

18. Joint Advisory Committee on the Ethics of Investment (JACEI)

Contact name and details	The Revd Dr Stephen D Wigley Chair of the Committee jaceichair@methodistchurch.org.uk
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Chair's Foreword

1. The year under review has seen incredible disruption as COVID-19 swept the globe. We started the year with restrictions that aimed to protect the NHS: masks and social distancing became the new norm. We are now hopeful that significant progress is being made, with the roll out of vaccines across the UK bringing the infection hospitalization and death rates down. We take a moment to remember the individuals, not just the numbers, of those who are no longer with us because of COVID-19. JACEI commends the CFB and Epworth for the engagement that it has undertaken in order to ensure companies prioritise workers' mental and physical health during these trying times.
2. With all the restrictions placed on economic and social activities, 2020 is set to be a year of lower emissions. With the efforts to reboot the economy following the lockdown in March, the CFB and Epworth supported letters to the UK Government and the European heads of states calling for the recovery to be sustainable. The inauguration of President Joe Biden and the re-entry of the US into the Paris Agreement has signalled further acceleration of the decarbonisation of the global economy, though we recognise there is much more to be done. Following the decision from the Methodist Council on the Memorial brought to the 2020 Conference, JACEI's work during the year continued to be focused on its assessment of oil, gas, and mining companies under the approved framework. JACEI planned for an additional meeting in order to respond to the Council's direction, which will be outlined in a special report to the Conference elsewhere in the Agenda.
3. 2020 has arguably seen a step change in UK company responses to the climate emergency. Across all sectors, companies are looking to make carbon commitments ahead of the COP26 summit in Glasgow in November 2021. New initiatives such as "Say on Climate" are gaining traction, with Unilever being the first FTSE 100 company to put its climate transition plan up to a shareholder vote at its 2021 AGM. This has been followed to date by commitments from Royal Dutch Shell and Glencore, and there is no doubt others will follow. The CFB's regulated subsidiary, Epworth Investment Management Ltd, launched a Climate Stewardship Fund during the year in response to calls for a fund that moves faster in the transition to a low carbon economy. At the time of writing, the Fund had a carbon footprint 69% lower than its stock market benchmark.

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4. Black Lives Matter has drawn attention to the endemic, systemic racism that exists not just in the UK but in other places across the globe. Following the recommendations of the Parker Review, the Church Investors Group (CIG) voting policy will now be to vote against the nomination committee chair at FTSE 100 and S&P 100 companies that do not have minority ethnic representation on the board in 2021. Through the CIG, the CFB and Epworth continue to have a progressive voting policy which has also ratcheted up expectations for gender diversity on boards under its latest iteration, voting against FTSE 350 companies that do not have 40% female representation on their boards.
5. We have also seen change internally, with the departure of Stephen Beer from the CFB. Stephen was the Chief Investment Officer and a valued member of JACEI for over two decades. We are hugely grateful to Stephen for all his leadership and contributions to the Committee and wish him all the best for his future endeavours. We also record our appreciation and farewell to Dr Brian Gennery and Mr Chris Moorhouse who retired from the Committee, and we welcomed Mr Jonathan Cape and the Revd Dr Mike Long to the Committee. We look forward to meeting the new Head of Ethics for the CFB, the Revd Andrew Harper, in due course.
6. Throughout the year, notwithstanding the focus on the climate emergency and fossil fuels, JACEI continued to be committed to engaging with and providing oversight on the complex ethical issues raised at each meeting. I note particularly the work undertaken in relation to Israel Palestine, where a framework for a policy review has been agreed with a commitment to approve a revised policy by the time of the 2022 Methodist Conference, and tax justice where we recognise the substantial engagement programme the CFB is doing in encouraging companies to become accredited through the Fair Tax Mark. I would like to take a moment to thank all on the Committee for their hard work and dedication.
7. This Report provides evidence to the Conference of the work undertaken by JACEI through the year, and also evidences that the CFB has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church.

The Revd Dr Stephen Wigley
Chair, JACEI

Executive Summary

8. Climate emergency

JACEI remained focused on the climate emergency throughout the year under review. In 2020, JACEI advised the CFB to exclude 10 oil and gas companies but judged that four companies in the sector had business plans aligned, or close to being aligned, with the Paris Accord. JACEI remained informed of further climate related commitments made by these companies through the year. Following the decision from the Methodist Council regarding the Memorial to the 2020 Conference, JACEI looked again at its assessment of these companies in light of the Paris Agreement goals to keep the average temperature to “well below 2°C”. The outcome of this work is reported elsewhere in the Conference Agenda.

