



Introduction

Welcome to our first *Christian Ethics in Practice* newsletter, which we will publish twice a year.

It will keep you updated on the important ethical work we are undertaking on behalf of our investors.

At Epworth Investment Management Limited (Epworth), we provide a high quality investment service while integrating Christian ethics with our investment process. When we take investment decisions, we do so as long term stewards of your money, looking for sustainable returns.

This newsletter will focus on Climate Change – an area our investment team has paid particular attention to in the last year. We have also been active in other important areas across a range of environmental, human rights and business ethics issues. In our work, we are guided by the Joint Advisory Committee on the Ethics of Investment (“JACEI” – see the JACEI annual report at www.epworthinvestment.co.uk/news-and-library/ethical-hub).

I hope you find the newsletter informative and I would welcome your feedback.



David Palmer
Chief Executive Officer, Epworth

Climate Change

Climate change presents a major threat. It shows just how poor humankind has been as stewards of our planet. We express the deep concern of our investors on this issue in the way we manage investments.

In 2009 we launched our first policy on climate change. Among other things, this committed us to focus not only on the intensity of a company’s carbon emissions, but also the emissions of their supply chain and those produced through the use of their products.

In 2013 we built on this with another policy, focused on electricity generation companies, who are the main contributors to greenhouse gas emissions. This policy pushes for reductions in emissions among these companies and helps drive our engagement with them. It led to one divestment, RWE, and another company, Drax, being excluded from investment.

Our third climate change policy was published in 2015. It focuses on the implications for different fuels and we take a dim view of thermal coal and tar sands. This policy has led to a number of exclusions, including some divestments. The largest of these was Glencore, which had significant exposure to coal, but we also exclude a large number of oil exploration companies. All of our climate change papers can be viewed on our website at www.epworthinvestment.co.uk.

We regularly engage with companies on climate change. We ask that they are transparent and invest to reduce their emissions, which we monitor. Our engagement includes working with other investment groups such as the *Church Investors Group* and the *Institutional Investors Group on Climate Change*.

Being a shareholder does provide better access to companies and we co-file shareholder resolutions on climate change and vote at Annual General Meetings. We are also founding members of the [Transition Pathway Initiative](#), which has developed a tool for assessing how well companies are adjusting to a low carbon emissions world.

We have accelerated our work on climate change in the last year. We begun analysing the extent to which fossil fuel companies have business plans which are aligned with the [Paris Agreement](#) to limit average temperature rise to “well below 2 degrees Celsius”.

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Our team has examined a wide range of climate change scenarios. These highlight the implications for fossil fuel production in the future, if the right actions are taken to restrain carbon emissions. No scenario is perfect and outcomes will differ, but they provide a helpful guide to future developments and a useful tool when engaging with companies to encourage change. We have then developed a methodology for looking at how well companies are aligned with the Paris Agreement. This combines hard data with investment judgement.

We are now at the beginning of a process of assessing companies according to the following criteria:

- Current asset mix
- Capital expenditure on exploration and production
- Climate strategy and governance
- Positive transition steps
- Decreasing direct emissions.

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“We regularly engage with companies on climate change. We ask that they are transparent and invest to reduce their emissions, which we monitor.”

We will report on this work as it progresses. We are dealing with a moving target – as some companies are responding to engagement and the increasing pressure for change.

We will also specifically focus on those companies which are using fossil fuels and therefore driving climate change. In addition to electricity generators, we plan to look more closely at other industries such as transport and heavy industrial companies. If we can persuade these companies to change that could have a large impact on climate change and at the same time encourage fossil fuel companies to adjust their business strategies.

The threat of climate change is significant. We will continue to focus on this important issue.

Our next edition of [Christian Ethics in Practice](#) will provide an update on our climate change work and also look at other important ethical investment issues.



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