual voting record;
- their specific engagement strategy (specific issues to be acted on), and the results and progress of these efforts.

FairPensions also advocates that transparency is provided through 'a public website with a section on responsible investment that includes the above information', and 'a detailed responsible investment section in their annual report, including results of key company and industry engagements, key votes and important initiatives'.³⁶

ECCR's view is that, for reasons of stakeholder accountability, churches, charities and other institutional investors should be transparent about their investment portfolios, especially in their relations with members and supporters. If you are a member of one of these organisations you should be able to make reasonable requests for such information and expect it to be provided.

Besides seeking to influence the engagement agenda of your church or diocese, if you have investments through a pension fund, unit trust or other vehicle, as a customer/beneficiary you may be able to achieve influence with them also. You may also want to ask questions about how your local authority or trade union invests (most have pension funds invested on the stock market). Try to establish whether your fund or organisation has shares in the company you are concerned about and obtain a copy of any ethical investment policies or statements connected with the fund or organisation.

If you are a beneficiary of a scheme you are entitled to a basic amount of information about how it is run. In the case of occupational schemes you should expect to receive a statement of investment principles. Local authority and other public service institutional funds in the UK and possibly elsewhere are covered by freedom of information type legislation, giving local taxpayers the right to access certain types of information.

If your institution or fund holds shares in a company you are concerned about and has an ethical policy, this can give you a 'hook' upon which to frame a request for support. If, for example, you are concerned about a company's environmental performance, and environmental issues are referred to in a fund's ethical policy, you can ask how the fund and applies its policy in this particular case and if it will consider engaging on the issue.

³⁵ EIAG: www.ccla.co.uk/publications/EIAG.asp.

³⁶ FairPensions, 'Responsible investment: trustee best practice guide', www.fairpensions.org.uk. FairPensions' advice is for pension funds but in many respects may equally apply to church investment institutions.

When trying to influence the investment or engagement policy of an organisation or fund, write to the chair of the committee or board that makes policy decisions in relation to ethical investments. This will vary according to the institution but for many churches, charities and occupational pensions will be the chair of trustees. It helps if you address your concerns to a named person. You may need to research how the trust operates internally, such as whether a finance or investment committee of trustees deals with responsible investment issues.

ECCR's experience of garnering support from institutional investors for engagement over social and environmental issues is mixed. Many are wary of being seen to 'rock the boat' or as part of a 'loony fringe'. It is therefore wise to proceed with caution and make sure you are certain of your facts before seeking to influence others. Your letter or phone call may get a fairly general reply, in which case be persistent. If, for example, they reply that they will take your issue into account the next time they meet with the company, or the next time the trustees meet, wait a reasonable amount of time and then ask for more information.

3.6 How to engage

The largest church investors wield considerable influence because of the size of their holdings, and they often have a tried-and-tested approach to engaging with companies on issues of concern. This resource is shared with the smaller church and Christian charity institutional investors via the Church Investors Group (CIG) to maximise the impact of each member's influence.

Smaller faith-based investors and individual shareholders also have the right to raise concerns with company directors. Those whose shares are handled on their behalf by one of the larger church or other funds can also raise issues with the fund managers and ask them to take these up with the company concerned and to vote at Annual General Meetings (AGMs) of the companies.

Reasons to seek dialogue vary. In some cases there may be a long-standing issue of concern, perhaps arising from ongoing research or contact with host communities in a country where a company has operations. In other cases, matters reported in the news media or allegations of company misconduct made by non-governmental organisations may give rise to the need for dialogue.

It is important to prioritise and decide when a matter is of sufficient importance, and when there is sufficient possibility of influencing the company, to raise an issue. It is sometimes considered that engagement is most appropriate on matters of company policy and public reporting, or patterns of behaviour. However, a specific incident can be a useful starting point for engagement and can be used to highlight more general concerns about the company's risk management or governance.

Naturally, before taking up an issue you need to satisfy yourself that any reports or allegations are well founded in fact and that the company has a case to answer.