JACEI also notes the additional work undertaken by the CFB on the climate emergency through investor initiatives such as Climate Action 100+, where the CFB co-leads on engagement with Anglo American, and work with ShareAction where the CFB co-filed a shareholder resolution relating to the climate emergency at Barclays.

Other ethical investment work

9. Extractive industries

JACEI discusses issues as they relate to extractives industries regularly and noted a number of initiatives and meetings taken place over the year.

10. Nestlé and Breast Milk Substitutes

JACEI supports the dialogue between the CFB and Nestlé, which covers issues related to breast milk substitutes, and other material sustainability matters.

11. Health, wellbeing and farm animal welfare

JACEI notes the work on a range of issues related to health and wellbeing, including engagements through the Access to Medicine Index, and the co-filing of a Tesco AGM resolution with ShareAction and others, related to health and nutrition.

12. Environment

The CFB continues to be a signatory to the Plastic Solutions Investor Alliance, which engaged with companies globally on their plastic usage during the year.

13. Employment and labour

The CFB continued engagement to encourage FTSE 350 companies to pay the Living Wage, as well as scoping companies for engagement under the Living Hours initiative.

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14. **Israel Palestine**

The Methodist Council has responded to a memorial to the 2020 Conference with a request to JACEI to ask the CFB to review its policy with regard to investment in Israel Palestine and to provide a timeframe for it to report back to the Conference. This was considered at the JACEI meeting in March 2021 and a framework for that policy review has been agreed with a commitment to approve a revised policy by the time of the 2022 Conference.

15. **HSBC**

JACEI noted the CFB engagement with HSBC regarding its stance on the new security laws in Hong Kong.

16. **Human rights**

The CFB continued to participate in the 'Find It, Fix It, Prevent It' investor initiative where the CFB was directly involved in engagement with Compass Group and Intercontinental Hotels Group. Separately, the CFB co-signed a letter to Compass Group regarding its subsidiary Chartwells to ask questions about the food boxes for those who would receive free school meals, following news articles showing substandard provisions.

17. **Tax Justice**

JACEI commends the extensive engagement undertaken during the year with companies encouraging accreditation through the Fair Tax Mark (FTM). It notes the successful engagement which the CFB has had with MJ Gleeson which is now accredited by the FTM. It also notes that Epworth Investment Management, the wholly owned subsidiary of the CFB, achieved accreditation under the FTM during 2020.

18. **CFB voting and executive remuneration**

The CFB is part of the Church Investors Group proxy voting coalition, which has a progressive voting policy integrating diversity and the climate emergency among other issues into its voting decisions. The CFB's quarterly voting summaries are reviewed at JACEI meetings. The summary reports are available on the CFB website, with the full voting report available on request.

19. **The UK Stewardship Code**

The UK Stewardship 2012 Code has undergone a revision and the CFB have submitted under the new 2020 Code. The CFB is committed to maintaining its Tier 1 Signatory status.

20. **Principles of Responsible Investment (PRI)**

The CFB has been a member of the PRI for many years. JACEI commended the CFB for again achieving the highest score (A+) for strategy and governance, as well as strong scores across the other areas of assessment.

21. **The Church Investors Group (CIG)**

The CFB is part of the ecumenical Church Investors Group, which works to encourage responsible business practice through engagement with company managements, based upon Christian ethical principles.

22. **Communication**

All the CFB publications including quarterly responsible investment reviews, voting summaries, Position Papers and Policy Statements are available on the CFB and Epworth websites in keeping with a strong tradition of full transparency.

23. **The CFB ethical review**

JACEI's responsibility to the Conference includes a resolution that the CFB Funds are managed in support of an ethical stance *which is in accordance with the aims of the Methodist Church*. It regularly reviews the CFB performance in this regard across a range of reports and reviews.

Governance

24. **Role, function and membership of the committee**

The Committee has continued with the process agreed for appointing new members. The current membership and the Standing Order are set out in the Governance section.

Conclusion

25. The Committee judges that the CFB has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church. This includes the holdings in its wholly owned subsidiary, Epworth Investment Management Ltd.

