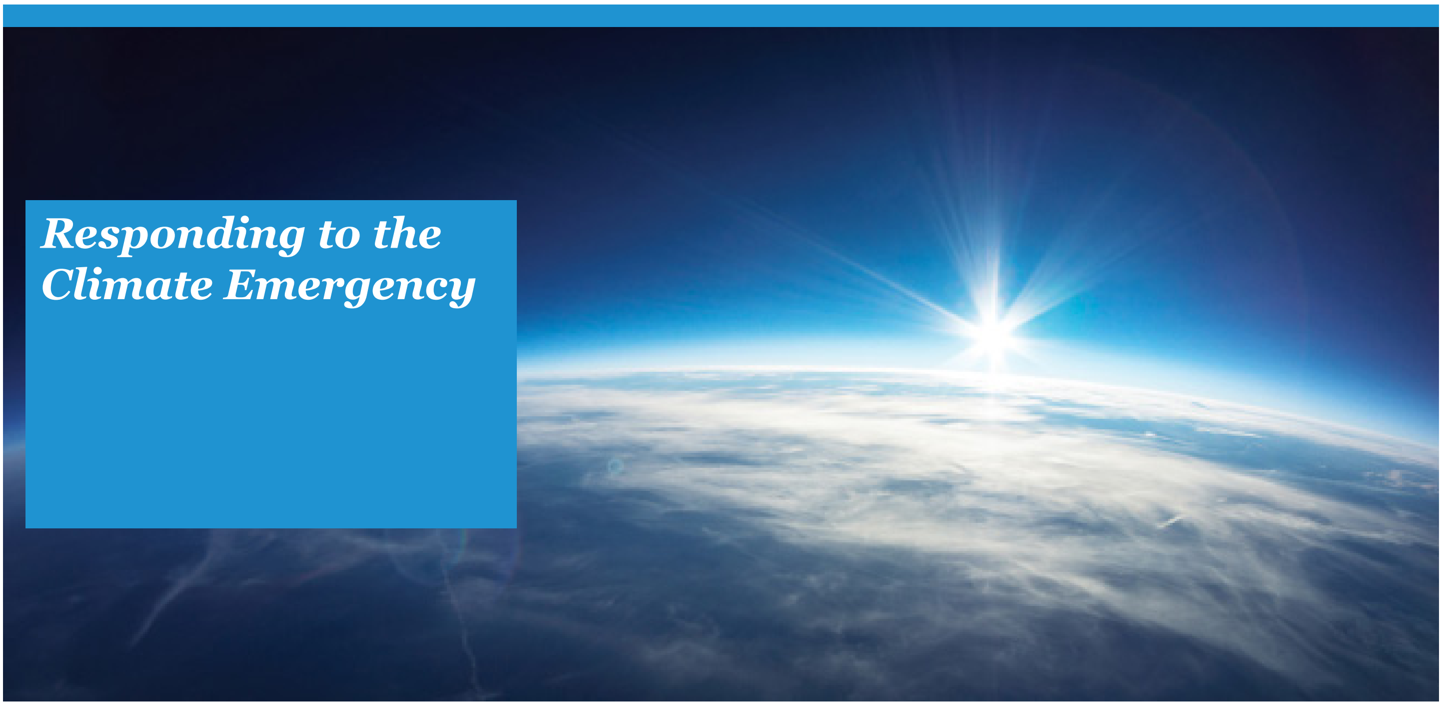
Christian ethics in practice
July 2020

Epworth
Investing with Christian ethics

Responding to the Climate Emergency



Regular readers of ***Christian Ethics in Practice*** will know what a major topic climate change has been. For over 10 years we have reflected the deep climate concern of our investors in the way we manage investments.

In 2009 we launched our first policy on climate change, which looked at company's carbon emissions and those of their supply chain through the use of their products. In 2013 we built on this with another policy, focusing on electricity generation companies. Our third climate change policy was published in 2015, focusing on the climate implications of different fuels. These policies led to both divestments and also substantial engagement with companies to ensure they were taking their impact on the climate seriously.