It is also useful to consider whether engagement may be undertaken in partnership with other like-minded shareholders, to strengthen the impact and perhaps share time

and resource costs. ECCR's approach is to involve its members, and other like-minded shareholders, as much as possible in joint approaches to dialogue with companies.

Engaging and dialogue need to be realistic. Important questions that may arise at the start or during the process include, What is the desired objective? How will you know if you are having an impact, have achieved your goals, or have reached an end-point? With an ongoing dialogue, how will you remain up to date with the issue? Are you prepared to modify your approach if the company's policy or practice changes, or if the situation you are concerned about changes? And how will you question responses from the company that fail to address your concerns?

There are a range of ways to engage and seek to influence companies, from letter writing to high-profile public campaigning. There is no simple formula as to which approach will work best, so shareholders need to choose one or more approaches depending on the nature of their concerns, what they seek to achieve, the company in question, and the time and resources available.

Writing letters

Correspondence is the simplest method of engaging with a company and available to all stakeholders – not only shareholders. Letters can be used to ask for information, highlight concerns or ask for a meeting. Research shows that if one person takes the trouble to write about a particular issue, it is likely that many others also care about it. If you can get others to write to the company too, your engagement is likely to have a stronger impact.

Pitch your letter at a high enough level within the company to get a useful response. This will often be the chief executive (CEO), chief operations officer, or a senior board director with responsibility for sustainable development, corporate responsibility or community relations. When in doubt, write to the CEO.

Letters tend to work best when they directly ask the company a question or seek for reassurances about the company's actions on a particular issue. Doing this makes it clear that you expect a reply and gives the company a framework for its response. When writing, any information you include needs to be as accurate as possible, especially if you refer to something you believe the company has done wrong. If you lack direct evidence, write something along the lines of 'We understand that you ...' rather than 'You did ...'

Companies tend to respond to letters, although sometimes there can be a lengthy delay and you may have to write again to get a response. The quality of replies varies enormously. The company may send a very generalised response and not answer your question, so you may have to follow up with more detailed questions. Some companies send so much information (such as corporate responsibility and sustainability reports, project plans and corporate magazines) with their reply that it would take hours to read it all. Not all of this information will be pertinent to your concerns, so it is important not to get sidetracked.

Overall, writing a letter is a good and relatively easy way to make contact with and get some information from a company. It ensures that there is an official and undisputable record of your dialogue, and can be done from a distance. In some instances it can also lead to other forms of engaging such as formal meetings.

Meetings

Meeting face to face with company representatives can be a good way of getting your concerns across. They are a way to seek immediate clarification of an issue of concern and can build more of a rapport with company executives than is possible through letter writing. This might mean that you have more influence, but there is a risk of being drawn into conversation about peripheral issues rather than the ones you want to talk about. CIG have the experience and financial muscle to gain access and to deal with distracting tactics.

Any stakeholder can ask to meet with company representatives. However, in practice while some companies will be happy to arrange meetings with faith groups, community groups or NGOs, others will try to avoid this. In such instances, shareholders – especially larger ones – will be more successful in securing a meeting than non-shareholders, so involving the former can be important. The fact that the company has refused to meet with non-shareholders may in itself be a concern to some shareholders.

As with letters (above), ask to meet with somebody important enough within the company to make the contact worthwhile. If in doubt, ask to meet with the chief executive.

If you are successful in arranging a meeting – whether you hold shares or represent shareholders or not – how can you ensure the meeting is useful? Your concerns are much more likely to be taken seriously if you are well prepared and knowledgeable about the issues you raise. You may find it helpful to formulate an ‘agenda’ before you meet and let the company know in advance what issues you want to discuss. This enables the company to bring people with relevant knowledge to the meeting.

If you hope to follow up with further meetings or correspondence, remain polite and respectful even where you disagree with what the company says. It also helps to establish ‘ground rules’ as to what you do with the information you get from the meeting. For example, ECCR often seeks to agree with the company a written summary of the meeting that ECCR can subsequently share with members and partners. If a company expressly asks that something remains confidential, we honour the request.

