



Introduction

Welcome to our second *Christian Ethics in Practice* newsletter. This keeps you updated on the important ethical work we undertake on behalf of our investors and is published twice a year.

Our first edition focused on *Climate Change*. It is not a new topic for us - we have been working on climate change issues as they relate to investment for almost 10 years. We are now seeing an increased media focus as the severity of the problem, and the need to take action, is increasingly highlighted.

In this edition we also provide an update on two of the other issues that are of concern to our clients – *Modern Slavery* and *The Living Wage*.

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



David Palmer
Chief Executive Officer, Epworth

Modern Slavery

Modern slavery is the recruitment, movement or receipt of children, women or men through the use of force or coercion for the purposes of sexual or labour exploitation.

The Modern Slavery Act 2015 applies to all commercial organisations carrying on business in the UK with a turnover of £36m or more. Its aim is to ensure they are managing their supply chains effectively, keeping them free from slavery and human trafficking. In addition to being unacceptable ethically, failure to do so could result in severe reputational damage, which could impact the share price of a listed company.

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It also poses the risk of reputational damage to charities, if they are seen to be investors in companies which are not taking modern slavery seriously. This reputational damage could reduce their ability to generate new income from supporters and ultimately impact on mission delivery.

Related to this, in the UK we engaged with Tesco after a report that one of its car wash franchisees (Waves Car Wash), was paying undocumented workers just £3.63 an hour; a figure well below the national minimum wage. Waves moved swiftly to close the Cheshire-based franchise. In response to efforts by Epworth to seek reassurance about Tesco's activity in this area, the company stated that 'no checks or audits had identified any incidences of trafficking or forced labour'.

Modern Slavery is a global phenomenon from which no country or sector of the economy is wholly immune. It is an issue that is estimated to affect some 46 million people worldwide. We will continue to consider the risks of Modern Slavery in the investments that we make.

Living Wage

We regularly engage with companies on the issue of the Living Wage. Recently we have focused our time on telecoms companies as not a single telecom company in the UK is certified by the Living Wage Foundation. Working alongside *Share Action*, a charity that promotes responsible investment, we have challenged both the *BT Group* and *Vodafone* in an attempt to change this.

Related to this, we were very disappointed that the *InterContinental Hotels Group (IHG)* reneged on their commitment to implement the Living Wage. Their pledge had been given as part of the deal for their brand 'Holiday Inn' to be made 'Official Hotel Services Provider' for the London 2012 Olympics. We remain in dialogue with IHG, encouraging them to keep their word on this important matter.

Climate Change

The issue of Climate Change continues to receive substantial media focus, with the *Katowice Climate Change Conference (COP24)* having taken place in Poland in December 2018. Whilst the Conference highlighted the deep political divisions that exist, it remains an issue of great importance to our investors. In 2009, we became one of the first faith investors to publish a Policy on Climate Change and we now have three policies covering different aspects of this issue (which can be viewed on our website at www.epworthinvestment.co.uk).

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Our most recent focus has been analyzing the extent to which fossil fuel companies have business plans which are aligned with the Paris Agreement – to limit the average temperature rise to "well below 2 degrees Celsius". Whilst this work continues, we are also engaging with companies and looking to positively influence management behaviour.

There has been significant progress with *Royal Dutch Shell*. The company recently announced that it will incorporate net carbon footprints in their remuneration policy. This news came in a joint statement with the *Climate Action 100+ coalition*, a five year initiative led by investors to engage on climate change, of which we are a member.

The coalition, which consists of 310 investors, is coordinated by a number of institutions including the *Institutional Investors Group on Climate Change (IIGCC)*, of which we were also a founding member. We will continue to engage with the company, challenging them on how this change will influence their investment decision making. In a further attempt to influence the wider climate change debate, we were also one of 60 investors to co-sign a recent open letter to the Financial Times which demanded the oil and gas industry to be more transparent and take responsibility for its emissions. Raising climate change to a political level, we also signed a *Global Investor Statement* that was sent to the Governments of 7 nations, calling on them to achieve the Paris Agreement's goals.

Our next edition of *Christian Ethics in Practice*, to be published in H2 2019, will provide an update on these and other important ethical investment issues.



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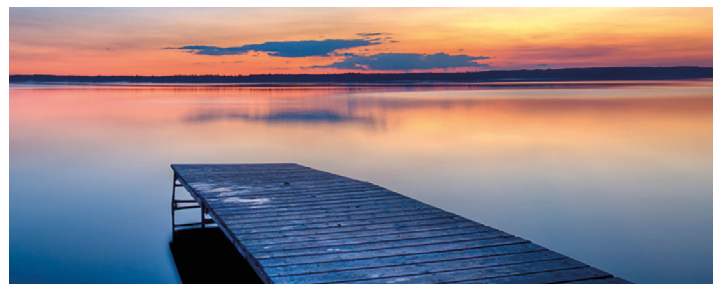
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