

Policy Statement - Mining companies and other extractive industries

1. Preamble

The theology of creation proclaims the consistent message of Christian stewardship, of humanity's obligation to care for the earth and its creatures.

The Connexional Team's 1991 report *Floods & Rainbows – Christian Faith Concerning the Environment* calls upon Christians to create a new political will to respect nature, heal its wounds, clean up pollution, control the demands made upon it, and develop new appropriate lifestyles.

Caring for the Earth, an Environmental Policy for the Methodist Church was produced in 1999. This affirms that Christian mission includes caring for God's earth and commits the Church to develop both theology and the practical implications of this on a continuing basis. It encourages Methodists to take into account global and local environmental considerations for present and future generations, and to look for opportunities for co-operation and joint initiatives with other Churches on environmental initiatives.

The position paper on Theology and the Environment notes that Epworth's investment decisions have an effect on the conservation of the world's resources, and so form part of the Church's stewardship of the earth. This is surely a challenge that Epworth is obliged to meet.

Historically Epworth has been wary of investing in mining shares on ethical grounds. However, in 1996 the Joint Advisory Committee recognised that civilisation could not function without metals such as iron aluminium and copper that therefore contribute to a higher standard of living for millions of people. Consequently it was affirmed that mining and other extractive industries were an acceptable area for investment by Epworth.

Whilst owning shares of companies producing non-precious metals may be acceptable, the case for mining companies producing mainly precious metals and diamonds may seem less compelling. However it is important to note that precious metals such as silver and platinum are widely used in industrial applications. The distinction between 'precious' and 'non-precious' metals is therefore less clear cut than used to be the case.

In its Report to the 1997 Conference the Joint Advisory Committee stated its belief that nuclear power had certain environmental advantages, subject of course to the most stringent safety requirements. The Committee noted that the long-term disposal of nuclear waste remained an issue, but it felt that all forms of energy production had environmental drawbacks. It therefore decided that the production of uranium for peaceful purposes was not to be regarded as ethically problematic. Since that time there has been growing recognition of the benefits of nuclear power in respect of climate change, although safety requirements now include the threat of terrorism.

In 1999 the world's largest mining companies established the Global Mining Initiative, indicating a willingness to enter into dialogue with NGOs on social and environmental questions. (This ended in may 2002, being succeeded by the International Council on Mining and Metals.) Epworth should to continue to participate in this process by engaging in discussions with individual mining companies.

2. The key issues

Mining and the oil and gas sector pose distinct challenges to ethical assessment by investors. Some issues of particular relevance to these sectors of the economy are set out below:

2.1. Health and safety

A clear and effective company policy to minimise accidents, and to safeguard the health and safety of local people affected by its operations is essential.

2.2. Respect for, and consultation with local communities

Consultation with local communities is required where mining may have a major impact upon the social and physical environment and upon local people. Respect for the views of local communities should be the basis on which the consultations are made.

2.3. Transparency and revenue sharing

Revenue-sharing agreements and anti-corruption measures are extremely important. Measures to increase local value-added in developing countries, and to train local staff are to be encouraged.

2.4. Human rights

The need to find reserves in developing countries also brings a heightened risk of being implicated in human rights abuses, particularly when they take place in conflict zones. Companies operating in such difficult areas should possess clear and effective policies to minimise possible human rights abuses.

2.5. Labour issues

Like all companies operating in developing countries, mining and energy companies need to be aware of the risk of the illicit use of forced labour or child labour, as well as avoiding racial or sexual discrimination.

2.6. Sustainable development

1. The large 'environmental footprint' of mining and oil and gas operations means that companies need to have effective accounting and internal management control systems in order to monitor and minimise the environmental impact of their activities. Clear lines of management accountability for the environment should be visible. This might include having a main board director with environmental responsibility, or other management control mechanisms.
2. Companies should have a policy to eliminate pollution and to facilitate remediation of polluted or spoiled sites, and publish indicators of their effectiveness in doing so. External environmental verification is also to be encouraged.
3. Producers of fossil fuels should indicate potential contribution to global warming, and describe their company's long-term path to the production of more sustainable fuels.
4. Companies should be prepared to produce reports on the environmental impact of their operations.

3. Policy

3.1. An acceptable area for investment

Epworth believes that the mining and energy industries are ethically acceptable areas for investment in their own right.

3.2. Best in class

As with all business sectors, we must recognise that it may not be possible to find any ethically acceptable company. However, it seems appropriate to try to identify the key issues of ethical concern. These can then be used in order to be able to assess, monitor, and influence the companies involved and identify the best in class. Companies in the sector should be continually striving to improve their performance in areas like health, safety and the environment. Epworth as long term shareholders should be supportive of their efforts to improve.

3.3. Good practice

Epworth should have a preferential policy of investing in companies demonstrating good corporate practice by signing up to internationally recognised guidelines. For example the United Nations guidelines on human rights and the use of security services and provide one good example, as do the core International Labour Organisation guidelines on human rights in the workplace.

3.4. Engagement

Epworth actively includes the environment in its concern for social justice. We should aim to encourage best practice by constructive dialogue with company management on the above issues.

3.5. Shareholder activism

Owning shares in mining companies will give Epworth a more powerful voice in discussion, and we should seek to use voting rights.

November 2002