Where any rules are agreed, it is important to keep to them so that the company will be more likely to trust you in future. This can mean access to more information than you would get otherwise.

Shareholder analyst meetings and NGO/host community ‘consultation’ meetings

Two types of meeting deserve special mention. Shareholder analyst and NGO/host community ‘consultation’ meetings are collective meetings initiated by some companies to which they invite financial analysts or NGO/community members. Usually there are separate meetings for the two stakeholder groups. These meetings save the company time, enabling it to address a range of questions and concerns simultaneously, and they may be used as part of the company’s broader consultation approach.

Such collective meetings can be useful in terms of finding out about what the company is doing. They may in some instances lead to further dialogue. However, their agendas are usually set by the company rather than by stakeholders, and they tend to be dominated by corporate presentations, which can detract from stakeholder concerns.

Asking questions at an AGM

A company's Annual General Meeting (AGM) is supposedly the main way in which shareholders call a company to account. All shareholders are eligible to attend the AGM or to send someone on their behalf (a proxy), and all shareholders can in theory use the opportunity to publicly question the directors about how the company operates.

Asking a question at an AGM is a good way of making your concern known more widely. You will be surrounded by other shareholders and may find allies. Many AGMs are attended by the financial press, which means your question may be reported further afield. The public nature of the AGM means that there will be more pressure on the directors to deal with your question or to offer to speak to you privately, which you should be prepared to take up.

If you are not satisfied with the company board's response to your question, consider asking a follow-up question or continuing the dialogue with a follow-up letter.

There is no guarantee that everyone who wants to ask a question will be allowed to do so. The floor is given to shareholders at the discretion of the AGM Chair, who selects from among those wishing to speak. However, once the formal business is over, most companies put on a reception which directors attend, providing another less formal opportunity to make your point.

If you plan to ask a question at an AGM, be prepared. Speaking at a large public meeting can be nerve-racking, so it helps to have your question written down in advance. It can also help to include some – although not too much – background information, because not everyone will be equally familiar with the issues you raise.

Shareholder resolutions

Shareholder resolutions are proposals initiated by shareholders that are formally included on the voting agenda at an AGM. Few, if any shareholder resolutions on social and environmental issues actually pass; however, if they garner a significant amount of support they can act as a powerful signal to the company board.

Regulations regarding shareholder resolutions, their role in corporate policy, and how to submit one vary significantly from country to country. In the UK it is difficult to submit a shareholder resolution because of the requirements under UK company law to meet a high threshold of share ownership. They are therefore relatively uncommon compared to in the United States for example.

Under UK company law, before a company is obliged to put a proposed shareholder resolution on its AGM agenda, those filing the resolution (the 'requisitionists') must either

- hold at least 5 per cent of the total voting rights of all members (shareholders) at the date of the resolution ('requisition'), or
- number at least 100 holding a joint total of £10,000 paid up share capital, i.e. an average sum of not less than £100 each (or Euro equivalent).³⁷

³⁷ Companies Act 1985 (as amended in 1989 and later).

The nominal 'paid up' value of shares is very different from current share value. For example, when ECCR submitted a shareholder resolution to Royal Dutch Shell Plc in February 2006, the nominal value of one Shell share was about £0.05 (converted from Euros at the then exchange rate of €1 : £0.68; the selling price was approx. £18 per share). Therefore to achieve £10,000 worth of shares, ECCR needed a total of 100 other shareholders who together held at least 200,000 shares (10,000 / 0.05).

This ownership threshold means that even large investors will usually need to make links with many others to submit a resolution. ECCR has on several occasions helped put resolution filers in touch with other shareholders.

In addition to the resolution, the requisitionists are entitled to require the company to circulate a supporting statement of up to 1,000 words to all shareholders.

A copy of the resolution signed by all the co-filers (or multiple copies that between them bear all the signatures) and any supporting statement must be deposited at the registered office of the company concerned at least six weeks before the date of the AGM (or earlier if stipulated in the company's Articles of Association).³⁸ Co-filers are also required to provide a sum that will 'reasonably' cover the company's expenses in distributing the resolution to all shareholders. If the resolution is delivered to the company before it has printed its annual report and/or the AGM notice, the company may agree to include the resolution in its papers and waive payment.

