

### **CFB Conflict Policy:**

The expansion of capital investment into new markets in recent decades poses many challenges. There is widespread acknowledgement that in many instances state legislation and institutional capacity for protecting human rights in these markets have been insufficient. How the international and business community addresses these governance gaps is therefore a key issue.

Gross human rights abuses are not limited to conflict zones. However, in the context of conflict, civil and political rights are particularly threatened. Belligerent parties to conflict (whether state parties or militias) frequently develop business interests or seek to control private enterprise in order to fund their political or military campaigns. Modern conflict all too frequently engulfs local communities through conscription, as hostages, direct targets, or as a result of the activities of criminal militias. When violence comes to an end, the parties to conflict may well retain significant influence in their communities. Companies need to be aware of conflict dynamics even after peace has been declared. It must be noted the term conflict in this policy is inclusive of scenarios such as open armed combat, military occupation, privatised conflicts with links to criminal enterprises and oppressive regimes.

### **What the CFB Expects:**

The CFB expects companies, particularly those whose commercial activities can overlap with conflict zones directly or otherwise, will act in accordance with our following expectations regarding:

#### International Law:

- The company subscribes to recognised international human rights instruments and is cognisant of the UN Guiding Principles regime of Protect, Respect and Remedy, and can demonstrate how these are reflected in its policies and practice.

#### Internal Policies:

- Specific attention is paid to conflict sensitive areas or oppressive regimes where there are a consistent record of egregious human rights abuse. Special measures are considered in such circumstances. These would include ensuring conformity with any home state government's advice for commercial activity in the specific conflict area; an independently facilitated human rights impact assessment or conflict impact assessment is commissioned and undertaken at an early stage of project development;
- There exists a willingness to learn from past experience and to share that learning with shareholders. The learning should inform corporate policy and practice such that companies should be able to enter into dialogue around future contracts, business relationships or practices that they would consider ethical or unethical in a specific context and in the light of past experience;
- Joint Venture partners or subsidiaries would be expected to conform to a comparable standard of human rights policy and practice. Business relationships should be reviewed when this is not the case;
- The human rights policies of a company detail the expectations of partners within the supply chain or other strategic business partners (including state owned enterprises);
- Policies are in place for providing access to remedies. Prompt action is taken to hear and consider complaints of human rights abuses, involving external mediation where desirable.

Operations in conflict zones or areas suffering oppressive regimes:

- In particularly challenging human rights environments, if it is deemed to be too difficult to avoid complicity in human rights abuses the company shows willingness to suspend its operations. Exceptionally, an alternative course might be justified if a company can demonstrate that through its presence it is influential in bringing about change, or is material to supporting a local community;
- In the context of conflict, if it is assessed that the business is having an overall adverse impact on conflict, and that this cannot be remedied, the company should be willing to suspend operations;
- In a military occupation or alongside a regime of apartheid, companies may need to consider whether they can continue to operate if that requires supporting the occupying power through corporate taxation.

Disclosure and Transparency:

- Guidelines for human rights due diligence procedures are publicly available;
- Information is available on what might constitute a 'material' human rights risk requiring disclosure to shareholders in financial reports;
- There is transparency of a company's lobbying of national or international forums on legislative matters in relation to human rights. Companies are willing to support reasonable legislation designed to help close the governance gaps that prevent many from achieving the full realisation of their human rights.

In particular, we expect companies to proactively and vigilantly monitor the jurisdictions in which they operate, especially the host country's involvement and policies towards areas of conflict with respect to:

Breaches in International Law:

Countries guilty of breaching of international law be that through illegal occupation, annexation, and the practices associated with conflict – such as those detailed below – as defined and recognized by the UK and other governments around the world. The fourth Geneva Conventions, Hague Regulations, International Humanitarian Law as well as UN Security Council Resolutions are all globally recognised standards and sources in determining nefarious actors and their agents.

Violence:

When trapped in an escalating cycle of serious crises and violence, forces must at all times refrain from using weapons that are considered to cause unnecessary and unjustifiable suffering to combatants or to affect civilians indiscriminately. According to the Global Peace Index<sup>1</sup>, an estimated 238,000 people have died in global conflict in 2022, the deadliest year since the 1994 Rwandan Genocide. The Methodist Church deplores every one of these deaths.

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<sup>1</sup> Global Peace Index Report 2023 - <https://www.visionofhumanity.org/wp-content/uploads/2023/06/GPI-2023-Web.pdf>

### Exploitation of Natural Resources through Conflict:

Actors depriving those of livelihoods, pasture, and water as well as the exploitation of natural resources such as land, offshore minerals, quarries, and water is considered pillage and prohibited by the Fourth Geneva Convention and the Hague Regulations. Private companies have a duty to ensure that they are not contributing to a government's contravention of international law.