26. In arriving at this conclusion, the Committee scrutinised compliance with the CFB ethical policies through the:

- voting record of the CFB;
- ethically excluded lists of UK and global companies;
- ethics meeting minutes of the CFB;
- company engagement record of the CFB;

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- Independently verified review of the CFB UK portfolio carbon footprint;
- CFB participation in **the Church Investors Group (CIG)**;
- CFB participation in the **Institutional Investors Group on Climate Change (IIGCC)**; **CDP** (formerly the Carbon Disclosure Project); **TPI** (Transition Pathway Initiative); **Climate Action 100+**; the **Principles of Responsible Investment (PRI)**; **Access to Medicines Index (ATMI)**; **Access to Nutrition Index (ATNI)**; **Business Benchmark on Farm Animal Welfare (BBFAW)**; **Farm Animal Investment Risk & Return (FAIRR)**; the **Powering Past Coal Alliance**; the **Plastic Solutions Investor Alliance**.

***RESOLUTION

18/1. The Conference receives the report of the Joint Advisory Committee on the Ethics of Investment for the year to 31 March 2021.

For more detail on the issues contained within this Summary Report, and other matters considered by JACEI, we recommend referring to the full 2021 Report which can be found on the CFB website along with all Position Papers and CFB Policy Statements. www.cfbmethodistchurch.org.uk

Governance: Role, Function and Membership of the Committee

The Joint Advisory Committee on the Ethics of Investment (JACEI) was established in 1983 by a Resolution of the Methodist Conference to provide a mechanism for the Methodist Church to tackle ethical dilemmas associated with investment and to report annually to the Conference.

Terms of reference

The Joint Advisory Committee of the Ethics of Investment shall have a Chair appointed by the Methodist Council who should be able to represent Methodism at a senior ecumenical level. This position has to date always been filled by a District Chair

The Committee shall have five members appointed by the Central Finance Board of the Methodist Church (CFB) and five members appointed by the Methodist Council. The function of the Committee shall be:

- *To advise the CFB of ethical considerations relating to investment, it being accepted that the CFB legally has responsibility for making the final decision on the purchase or disposal of any investment;*
- *To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, any investment decision taken on ethical grounds, and any other advice the Committee*

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may provide on ethical matters relating to investment;

- *To report to the Methodist Conference on the workings of the Committee and in particular to comment on the performance of the CFB in managing the funds under its control according to an ethical stance which is in accordance with the aims of the Methodist Church;*
- *JACEI may comprise both executive and non-executive members, with the expectation that the CFB and Methodist Council may each nominate one executive officer to be a Member of JACEI;*
- *Each non-executive member appointed by either the CFB or by Methodist Council shall be eligible to stand for membership for up to two successive terms of three years, up to a maximum of six years in total;*
- *Members, on the completion of each three year term, may stand down, be asked to stand down, or be asked to give their assent to continue to serve up to the normal maximum of six years. Their re-appointment shall be recorded in the Minutes; executive members of JACEI representing the CFB and Methodist Council shall have no upper limit to their terms;*
- *The Committee, may agree to a non-executive member, including the Chair, serving for an additional period of up to three years at the completion of any six year term, to facilitate continuity of the Committee's business;*
- *A Minute shall be taken of any meeting of the Committee, approved by JACEI members, and signed as a true and fair record of proceedings by the Chair;*
- *The Committee shall appoint a Secretary to act on its behalf.*

Standing Order

Standing Order 231A relating to JACEI was approved by the 2019 Conference.

- (1) *There shall be a Joint Advisory Committee on the Ethics of Investment, appointed annually in accordance with clause (2) below.*
- (2) *The committee shall consist of eleven persons and shall comprise:-*
 - (i) *a chair appointed by the Methodist Council;*
 - (ii) *five other persons appointed by the Methodist Council;*
 - (iii) *five persons appointed by the Central Finance Board;*
- (3) *The committee shall meet as frequently as need be, but in any event at least once a year.*
- (4) *The committee shall be responsible for advising the Central Finance Board on ethical aspects of investments, and proposed investments, and shall report annually to Conference.*

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Responsible investment reporting requirements

The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures that could enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financials systems exposures to climate-related risks. In November 2020, the UK government announced that it will be mandatory to report in line with TCDF recommendations across the UK economy by 2025, with some sectors required to report as soon as 2021.

The CFB is investment manager, through its subsidiary Epworth Investment Management Ltd., to large pension funds that use the JACEI Conference Report as part of their assessment of compliance with their ethical and responsible investment policies. The report should therefore enable trustee bodies to assess clearly whether the CFB, and its subsidiary, Epworth Investment Management Limited, have operated in a way consistent with the aims of the Methodist Church.

The CFB has been a signatory to the UK Stewardship Code since its inception, and updates this annually. Its most recent Statement of Disclosure is available at www.cfbmethodistchurch.org.uk.

