

General Assembly – EOC Convener’s Speech, May 2024

Moderator,

The Ethical Oversight Committee that was formed last year at the General Assembly has had a full and interesting year. Our task was to create a forum where issues that the church is interested in addressing, and our financial holdings could come together and be discussed fully, intelligently and practically. The committee is small but diverse and we have representation from the Investors Trust, the General Trustees, ministry, youth and myself - who falls into none of those categories! We have been accompanied by FaithInvest as we have formed as a committee and they have supported us to understand how to put a frame around the values that are important to us as a church and how we then begin to use that to support the work that COSIT is doing with Investment Managers.

Having looked at what other churches have done, we have decided to frame our top line values around the 5 marks of mission, and that is the paper you have in front of you today. This is called our ‘front door’ policy and is a short, accessible document for anyone who is interested in how the church wants to try and frame its investments.

The work that we are now undertaking is translating that into practical statements that can be used to guide investment managers. Now I will reiterate here what has been said in the report, and was highlighted last year. The Ethical Oversight Committee is an advisory body only, the management of the Church’s investments in the COSIT funds lies solely with the COSIT trustees who use investment managers to oversee the day to day management of the funds.

It's worth pointing out at this stage that many of the churches that we’ve gone to to look at their investment guidelines have significant resource allocated to their investment oversight. COSIT is an entirely voluntary body, and there are very few funds the size of ours, that don’t have staff capacity to do the liaising with investment managers and ethical oversight committees. So the volunteer members of our Investors Trust manage a tricky balance in their oversight and strategic decision-making. The EOC was set up to complement, challenge and support them in what they are doing and take issues that are of interest to the general assembly to a place where they could be given deeper attention and robust consideration. Clearly one of the roles of the COSIT trustees is to ensure good financial returns, and so the EOC is not looking to produce guidance that is overly cumbersome or restrictive, but rather guidelines which could support the briefing of investment managers so they are very clear as to what matters to us as a church.

The current guidelines are clear on the general assembly agreed exclusions and as such we currently have no direct investment in alcohol, gambling, tobacco, pornography, armaments and the extraction of thermal coal or tar sands. In the last year COSIT has reduced our exposure in these companies from 15% to 10%. However, the current guidelines don't preclude investing in companies that support our excluded sectors. So, while we might not invest directly in alcohol companies, we could invest in large retailers of alcohol who sell so many other products that their percentage share of turnover derived directly from alcohol falls under the 10% cut off. There is currently an agreed moratorium on investing in fossil fuels. However, whilst that means we might not directly invest in fossil fuel companies, we can still invest in banks that are large financiers of fossil fuel extraction. There are holdings that we have in companies that are well known for not paying tax, and that wouldn't sit well with our broader values as a church. Without having a more detailed brief for investment managers they merely work to the exclusions and to the broad principle to: "invest in companies that demonstrate responsible employment and good corporate governance practices, have regard to environmental performance (particularly Climate Change), acknowledge the importance of human rights and act with sensitivity to the communities in which they operate". The issue with most companies is that for every positive, there may well be a negative and so a company that had good employment conditions for workers, might not be paying tax. And one which has strong climate commitments might have poor conditions for workers in their supply chain. And vice versa. So the EOC's role is to raise these kinds of issues, work through some of the contradictions, and work with COSIT to see if the brief can be more specific, more focussed, without being unnecessarily restrictive, so that these more challenging and sometimes nuanced areas can be aired and addressed.

The other issue that has come up at various general assemblies is that of being invested in companies and using our voice to make a difference. COSIT shared a recent report they had received from their Investment managers that detailed how they had voted in company AGMs. There were a few votes that we were surprised by, as were COSIT, and COSIT has agreed to get further information about the context for these votes from the investment managers. A more detailed brief from the outset which gives clarity to the Investment managers will make it clearer to managers how the Church would want them to vote. One of the tasks for the EOC is to properly understand the extent to which we are able to influence through engagement, both individually as the Church of Scotland and collaboratively through larger church pressure groups.

It's worth noting that issues that might come up during the Faith Action Forum report, if they have an investment angle, would be more usefully brought to the EOC or COSIT and they can be taken and dealt with over the course of the year.

The committee has worked very well together, despite all coming from different starting points, and the COSIT representatives have been a key part of all the conversations that have been had so nothing is being discussed without their full participation and engagement in the process. We will ask the general assembly to approve the front door language and in the year ahead the EOC will work to put flesh onto those bones in a way that, we believe, will enable incremental, constructive changes to take place to support COSIT to make the investments that we hold as ethical and responsible as they can be.

Moderator I am not a commissioner, and so can I ask the Principle clerk to move the deliverance.