It is important to obtain legal advice regarding the wording of a shareholder resolution. A company can refuse to accept a resolution if it considers that it makes any misleading, false or deceptive statements.

ECCR has initiated three UK shareholder resolutions, two of which went to the vote at Shell's AGMs in 1997 and 2006.³⁹

In ECCR's experience, shareholder resolutions are most successful where they are preceded by a period of dialogue – particularly if that dialogue has stalled – and if a business case can be made for implementing the changes you suggest. They can help show the company that your concerns are not isolated and that other shareholders agree that change is needed.

One of the reasons that shareholder resolutions rarely pass is that many institutional investors are reluctant to support them, preferring to express their concerns to the company directly and more privately. For the group submitting the resolution this can be frustrating, but there can be added benefits if you can work with investors so that they raise the same issue with the company privately.

³⁸ Companies Act 1985 (as amended in 1989 and later).

³⁹ See www.eccr.org.uk / About us / Brief history.

Campaigning and using the media

At some point you may decide that you want to raise the profile of your engagement by publicising it – for example, through church, NGO or trade union networks or via the media. This can have benefits, most obviously in garnering supporters and helping to persuade institutional investors that they should take up the issue.

You could, for example, write a letter to the financial press, or the local newspaper where the company operates. A newspaper or magazine may be interested in publishing an article on what you have written. Calling the news desk of a local paper or issuing a news release with background information and your contact details can help.

However, too much of the wrong sort of publicity risks scaring off companies and larger investors, which can hamper your relationships with them. Be careful about what you say and how you say it, and ensure you can support public statements with facts and evidence.

In some instances it may be better to raise an issue directly with the company and with a group of investors before 'going public'. If you get constructive answers or a positive dialogue, it may not be necessary to campaign. If the response is not helpful you are less likely to encounter criticism if you have given the company and/or investors time to respond first.

Is it worth it?

The process of engaging with companies can be slow and frustrating. It can be difficult to gauge how much influence you have. On the positive side, a good number of major companies have developed comprehensive sets of policy statements and codes of conduct on issues such as human rights, donations and environmental management. Much of this may be due to investor and civil society pressure and dialogue.

One example of such pressure being effective concerns the pricing of HIV/AIDS medicines in developing countries. This was a major issue in the late 1990s and early 2000s when it became apparent that millions of people in Sub-Saharan Africa and elsewhere were being denied treatment because their governments and aid agencies could not afford to buy the necessary drugs. Churches, trade unions, NGOs and institutional investors took up the issue, and the situation has improved greatly, with many AIDS drugs far cheaper than before.

Yet some NGOs and community groups believe that, while many companies will engage in dialogue and perhaps even make policy changes, they will be reluctant to significantly change how they work. Companies are large, complex organisations. Changing the corporate culture and the way they do things takes time. If you engage with a company, at some point you will need to assess whether any changes you have been told about are more than cosmetic.

Companies will often not admit that investor dialogue or civil society advocacy has led them to change. For example, in 2001 a number of shareholders, NGOs and campaign groups were concerned about an investment that BP had made in the Chinese oil company PetroChina, which was operating in Tibet and had links to other Chinese

oil companies operating in Sudan. The investment was the subject of a shareholder resolution supported by several ECCR members. Although BP claimed that it was acting as a 'force for good' and refused to divest from the company at the time, it did divest a couple of years later, citing financial not ethical reasons. It is impossible to say how much impact the engagement had, but it is almost certain it had influence at some level.

When trying to influence a company, recognise that you won't achieve your aims instantly, and that any gains will probably be longer term. Maintaining shareholder and civil society pressure on companies is crucial. Without it, businesses are much less likely to make meaningful changes.