### Arrests and Administrative Detention:

Arrest and detention without trial is a violation of the Fourth Geneva Convention and constitutes as a war crime. The questioning of detained children without legal or parental presence, is a contravention of the rights as the child.

### Collective Punishment:

Blockades by land, sea, and air with their restrictive impact on imports and exports constitutes as the collective punishment of the blockaded, which is illegal under the Fourth Geneva convention as well as the Hague Conventions and constitutes as a war crime. Other forms of collective punishment include the demolition of homes rendering occupants homeless and the use of rape.

### The Rights of Refugees:

The rights of refugees under international law are to be upheld, this includes the right to return to their lands and property, and the right to settle in a third country, and the right to be compensated for their losses. Refugee camps and accommodation must be kept in acceptable, liveable, conditions.

Whilst this Policy Statement concentrates on investment, human rights and conflict, it is recognised that companies may be exposed to other human rights risks as a result of their global operations or supply chains. These include:

- Discrimination (gender, caste, race etc.)
- Land or property rights
- Self-determination and the right to freedom of movement, freedom from bonded or slave conditions etc.
- Labour issues including the right to organise, collective bargaining, sufficient rest and leisure etc.
- A healthy and safe working environment
- The rights of the child

### **What the CFB Measures:**

The CFB believes that for both ethical and fiduciary reasons, securities originating from conflict zones or nation states participating where Human Rights Laws are being broken, should not form any part of our clients' investment portfolios. The CFB will actively and vigilantly monitor regions of conflict and areas of human rights abuses.

Conflict and its inherent complexities mean that there exists no single metric or data source that would fully encapsulate the on-the-ground situation. To best gather information regarding the circumstances of any conflict and any company involvement in the most objective manner possible, we will endeavour to utilize and employ the following:

- Official UK government sources;
- The UN and its affiliated groups;
- Scholarly articles from leading institutions and universities;
- Works of journalism from reputable sources;
- Publications/ press releases from companies themselves.

Given the complex and idiosyncratic nature of such events, the CFB will assess each conflict zone on a case-by-case basis.

### **The CFB Policy on Conflict, Our Aims and Strategy:**

The CFB seeks actively not to invest in any company that is directly or materially involved in activities that are in breach of international law or is complicit in violations of human rights as defined by the United Nations Universal Declaration of Human Rights. The CFB seeks to invest in companies that are, or are likely to become, signatories to the UN Global Compact, thereby demonstrating a commitment to align their operations with ten universally accepted principles in the areas of human rights, labour, the environment, and anti-corruption.

There may be situations where a company has materially negligible activities within occupied areas. In such cases, engagement would be normally preferred over disinvestment. Efforts will be made to engage with such companies on the concerns outlined in this policy.

The CFB's strategy for influencing change in areas of conflict relies primarily on dialogue and constructive engagement with companies. Engaged investee companies should ensure they can demonstrate how they will address the systemic challenges that come with a conflict and its legacy, and how they have paid particular regard to any human rights implications, demonstrating that they:

- Have addressed human rights concerns when working within the context of conflict;
- Are conversant with the adjudication of the Security Council, the UN Human Rights Council and the International Court of Justice on practices or issues that have relevance to their operations or contracts;
- Are prepared to engage suppliers in dialogue regarding human rights principles;
- Have taken all possible measures to ensure that they cannot be held indirectly complicit in human rights abuses when selling through intermediaries to an end user.

The CFB has long been mindful of the need for investment in impaired economies post-conflict, and the opportunities that exist to support social and economic development that might contribute to a more stable society. Engagement will involve encouraging companies actively to develop opportunities which will contribute to the rejuvenation of economies post-conflict, for example:

- Sourcing local products for export and sale;
- Developing ethical tourism;
- Supporting or providing vocational training to enable aspects of the damaged economy to grow;
- Improving health and safety and other aspects of working conditions of in places of work.

Engagement is pursued until it becomes clear that a company is not open to dialogue or failing to respond positively to the concerns raised. Such engagement will include consultation with any parties affected by the company's activities. Engagement on issues related to areas of conflict will

normally be time-limited, and after a significant period of engagement overall strategy would be reviewed.

In extraordinary cases, more egregious breaks in policy may lead to disinvestment, with publicly stated reasons. Eg:

- The sale or provision of equipment or services to the military, security services, or police in support of operations associated with the conflict, or the supply of such equipment or services via a third party when the company should reasonably have known they would be used in such circumstances, and/or in breach of UN treaties or resolutions;
- The maintenance of joint ventures or strategic business relationships with companies based in the country of conflict that have links to a belligerent party;
- The construction of infrastructure or provision of services to settlements established in occupied territories;
- The construction of governmental facilities or infrastructure within the conflict areas that prove to further entrench the region into the conflict.
- The development, maintenance, and management of transport links between participants' military production lines and the conflict zone.