

## Overview of CCSR's Work

### Our Mission

The Committee on Corporate Responsibility (CCSR) of Executive Council strives to assure that the investments of The Episcopal Church align with the values of Jesus Christ.

With the help of CCSR, for over half a century The Episcopal Church has sought positive financial returns on its investment assets while investing those assets responsibly and ethically, consistent with the Church's understanding of the Gospel. Over these years, General Convention and Executive Council, with support from CCSR, have developed criteria and other guidance for responsible and ethical investing by the Church. Specifically, the Church has sought to assure that its assets are invested to support and advance environmental sustainability, justice, and human rights at home and globally, consistent with the Church's teachings as expressed in Convention and Council resolutions.

To support and advance such teachings in the context of investment, the Church has used and uses such means as engagement with companies through dialogue, filing and voting on shareholder resolutions and in elections of directors, divestment and affirmative investment, including ESG (Environment, Social, Governance) investing, and, more broadly, participation in boycotts and sanctions campaigns, as with South Africa. The Church, therefore, takes both passive and active approaches to making its investments align with its understanding of the mind of Christ.

General Convention and Executive Council have direct corporate oversight responsibility for the management of the investment portfolio, valued at approximately \$500 million, owned for the Church by the Domestic and Foreign Missionary Society of the Episcopal Church (DFMS), the corporate mission arm of The Episcopal Church. Within The Episcopal Church many other institutions own and manage separate portfolios of investment assets ranging in value from a few thousand to a few billion dollars. While DFMS does not own these other investment asset portfolios, and General Convention and Executive Council do not have direct corporate oversight responsibility for them, General Convention and Executive Council have broad responsibility, on behalf of the Church for providing guidance, consistent with the Church's teachings as expressed in Convention and Council resolutions, to the Church institutions that do own those assets. Accordingly, General Convention and Executive Council may make investment management decisions for DFMS and may also make recommendations for investing, consistent with those decisions, to other institutional investors in the Church. General Convention or Executive Council may also assign CCSR specific tasks relating to investing by the Church.

Each triennium CCSR addresses assignments received from General Convention or Executive Council and reviews the DFMS portfolio to identify recommended actions in support of those policies. Experienced investment consultants engaged by DFMS advise CCSR in their work.

CCSR then proposes, for the consideration of Council, shareholder engagement and action plans for DFMS or other Church institutional investors. Thereafter CCSR helps DFMS, and on occasion other investors, to execute those recommendations. In so doing CCSR engages with ecumenical and interfaith partners, including the Interfaith Center on Corporate Responsibility (ICCR) and the Church of England.

CCSR was established in response to the call to action from the churches in South Africa in the time of race-based apartheid in that country. In 1969, Executive Council appointed an ad hoc committee on the feasibility of applying ethical criteria to investments in companies doing business in South Africa. In 1970, that initial committee recommended to Council that an ongoing committee be created to address the Church's concern that our investments be in line with our moral charge as followers of Jesus, specifically at that time regarding apartheid.

That same year, Executive Council created a Committee on Social Criteria for Investments, which later became the CCSR. Aably led by its chair, Robert Potter, and with crucial legal advice from Paul Neuhauser, that initial Committee within a year had launched the first ever shareholder resolution campaign about ethical concerns, focusing on South Africa.<sup>1</sup> That resolution was filed by DFMS in January 1971, calling on General Motors to cease business in South Africa, drawing great attention from the press and public. In May 1971, our Presiding Bishop, The Most Reverend John Hines, presented DFMS's resolution at the annual meeting of General Motors, making that meeting ground zero for public awareness of ethical investing.

At the same time as the General Motors action, DFMS filed additional resolutions calling upon two copper mining companies, American Metal Climax and Kennecott Copper, to address the environmental and social effects of their efforts to mine copper in Puerto Rico. Those resolutions were in response to a direct request by the Diocese of Puerto Rico.

Soon thereafter DFMS, led by Paul Neuhauser, became one of the founding members of the Interfaith Center on Corporate Responsibility (ICCR), which to this day gathers faith-based investors to be an ethical voice within the corporate world. TEC, through DFMS and CCSR, continues as an active member of ICCR.

### **Annual Workplan**

CCSR submits an annual DFMS workplan to Executive Council, which Executive Council reviews and approves each fall. Following approval, CCSR engages consultants at Mercy Investment Services and the Heartland Initiative to aid in completing the work for DFMS across the corporate advocacy year, which normally stretches from the fall into the late spring. In several additional areas, committee members work independently of our consultants, particularly in the area of health care access for reproductive and gender-affirming care. We are also planning to investigate the issues of mining and Indigenous land rights. In both these cases, we are pursuing work with coalitions of faith investors. We also work alongside the staff at The

Episcopal Church's Office of Government Relations (OGR), as many of the issues on corporate policy overlap with OGR's work in public policy.