4. Appendices

4.1 Corporate and investor responsibility principles and standards

Association of British Insurers, Responsible Investment Disclosure Guidelines, 2007 (www.abi.org.uk)

ECCR and partners, *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance*, 2003 (www.bench-marks.org)

Combined Code on Corporate Governance, 2003 (www.fsa.gov.uk)

Equator Principles, 2006 (www.equator-principles.com)

Global Reporting Initiative (www.globalreporting.org)

ILO International Labour Standards (www.ilo.org)

International Organisation for Standards, ISO 14000 standards for environmental management (www.iso.org)

OECD Guidelines for Multinational Enterprises, 2000 (www.oecd.org)

UN Global Compact (www.unglobalcompact.org)

UN Norms on Business and Human Rights, 2003 (www.unhchr.ch)

UNEP Finance Initiative and UN Global Compact, Principles for Responsible Investment, 2006 (www.unpri.org)

Voluntary Principles on Security and Human Rights, 2000 (www.voluntaryprinciples.org)

4.2 Sources of further information

Association of British Insurers – represents the collective interests of the UK's insurance industry (www.abi.org.uk)

Bench Marks Foundation of Southern Africa - an ecumenical agency of churches set up to serve churches and to monitor corporate conduct (www.bench-marks.org.za)

Business and Human Rights Resource Centre – leading independent resource on the world's companies and their records on human rights (www.business-humanrights.org)

Business in the Community – a movement of over 800 member companies seeking to improve their positive impact on society (www.bitc.org.uk)

Business Leaders Initiative on Human Rights – a programme to help lead and develop the corporate response to human rights (www.blihr.org)

Charity Commission of England and Wales – provides guidance on various aspects of charity investing (www.charity-commission.gov.uk)

Church Investors Group – a group of investors connected with the Churches of Britain and Ireland with combined assets of £12 billion (www.churchinvestorsgroup.org.uk)

Corporate Responsibility (CORE) Coalition – representing over 130 civil society groups, charities and campaigning organisations working to change UK company law to minimise companies' negative impacts and to maximise their contribution to sustainable societies (www.corporate-responsibility.org)

Corporate Watch – an independent not-for-profit group researching on the social and environmental impact of large corporations (www.corporatewatch.org.uk)

Ecumenical Council for Corporate Responsibility – a membership-based organisation working for corporate and investor responsibility in companies and the Church in Britain and Ireland (www.eccr.org.uk)

EIRIS Foundation – a charity that supports ethical investment by researching into the social and ethical aspects of companies and providing other charities with information and advice, mainly through its subsidiary EIRIS Ltd (www.eiris.org)

EIRIS/UKSIF Charity Project – encourages and assists charities and trustees in development of an ethical and socially responsible approach to investments through education, research and provision of resources (www.charitysri.org)

Ethical Trading Initiative – an alliance of companies, non-governmental organisations and trade unions working to promote and improve implementation of corporate codes of practice covering supply chain working conditions (www.ethicaltrade.org)

European Coalition for Corporate Justice – aiming to develop a common vision, build capacity and knowledge, and influence corporate accountability policies (www.corporatejustice.org)

European Social Investment Forum – a pan-European group whose mission is to Address Sustainability through Financial Markets (www.eurosif.org)

FairPensions – the campaign for responsible investment by UK pension funds (www.fairpensions.org.uk)

Institutional Shareholders' Committee – a forum where UK institutional shareholders exchange views and on occasion coordinate their activities (www.institutionalshareholderscommittee.org.uk)

Interfaith Center on Corporate Responsibility – a US-based association of faith-based institutional investors working to press companies to be socially and environmentally responsible (www.iccr.org)

International Business Leaders Forum – works with business, governments and civil society to enhance the contribution that companies can make to sustainable development (www.iblf.org)

International Interfaith Investment Group (3iG) – working for a just and sustainable society through responsible investment in a spirit of genuine interfaith dialogue and cooperation (www.3ignet.org)

Investment Management Association – industry association and ‘centre of excellence’; publishes fact sheets on various investment topics (www.investmentuk.org)

KAIROS: Canadian Ecumenical Justice Initiatives – uniting Canadian churches and religious organisations taking action on corporate responsibility and other issues (www.kairoscanada.org)