JACEI procedures

The Committee has agreed it should:

- Hold at least four meetings a year;
- Have its own identity with a postal and electronic address located within the Connexional Team at Methodist Church House;
- Advise the CFB and its subsidiary Epworth Investment Management Ltd. in relation to Methodist Church policy in respect of ethical and responsible investment;
- Examine all aspects of a company's operations rather than focus on one particular issue;
- To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, any investment decision taken on ethical grounds, and any other advice the Committee may provide on ethical matters relating to investment;
- Seek ways to make the advice provided by the Committee available to the wider Methodist Church.

Observers

Observers, particularly those representing other church denominations and/or organisations may attend meetings of JACEI at the invitation and agreement of the Chair and Committee.

The Methodist Church in Ireland has permanent observer status to attend meetings of JACEI.

Observers may be invited to speak and participate in discussion, but may not vote.

Quorum

For the purpose of conducting meetings of JACEI, a quorum shall be deemed as being four members including the Chair. At least three members of any quorum including the chair should be non-executive representatives.

Conduct of business

JACEI business may be conducted electronically before, between and following meetings. Any decisions arising from remote and electronic communication shall be noted by the Secretary and made available to all members.

JACEI agendas

JACEI receives at each meeting:

- the work-plan
- one or two major items for debate, usually Position Papers and Policy Statements either previously agreed by the Committee or requested by the CFB;
- other significant matters for discussion (including the climate emergency and extractives industries as standing items);
- CFB engagement, including company notes and briefings;
- a CFB ethical performance review including voting summary reports, ethical exclusions and a note of any disinvestment on ethical grounds;
- a note of any significant collaborative engagement work.

The Committee confirms it:

- ✓ held five meetings; in 2020/21 five meetings took place in June, September, December, March, with an additional meeting in April 2021 to finalise Conference reports;
- ✓ has its own identity with an address located at Methodist Church House;
- ✓ advised the CFB in relation to current Methodist Church policy;
- ✓ examined all aspects of a company's operations rather than simply focus on one particular issue;
- ✓ took responsibility, where appropriate, for making public any ethical policy of the CFB and in particular any investment decision taken on ethical grounds, and;
- ✓ sought ways to make the advice provided by the Committee available to the wider Methodist Church.

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The Committee receives and reviews the CFB workplan at every meeting, which sets medium-term policy priorities.

Committee membership

The Committee began the process agreed for appointing new members, in coordination with the CFB and the Methodist Council. This will lead to a natural rotation of members appointed by both bodies over the period 2019-21.

The Revd Dr Stephen Wigley is Chair of the Committee. He assumed the role of Chair on 1 July 2016.

The JACEI Chair is independent, usually nominated from among the membership of the District Chairs, and appointed by the Methodist Council.

Members appointed by the Methodist Council are:

- The Revd Dr Sheryl Anderson
- Ms Alison Jackson
- Ms Rachel Lampard
- Mr Jonathan Cape
- The Revd Dr Mike Long

Members appointed by the Central Finance Board (CFB) are:

- Dr Keith Aldred
- Mr Alan Emery
- The Revd Anne Ellis
- Mr Terry Wynn
- Mr Stephen Beer (until January 2020)

Mr David Hopley attends as a representative of the Trustees of the Methodist Church in Ireland, which has Permanent Observer status on JACEI.

Mr Richard Nunn, board member and past Chair of the United Reformed Church Ministers' Pension Trust Ltd attends JACEI as an observer.

In attendance from time to time to facilitate the workings of the Committee were: Mr David Palmer, Mr Miles Askew, Mr Harold Evans, Mr Steve Hucklesby and Ms Sophie Forrest.

Ms Janice Curd has acted as JACEI Minutes Secretary.

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The Committee has a reciprocal arrangement with the Church of England Ethical Investment Advisory Group (EIAG) whereby representatives of JACEI and the EIAG attend as observers of each other's meetings and exchange Minutes.

Ms Anna MacDonald attended JACEI meetings in this capacity during the year. Mr Stephen Beer attended meetings of the EIAG.

Enquiries about the Committee's work are encouraged, with letters to be addressed to the Committee's Chair c/o 25 Marylebone Road, London NW1 5JR, or by email to: jaceichair@methodistchurch.org.uk.

The CFB may be contacted through Mr Christophe Borysiewicz at 9 Bonhill Street, London EC2A 4PE. Telephone: 020 7 496 3630 or email christophe.borysiewicz@cfbmethodistchurch.org.uk.