### **Engagement Strategies**

We begin our work in dialogue with corporations whose shares we own, often in partnership with other investors, primarily those that are faith-based. Depending on how that dialogue proceeds, we may also file shareholder resolutions, leveraging the strength of our investment to add additional incentive for the companies to respond to our concerns. In some cases, we are the lead investor in these filings, the ones driving the effort, and other times we follow the lead of our partners. Sometimes the very act of filing the resolutions leads to further dialogue and a response from the company sufficient for us to withdraw the filing. Other times, our resolutions proceed to a vote at the company's annual general meeting. Since most votes at corporate meetings are overwhelmingly in favor, even a significant minority vote can put pressure on the company to make changes, or at least to engage in further dialogue.

We understand that this work requires a long-term view in which change happens over many years, even decades, and so we remain steadfast in our commitment to our mission until it is complete.

Our areas of engagement in this period were: **Human Rights, Health and Health Care** (including gun safety, opioids, and health access), **Care of Creation, and Corporate Governance**. A detailed report on our company engagements for the years 2021, 2022, and 2023 can be found following this overview section, covering our work since our last Blue Book Report was filed in the Fall of 2020.

### **Other Work**

In addition to our annual workplan for dialogues and resolutions, CCSR has been working in several other areas:

- 1. Defense of Sustainable, Responsible, Ethical Investing and the Freedom to Invest**

In response to a deeply funded campaign by some corporations, including fossil fuel companies, some state legislatures are considering legislation in various forms to prohibit the consideration of climate-related or human rights and conflict-related financial risk in the portfolios and business operations of state and local government investors. Even though these proposals are aimed at government investors and not Church investors, if passed and implemented, such actions would greatly affect our work, and indeed all corporate advocacy in the areas of climate change and human rights. The ambiguities and uncertainties created and the potential legal risk would dampen the willingness of large investor groups and investment management companies to include ethical or sustainability risk considerations in their

investment decisions, however important considering those risks in fact may be to reaching sound investment decisions.

These legislative and other actions are especially aimed at fossil fuel divestment campaigns but are modeled on legislation aimed at divestment actions concerned with the Occupied Palestinian Territories and other conflict zones. In 2018, the General Convention passed 2022-C013,<sup>2</sup> “Freedom of Speech and the Right to Boycott,” affirming our opposition to legislation that would penalize non-violent boycotts or divestment. We are deeply concerned about the chilling effect these state actions and political pressure on large investment management firms may have on our work on fossil fuels and human rights, including in the Occupied Palestinian Territories.

We are monitoring this issue via ICCR, and we are participating as a faith-based organization in the Freedom to Invest campaign coordinated by the non-profit investor network CERES Global. To deepen our Church’s discussion of and commitment to this issue, CCSR proposes a resolution to General Convention; please see the resolution at the end of this report.

## 2. **No Buy List:**

CCSR routinely reviews the five areas that have been identified by the General Convention or Executive Council for exclusion (or divestment in the case where the Church is already invested):

- Tobacco
- Fossil Fuels
- Military Contracting
- Private Prisons
- Human Rights

In our review of the No Buy List in this period, CCSR focused on three areas in particular: military contracting, fossil fuels, and human rights:

### a. **Military Contracting:**

The following resolution was proposed by CCSR and adopted by the Executive Council in June 2023 which clarified the existing policy and brought TEC’s policy more into line with our denominational partners:

*Resolved, that the Executive Council Committee on Corporate Social Responsibility, meeting in Cleveland, Ohio from March 25-27, 2023, recommend to Executive Council to amend the 2003 military contracting policy as follows:*

*“Resolved, that the Executive Council hereby adopts a policy on divestment, to be reviewed and implemented annually by Council’s Committee on Corporate Social*

*Responsibility, which will place on the No Buy List any company (a) among the top five U.S. defense contractors, measured in dollar volume of sales, or b) any company among the top 50 defense contractors that receives more than fifty percent of its revenues from military contracts, and be it further*

*Resolved, that Council directs CCSR to add companies that make controversial weapons — cluster bombs, anti-personnel land mines, chemical and nuclear weapons — not under the above to the No Buy list, in conformance with past General Convention and Council resolutions, and be it further*

*Resolved, that a copy of this resolution be sent to any company from which this Church disinvests in accordance with this policy; and be it further*

*Resolved, that other church investors, including the Church Pension Fund, congregations, and dioceses, be urged to adopt a similar policy to the extent permissible under laws governing fiduciaries.”*

