



The CIG Annual Report 2011

Chairman's Letter

One year into my chairmanship of the Church Investors Group, I look back at what has been a fascinating period for ethical investment and the CIG.

2010/2011 has been a year of effective engagement for the CIG especially within the oil and extractive industries which are constantly part of our focus. Development of the world's natural resources is inevitable but, as Church investors, we must try to ensure that the process does not cause long term damage to the environment and that local populations fairly share in the rewards. Reflecting this we have had two excellent member meetings with revealing and helpful discussions with Royal Dutch Shell and Xstrata. At our November 2010 meeting we listened thoughtfully to the challenges facing Royal Dutch Shell in the Niger delta. Whilst their record is by no means perfect we were able to understand the major problems they face in a challenging environment. Xstrata, in June, showed what can be done with good management and effective technology.

In addition to our member meetings our high profile engagement with BP continued throughout the year. From December 2010 through to April 2011 and beyond Helen Wildsmith, on behalf of the CIG and a wider investor coalition, worked closely with Julie Tanner, of Christian Brothers Investment Services in New York, to develop a supportive strategy in dealing with several difficult issues, both in terms of its Health and Safety record and management in general. The continued willingness of large companies to enter into open discussions with CIG members and our allies suggests a strong level of interest and a realisation, on both sides of the table that Churches, as investors, can positively contribute to debates on major issues.

Working with international partners has been a key part of the CIG strategy devised in 2009. The BP engagement laid the groundwork for the 'International Event for Church Investors' that we organised in Paris in September. This was attended by 41 people representing Church investor organizations from 10 countries.

Throughout the Event the universal call was for us all to use our combined resources and voice to challenge multinationals to improve governance and care for God's precious world and its people.

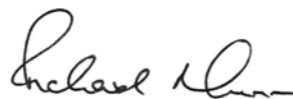
2011 was not, however, solely a year of new initiatives. Many CIG members continued to engage with companies, and their, remuneration committees in an attempt to tame excessive executive remuneration and call for a further linkage between pay and shareholder interest. In addition, building upon the Shareholder Resolutions of 2010, some CIG members continued to be concerned and engage with companies in relation to

the extraction of oil from oil sands.

In this record of the year it is important to note that we owe a large debt to my predecessor John Cunningham for both his support and guidance to the CIG and his encouragement to reach out to the wider Christian Investor community. Whatever emerges in the future will have been founded in his energy. On his retirement from the Catholic Diocese of Plymouth I am sad to say that he has chosen to resign from our Steering Group. We hope that he will continue to be able to attend our bi-annual member meetings. I must also take this opportunity to give my personal thanks to all those on the Steering Committee who give so freely of their time. While we do discuss many serious and difficult issues we do it in a spirit of friendship and enjoyment. With John Cunningham standing down we have a vacancy and would welcome new blood and if this blood can redress the gender imbalance this would be a bonus.

2011 also saw a number of developments within the CIG itself. We were delighted to welcome the Advisory Committee of the Charifaith Common Investment Fund and the Panahpur Foundation into membership. The CIG website was rebuilt and is now capable of functioning as the key method of communication within the group. In addition the CIG renewed the agreement with CCLA for them to provide the group with core Secretariat services; I would like to take this opportunity to thank Michael Quicke (CEO), James Bevan (CIO), Helen Wildsmith (Head of Ethical and Responsible Investment), and James Corah (CIG Secretary) for all of their time and invaluable assistance that goes far beyond the terms of our agreement.

Finally, the genial atmosphere at our meetings both in the UK and Paris shows that despite our individual doctrinal traditions we are one family having very similar challenges. With the goodwill, which was evident in abundance, we can continue to achieve so much together. Let us hope that 2011/2012 is a calmer environment and that real values can continue to be pursued. I thank you for your support in what has been a remarkable year.




Richard Nunn
CIG Chairman

2010/2011 Company Engagement

2010/2011 has been a year of successful targeted engagement.

BP

Following the Gulf of Mexico oil spill the CIG, in a coalition with our US counterparts ICCR, co-ordinated an ongoing high profile engagement with BP. The coalition was formed out of a concern that BP had not given US faith-based investors sufficient access for engagement following the Gulf of Mexico oil spill and, consequently, they were considering filing a shareholder resolution at the company's 2011 AGM. Through close engagement with the company, led by Steering Group member Helen Wildsmith, the coalition agreed that BP, and the new Chief Executive Bob Dudley, should be given a further year to instigate improvements. Should expectations not have been met at the point of Mr Dudley's one year anniversary as CEO a joint shareholder resolution would be filed for the 2012 AGM. A joint CIG/ICCR press release was issued in January 2011 to mark this historic international collaboration between Church investor bodies.

CIG and ICCR members once again combined to engage with BP at their AGM in April. Many CIG members joined 43% of voters in not supporting the re-election of BP Director Sir William Castell (Chair of the Safety, Ethics, and Environment Assurance Committee). Again this attracted substantial media attention; a summary of press articles can be found on the CIG website. The CIG Steering Group is grateful to Vice-Chair Bill Seddon for conducting a number of media interviews including a Sky News appearance.

The engagement continues and has been broadened to include BP's approach to transitioning towards a low carbon economy.

