

13. 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 I am pleased to introduce the 2023 report of the work of the Joint Advisory Committee on the Ethics of Investment (JACEI). I am very conscious that the challenging events of this last year, with the continuing impact of the war in Ukraine, the rise in fuel prices, high levels of inflation and for many people a 'cost of living' crisis, have presented both a challenge to investors and also highlighted the need for the kind of ethical scrutiny which JACEI provides.
- 2 Last year's report noted the rapid pace of change and adaptation by the Central Finance Board (CFB) to the Conference's decision to exit the oil and gas sector. It was particularly encouraging to join 71 other faith institutions in a joint disinvestment announcement from fossil fuels. I continue to be proud of the input of all the members of JACEI and the staff at the CFB that made this historic moment possible.
- 3 Last year JACEI also introduced a new policy format that sought to more clearly outline the expectations the Church has for investee company behaviour. The new policy format has already been applied to the mining sector, as detailed in the 2021 report. I am pleased to say that, as you will see in this year's report, the updated policy is helping the CFB to effectively address issues of workplace equality and climate action within the mining industry.
- 4 This year, JACEI is pleased to publish a policy on the banking sector in this new format. Banks provide essential financial services to global society and the Church relies on banks to facilitate many of its operations. At the same time JACEI is also acutely aware of the concerns which many rightly have about banks, particularly the sector approach to fossil fuel lending and participation in areas of conflict.
- 5 The role of JACEI is to assist the CFB in holding these ethical issues in tension when making investment decisions: on the one hand, that banks are essential; on the other that banks are potentially doing harm. With careful consideration given to the operational needs of the church and wider society, and with deep concern for people and planet, JACEI has formulated a policy on banking that will allow the CFB to act constructively and consistently in its engagement with the sector.

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- 6 I am pleased to report that this policy is already in action, as I witnessed at first-hand when participating in a high-level dialogue with Cardinal Vincent Nichols and two senior advisors for HSBC's Group Chair. Equipped by the updated policy, we were able to discuss the bank's position on infringements to democratic rights in Hong Kong, its response to banking in Russia following the illegal invasion of Ukraine, and its commitment to no longer provide project finance for the development of new oil and gas fields.
- 7 Another key area of work over the last year has been the introduction by the CFB and its wholly-owned subsidiary Epworth Investment Management Ltd (Epworth) of a comprehensive theological framework which they call *Pillars*.
- 8 JACEI has always been concerned with the theological grounding of CFB policies. Historically, JACEI would seek to develop a theological basis for each policy individually. More recently, and with the guidance of JACEI, the CFB/Epworth has published seven theological statements, each linked to a broad ethical category that allows the CFB/Epworth to effectively embed theology into engagement action.
- 9 For JACEI, these *Pillars* provide a comprehensive theological underpinning for all CFB policies and remind us of our call to care for God's creation. (More details of the *Pillars* can be found on the Epworth website: <https://www.epworthinvestment.co.uk/downloads/epworth-investment-pillars.pdf>)
- 10 Finally, this Foreword is an opportunity to register my thanks and appreciation to my colleagues on JACEI and at the CFB for their hard work and commitment in recent years. This is my sixth and last year as Chair of JACEI and I become ever more conscious of the importance of its work in seeking to ensure that the Church works with ecumenical and charity partners to use its money wisely and well in the service of the Kingdom.
- 11 I wish my successor every blessing in this important task and commend this report to the Conference.

The Revd Dr Stephen Wigley
Chair, JACEI

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Executive Summary

12 Ethical Pillars

The CFB/Epworth has strengthened its theological grounding through the development of ethical pillars. The ethical pillars are guided by God's call to care for people and planet, are informed by the Wesleyan tradition of equality, fairness, individual responsibility, and societal care, and have been developed in conversation with the Methodist Church's work on *A Justice-Seeking Church*. Details of these Pillars can be found on the Epworth website.

<https://www.epworthinvestment.co.uk/downloads/epworth-investment-pillars.pdf>

13 Climate emergency

JACEI remained steadfast in its focus on the climate emergency throughout the year under review.

As co-leads for Climate Action (CA) 100+ engagement with the mining company Anglo American, JACEI noted the CFB's unique position to help influence better climate performance at the mines. The CFB have reported to JACEI that Anglo has been open and constructive in the discussions they have had.