We brought this resolution to Executive Council based on existing General Convention resolutions related to controversial weapons systems such as chemical and nuclear weapons. We are aware that new weapons systems have been developed, such as blinding laser systems and lethal autonomous weapons, that are also used against civilian populations. We are submitting a resolution to further clarify our No Buy policy regarding all weapons systems that are used in such a way as to cause mass death, harm, and destruction to civilian populations. Please see our resolution at the end of this report.

b. **Fossil Fuels:** In the area of fossil fuels, we note that several fossil fuel companies remain in the equity portfolio of the Church while also being on the No Buy List. This is part of a transition to full exclusion or divestment called for by the 2015 General Convention. Chevron, now the largest oil company in the United States, Phillips Petroleum, and Marathon are the primary remaining companies. CCSR, having reviewed this matter, and noting that it has been eight years since the original divestment resolution, and further noting that the Church of England Pensions Board has now also divested of all fossil fuel companies (June 2023), recommends that the remaining fossil fuel companies still in the DFMS investment portfolio, be finally divested by December 31, 2024. We are putting forward a resolution to General Convention on this matter. Please see our resolution at the end of this report.

c. **Human Rights:** CCSR recommended and Executive Council approved of adding the following companies to its No Buy Human Rights Investment Screen:

- Bezeq Israeli Telecommunications Corp (Occupied Palestinian Territories, providing cellular phone, internet, satellite service to maintain occupation through the Israeli Civil Administration)

- Daimler Truck Holding AG (Russian weapons against Ukraine, weapons to Myanmar junta)
- Mivne Real Estate (does business with the Israeli Civil Administration which maintains the Occupied Palestinian Territories)
- Raiffeisen Bank International (business with Russia/Belarus)
- Southern Copper Corporation (Mexican Preventative Federal Police, private security, paramilitaries with pattern of murders, suppression of human rights, labor rights and violent suppression of protests)

We discussed adding several other companies to the list, but decided we should begin with dialogue, offering the following companies an opportunity to respond, before any decision with regard to adding them to the No Buy List: AXA SA, (active in conflict-affected and Occupied Palestinian Territories, Myanmar, Congo, Saudi Arabia, Yemen), Li Ning Co Ltd (forced labor of Uyghurs in China, forced labor in North Korea), and Hilton Worldwide Holding Inc (hotel built on the site of a razed mosque in Xinjiang Uyghur Autonomous Region, China).

3. **Economic Justice Loan Committee (EJLC).** EJLC maintains a \$7 million revolving loan fund with a focus on impact investing for social and environmental good. EJLC works with CCSR under its mandate but provides its own Blue Book Report through the Executive Council.

4. **Advocacy Account, formerly known as the 100 Shares List:** CCSR notes it maintains a separate portfolio of minimum shares in companies with which it is engaging or provides a list of those companies to the money managers so that if they are considering selling the shares in the DFMS portfolio a minimum number be kept for CCSR's advocacy work.

5. **Proxy Voting:** CCSR is grateful to the Church Pension Fund for providing services that allow DFMS to vote proxies in compliance with the TEC's ethical policies (shareholder resolutions filed by TEC or other organizations). This list is reviewed at intervals by CCSR and CPG as a joint effort, although the two entities sometimes have different policies relating to the multiple proxy subjects.

6. **CCSR Information Campaign:** The work that we do is a part of the Church's gospel mission in the world, and serve as a model for diocesan and parish based investing, as well as an example of where the church is living what it preaches. CCSR welcomes opportunities and invitations to speak with dioceses, parish, and other institutional investors who would like to know more about our approach to this work.

With that in mind, we have launched an information campaign to highlight our work and provide tools for similar advocacy.

a. With support from the Executive Council, Trinity Church Wall Street, the Diocese of Western Massachusetts, and the Church Pension Fund, CCSR produced a short video<sup>4</sup> of our work, “The CCSR Story,” was produced as part of a planned event celebrating the 50<sup>th</sup> anniversary of CCSR. This was scheduled to be presented at General Convention in 2022 and has now been rescheduled for General Convention in 2024. The committee thanks Mr. Peter Swanson for his excellent production services. We commend this video to the whole Episcopal Church—please share it widely! Our work is often hidden, or at least quiet, and we would love for it to be better known across the Church.

b. We will be engaging in a communication effort, offering workshops, webinars, presentations, exhibits, and more over the next few years at conferences and other meetings of the larger church. We hope to provide tools for similar work, and to ensure that more people know that their church is actively engaged in the work of Jesus in ways they may not have realized.

7. **Collaboration With Other Investors:** Our work is strengthened when we join together. As can be seen in the report, we partner with the Church Pension Fund and with the investment managers for the Church of England. There are also some dioceses and parishes that align their investments with the DFMS / Episcopal Church investment strategies, including our approach to ethical, sustainable investment. We welcome conversation with any diocese or parish interested in pursuing such alignment.