FTSE 350 Carbon Disclosure Project

Building upon the CIGs longstanding engagement work with non-disclosers to CDP Victoria Barron (CCLA), on behalf of the CIG, contacted 50 FTSE350 companies within Carbon Intensive Industries who had either not responded to the CDP or had not set greenhouse gas reduction targets. 20 companies responded of which 10 had improved since the equivalent project a year ago. In addition, a meeting was arranged between representatives of the CDP, CIG members, and two companies that had never previously responded. Subsequently one of these companies successfully completed the Investor CDP response. A fuller account of this engagement project is available on the CDP website at: <https://www.cdproject.net/en-US/WhatWeDo/Pages/case-study-church-investors-group.aspx>.

Further Engagement

In addition to engagement sessions with Royal Dutch Shell and Xstrata at our member meetings the CIG is grateful to both the Central Finance Board of the Methodist Church and the Church of England Ethical Investment Advisory Group for organising, and allowing CIG attendees, at engagement meetings with a number of companies. During 2010/2011 this included GlaxoSmithKline and RBS amongst others.

International Meeting of Church Investors

The CIG organised an International Event for Church Investors in Paris on the 14th September. This was attended by 41 people representing 33 Church Investor organizations from 10 countries. Given the increasingly international nature of Church investment portfolios the day focussed on discussing the ways in which Church organizations can work together to leverage both aggregate global holdings but also local information and customs when engaging with companies outside their home market. One outcome of the day relates to next year's London Olympics; the CIG representatives agreed to take forward with UK-listed hotel groups ICCR's work on reducing corporate complicity in human trafficking and modern day slavery. This will form a key part of our targeted engagement strategy for the year to come.

Trustee Day and CIG meetings

Once again a varied programme of topics and speakers addressed the group in the year 2010-2011. The Archbishop of Westminster, The Most Reverend Vincent Nichols, delivered a thought provoking address at our Trustee Day in October. Representatives of ECCR, the Financial Reporting Council, the National Association of Pension Funds, and PIRC also presented to the group during the year.

Our June meeting concentrated on the challenges involved in keeping ethical investment policies up to date. In addition to a discussion of analysis of members' policies and the FTSE350 companies that members preclude from investment the group was grateful for a presentation from CIG member the Joseph Rowntree Charitable Trust upon their new investment strategy.

Finance Report

As of 13th September 2011 the CIG account balance stood at £8075.54. Expenses relating to the International Meeting of Church Investors and the hosting of the website were outstanding.

Steering Group Changes

Elections to the Steering Group took place at the November CIG meeting. Richard Nunn (United Reformed Church Ministers' Pension Trust) was elected Chair and Bill Seddon (Central Finance Board of the Methodist Church) was elected Vice-Chair. In addition Paolo Camoletto (Diocese of Westminster), John Cunningham (Diocese of Plymouth), Edward Mason (Church Commissioners for England), and Helen Wildsmith (CBF Church of England Funds) were elected to the Steering Group to join Roger Short (Baptist Union of Great Britain). Unfortunately, on his retirement from the Diocese of Plymouth, John Cunningham has decided to stand down from the Steering Committee and we are thus looking for an extra member to join. The Steering Group wishes to thank John for all of his efforts and hopes to continue to see him whenever possible at CIG meetings.

About the CIG

The Church Investors Group represents many mainstream Church denominations and organisations in Britain and Ireland. Each member has its own investment policy but members work together on issues of common concern. It has 37 members with combined assets of around £12 billion.

It has four key aims:

- to encourage the formulation of investment policies based on Christian ethical principles;
- to assist each other in putting such policies into practice;
- to encourage responsible business practices through engagement with company managements;
- to share information and views on ethical matters related to investment.

The re-formed CIG took effect from 1 January 2005, building on an informal ecumenical ethical investment network that had existed since 1973. It is a collaborative ecumenical venture that seeks to empower and inform members as they pursue their own independent views and policies. Membership is open to investment or trustee bodies representing the charitable and pension funds of denominations, dioceses (or their equivalent), religious orders and Christian-based charities.

CIG Members

Baptist Union of Great Britain
BMS World Mission
The Representative Body of the Church in Wales
CBF Church of England Funds
Church Commissioners for England
Church Mission Society
The Church of England Pensions Board
USPG – Anglicans in World Mission
The Representative Body of the Church of Ireland
The Church of Scotland Investors Trust
Central Finance Board of the Methodist Church
Methodist Ministers' Pension Trust
Trustees of the Methodist Church in Ireland
Christian Aid
Panahpur
The William Leech Foundation Limited
Advisory Committee of the Charifaith Common Investment Fund
Catholic Bishops' Conference of England & Wales
Congregation of Jesus Charitable Trust
Diocese of Arundel and Brighton
Diocese of Birmingham
Diocese of Hallam
Diocese of Middlesbrough
Diocese of Nottingham
Diocese of Plymouth
Diocese of Portsmouth
Diocese of Southwark
Diocese of Westminster
Medical Mission Sisters
Servite Friars
Society of Jesus
The Joseph Rowntree Charitable Trust
The United Reformed Church Pension Trust
United Reformed Church Trust
The Salvation Army
CIG South Africa

The CIG secretariat
is provided by

CCLA

Further information is available on the website
www.churchinvestorsgroup.org.uk or from the CIG
Secretary at: info@churchinvestorsgroup.org.uk