



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

Church of Scotland Investors Trust ESG Bulletins

January 2019

The Church of Scotland Investors Trust is responsible for the investment of money placed with it by different parts of the church. This includes central committees based in Edinburgh but extends to a large number of parish churches across the country. The Trust is governed by Trustees appointed by the General Assembly, and much of their work is devoted to selecting and managing specialist firms of investment managers who are primarily responsible for the selection of specific stocks, shares and properties held within three funds available for church investors. These funds are Growth, Income and Deposit, allowing church investors to select the most appropriate home for their money in view of the liabilities it is intended to fund and the risks they are able to take.

For many years the Trustees have specified sectors which managers are asked to avoid, particularly for investment where shareholdings represent partial ownership of companies. These excluded sectors are armaments, alcohol, tobacco, gambling and pornography, and in recent years companies involved in the extraction of thermal coal or tar sands have been added to the list. In practical terms, a company is regarded as substantially involved in any of these excluded activities if more than 15 % of its turnover comes from them.

Although the Trustees have always been concerned about ethical issues, in recent years the investment management sector has also placed greater emphasis on these considerations. These factors are generally grouped under the heading “ESG”, which stands for Environmental, Social and Governance aspects.



“**Environmental**” issues include such matters as general pollution, disposal of plastic waste, and stewardship but is currently dominated by global concerns over Climate Change and how to mitigate it.



“**Social**” is the heading for such aspects as fair working practices, tackling modern slavery and providing equal opportunities for all. It is also concerned with avoiding support for oppressive regimes and encouraging the development of poorer countries rather than exploiting them.

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Treasurer: Mrs Anne F Macintosh BA CA
Scottish Charity No. SC022884



“**Governance**” is perhaps less obvious as a term, but is nevertheless very important. This refers to the need for companies to be managed to a high standard – selecting managers for their ability, reporting fully and accurately to shareholders, meeting social and statutory requirements in full, observing the benefits of diversity in its workforce at all levels, and avoiding corruption and unfair business practices.

Consequently the Trustees regard it as vital that regular discussion take place with the managers selected to assess the way in which ESG is included in their decision-making as well as the formal exclusions referred to above. In practice the main engagement is with the managers of our Growth Fund, Newton Investment Management as they are responsible for the selection of individual shareholdings.

The managers of the Income Fund, Royal London, manage our money by investing it in their internal funds rather than by direct holdings, but even here a substantial holding is in the Royal London Ethical Bond Fund.

The Deposit Fund invests by placing money with an agreed group of banks, and the Trustees are thereby able to exclude any banks which might cause concern on financial or other grounds.

The Trustees believe that all investors should be concerned that the money entrusted by them to Investors Trust is invested wisely. This means that achieving good investment returns is important but that wider considerations also apply. (These other considerations need not have a negative impact on the investment returns received – for example, companies with high standards of governance may reasonably be expected to be well run for the benefit of their shareholders, and to be more sustainable enterprises for their workforce and for the society in which they operate.)

As it is not practical for the Trustees to enter into dialogue with the full range of investors we serve, we plan to produce information on a regular basis to inform them of the wide range of issues being addressed and to provide reassurance that their money is being well used in the widest sense.

Bulletins of this type are intended to supplement the formal reporting of the Trust (through our published Annual Report and our Report to the General Assembly) and will take advantage of the internet services available by our managers and by other bodies (such as the Church Investors Group) in which we participate. Links to other information will be provided so that interested readers can follow up in more detail, and you can be sure you will find much to stimulate further thought – you will not be surprised to learn that many ESG issues are not straightforward when the headline layers are peeled off!