Local Authority Pension Fund Forum – promotes the investment interests of local authority pension funds and seeks to maximise their influence as shareholders (www.lapfforum.org)

New Economics Foundation – an independent ‘think-and-do tank’ working on economic, environmental and social issues (www.neweconomics.org)

Office of the Scottish Charity Regulator – information for Scottish charities (www.oscr.org.uk)

UK Social Investment Forum – the UK’s membership network for sustainable and responsible financial services (www.uksif.org)

World Business Council for Sustainable Development – a global association of some 200 companies dealing exclusively with business and sustainable development (www.wbcsd.org)

ECCR's corporate members

Full members

CCLA Investmet Management Ltd
(Church of England Ethical Investment
Advisory Group)
Central Finance Board of the Methodist
Church
Christian Aid
Daughters of the Holy Ghost
Diocese of Oxford
Industrial Mission Association
Medical Mission Sisters (Society of
Catholic Medical Missionaries)

Missionary Society of St Columban
Oikocredit UK
Religious of the Assumption
Religious Society of Friends
Sisters of the Cross and Passion
Society of the Holy Child Jesus
Sisters of La Retraite
Sisters of Notre Dame
Traidcraft Exchange
United Reformed Church

Associate members

Baptist Union of Great Britain
Cazenove Capital Management
Christian Council for Monetary Justice
The Church of Scotland
The Church in Wales
Churches' Council for Industry and Social
Responsibility (ISR)
Congregation of Jesus Charitable Trust
Daughters of the Heart of Mary
Diocese of Hallam
Diocese of Worcester
ECCR Oxford Group
ECCR South West Group
ECPI s.r.l. (Italy)
Ethical Investors (UK) Ltd
Ethical Screening
FairPensions
Franciscan Missionaries of the Divine
Motherhood
Gaeia Partnership
IBEX (Churches Working with the
Economy – Central South Coast)
Interfaith Center on Corporate
Responsibility (USA)
L & P Financial Trustees (Ireland)
La Sainte Union
Lancaster Diocesan Faith and Justice
Commission

Lincolnshire Chaplaincy Services
The Methodist Church
Mission in London's Economy (MILE)
Philip J Milton & Company
Rathbone Greenbank Investments
St Patrick's Missionary Society (Ireland)
School Sisters of Notre Dame
School Sisters of Notre Dame (Italy)
Sisters of Charity of Jesus and Mary
Sisters of Christian Instruction (St Gildas)
Sisters of the Holy Family of Bordeaux
Sisters of Marie Auxiliatrice
Sisters of Our Lady of Apostles (Ireland)
Sisters of St Marie Madeleine Postel
Sisters of St Joseph of Annecy
Sisters of St Joseph of Peace
Society of Jesus
Student Christian Movement
South Yorkshire Workplace Chaplaincy
Telford Christian Council
United Reformed Church, Wessex
United Reformed Church, West Midlands
Uniting Church in Australia
West Midlands Churches FE Council
Worcestershire Industrial Mission

ECCR also has more than 120 individual associate members.

All of us are, one way or another, investors in companies and therefore part owners. This may be directly through owning shares, or indirectly through our pension funds, savings, bank accounts, and insurance policies, and through whichever church or other organisation we may belong to.

Most of the church denominations are major shareholders. Shareholders, as company owners, give companies their mandate to operate.

What companies do, therefore, they do in our name. Investment entails responsibility, and awareness of this fact is a key ethic for faith communities.

Accepting this responsibility is empowering. It helps us realise that we can all participate in changing and improving the policies and practices of companies.

Shareholder initiatives really can lead companies to make positive changes. And they provide an opportunity for faith communities to become known for constructive and positive engagement.

ECCR's Guide to Investment and Engaging with Companies aims to

- support faith communities and responsible investors in engaging with companies on the basis of Christian and ethical values;
- help church members and others understand how funds are invested and can be used as a basis for dialogue to bring about more responsible business policy and practice;
- help church members understand what they themselves can do to encourage corporate and investor responsibility.