Epworth Climate Stewardship Fund

In 2019, the scale of the Climate Emergency was brought into stark focus. In response to the needs of our clients and other UK charities, we developed a new equity fund, launching the Epworth Climate Stewardship Fund for Charities in May 2020.

It allows UK charities to invest in a way that tackles the Climate Emergency while still aiming for above market returns. It is called the Epworth Climate Stewardship Fund because we are stewards of our investors' capital and this is reflected in how we invest. In this case, we created a climate investment solution that considers the impact that all of the companies we invest in have on our planet.

It seeks income and capital investment growth over a minimum period of 5 years, mainly investing in UK companies and looks to have a carbon footprint substantially below that of the FTSE All Share Index.

> *" It allows UK charities to invest in a way that tackles the Climate Emergency while still aiming for above market returns "*

To deliver this, we will undertake a three-pronged approach.

- Seek out companies that contribute to the transition to a lower carbon economy.
- Engage with portfolio companies to encourage action that reduces the risk of climate change (see details of our recent engagement with ***Barclays*** overleaf).
- Exclude companies that extract or refine fossil fuels, those that have a material involvement in supplying them, as well those that do not meet our bespoke Christian ethical screening process (alcohol, armaments, gambling, high interest lending, pornography, tar sands, thermal coal and tobacco).

We hope this new Fund proves popular with UK charities, helping them to meet their investment objectives, whilst responding to the Climate Emergency.

David Palmer
Chief Executive Officer

Barclays - engaging for change on climate

In their May 2020 Annual General Meeting, ***Barclays*** overwhelmingly passed a board resolution committing the company to an ambitious target on climate change.

We had co-filed a separate resolution pressing for the phasing out of financial services to fossil fuel companies. This resolution, co-filed by a number of institutional investors and ***ShareAction***, called on Barclays to phase out the provision of financial services to the energy sector and to any electric and gas utility companies that are not aligned with the ***Paris Agreement***. As a reminder, the Paris goals aim to limit global warming to well below 2 degrees Celsius.

> *“ It was an important breakthrough and this AGM commitment sets a standard by which other banks can be measured ”*

This resolution was not approved by the AGM, but it did receive 24% of the votes. However, by filing the resolution, it forced the Barclays board to produce its own resolution on climate change. This includes an ambition to have net zero Scope 1, 2 and 3 emissions by 2050 and to align its provision of financial services with the Paris Agreement. Whilst the Barclays board resolution was not as explicit in its aims as the one we co-filed, it was an important breakthrough and this AGM commitment sets a standard by which other banks can be measured.

COVID-19 - implications for our ethical work

The developing COVID-19 pandemic and the response to it has dominated recent events and has impacted our ethical work. Many companies are receiving government, ultimately taxpayer, subsidies in the form of grants, including to maintain jobs, and guaranteed loans. Companies’ priorities have been ensuring their survival and the well-being of their employees. We recognise that and so, we will not for the time being be voting against the re-election of board chairs and executive directors at AGMs, unless there has been particularly poor performance responding to climate change. There will be greater expectations for companies which receive government support, whether direct or indirect, to be good corporate citizens. This includes paying a fair rate of tax, preventing excessive executive pay, and paying the Living Wage.

Corporate Governance

We refreshed our voting policy, working alongside the ***Church Investors Group***, in time for the 2020 voting season. This already holds companies to high standards on executive pay, boardroom gender diversity, climate change, and tax justice. We regularly vote against executive remuneration schemes and against the reappointment of directors when pay schemes are particularly egregious. This year, new measures extend expectations on diversity and hold directors to account on ***Modern Slavery***. Mining companies face additional scrutiny on the issue of the management of tailings dams following the Brumadinho disaster that killed 270 people last year.

Tax Justice

The ***Fair Tax Mark*** certification scheme was launched in February 2014 and seeks to encourage and recognise organisations that pay the right amount of corporation tax at the right time and in the right place. It is perhaps not that well known yet among companies and we are looking to encourage them to consider this and apply for accreditation. In line with our engagement policy on tax justice, we engaged with two of our holdings in the quarter. Both companies are considering the Fair Tax Mark and the implications of accreditation further as a result. We will continue to engage with them and also introduce the Fair Tax Mark to other companies in which we invest.

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