Actions the company has taken in line with requests in CA 100+ engagements include: a goal to reduce net emissions to zero in the long-term, publication of a detailed pathway of actions, publication of a Scope 3 inventory, scenario analysis and improved governance and transparency on indirect lobbying. Most recently, again in line with CA100+ requests, the company included in its latest climate report of October 2021 a 1.5-degree scenario analysis, actions to support a just transition and a quantitative Scope 3 ambition.

14 Banks

Working alongside the CFB, JACEI has published a sector specific policy on banks that seeks to better appraise their performance, hold them to account where necessary and improve their practices through company engagement.

In the wake of HSBC's announcement to cease new fossil fuel project funding, the CFB/Epworth co-signed letters, organised by ShareAction, to Barclays and BNP Paribas, encouraging these banks to do the same and cease direct project financing of new oil and gas fields.

15 HSBC

JACEI was heartened to learn that after a series of engagements, the CFB was invited for high level discussion with the head of the Catholic Church in the England and Wales, Cardinal Vincent Nichols, and two of HSBC's senior advisors on human rights and policy.

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At the meeting with HSBC, the Chair of JACEI was able to discuss issues surrounding Hong Kong, Palestine and Russia. Further discussion was had on the bank's approach to human rights and lending practices to the arms trade. JACEI will continue to monitor the progress of CFB's engagement with the bank

16 **Russia**

The CFB/Epworth do not hold any Russian securities directly, and both organisations have eliminated small indirect exposure to Russian companies through holdings of emerging market-focused vehicles.

JACEI noted the CFB's steadfast resolve in supporting the Ukrainians through company engagement.

17 **Equality**

JACEI was pleased to hear that following the CFB's successful engagement with Rio Tinto on workplace violence and culture, the CFB sought a collaborative partner to examine other mining companies.

JACEI is delighted to learn that the CFB has begun to work with International Women in Mining and the Development Partner Institute to form a coalition of investors seeking to improve safety and wellbeing standards for women in the mining sector.

18 **Waste**

Noting the CFB/Epworth's engagement with Ten Entertainment on waste targets, JACEI was pleased to learn that the engagement had expedited the company's focus on setting such targets. All packaging is recyclable and Ten Entertainment is trialling customer segmentation of waste.

19 **Labour**

JACEI continues to be concerned for the rights of workers. The tech industry in particular presents unique challenges upholding labour rights and good working standards. JACEI is pleased to report the CFB has been able to comment on Tesla's corporate attitude toward labour in an effort to draw attention to the substandard approach within the sector.

20 **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.

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21 **Health, wellbeing and farm animal welfare**

JACEI noted that the CFB participated in an event where the Access to Medicine Foundation presented the latest iteration of its Index. This event gave opportunity for the CFB to meet with and query the approach of GlaxoSmithKline (GSK) and AstraZeneca (AZN). GSK has long been the highest scorer in the index; however, AZN has moved up from seventh place two years ago to sit third within the index. Both GSK and AZN are targeting positive impact on the lives of those in low- and middle-income countries.

22 **Nestlé**

The CFB/Epworth and representatives of Joint Public issues team met with representatives from Nestlé to discuss a range of ethical issues. This built on the engagement started years ago regarding Breast Milk Substitutes and has now broadened out to include nutrition and health, as well as other topics such as the climate emergency and modern slavery.

23 **The UK Stewardship Code**

After a successful submission in 2021, the CFB/Epworth team submitted the 2022 renewal ahead of the early submission deadline. The latest Stewardship Code report reflects the suggestions made by the Financial Reporting Council on our previous submission, as well as integrating case studies into every reported principle. JACEI was delighted the CFB/Epworth received approval of their latest report.

24 **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 and promote ethical investment based upon Christian ethical principles.

25 **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 (<https://www.epworthinvestment.co.uk/> and <https://www.cfbmethodistchurch.org.uk/>) in keeping with a strong tradition of full transparency.

26 **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.

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Governance

27 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

28 Based on the information available, 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.

29 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;
- 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

13/1. **The Conference receives the Report of the Joint Advisory Committee on the Ethics of Investment for the year to 31 March 2023.**

For more detail on the issues contained within this Summary Report, and other matters considered by JACEI, we recommend referring to the full 2023 Report which can be found on the CFB website along with all position papers and CFB policy statements.
www.cfbmethodistchurch.org.uk

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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 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;*

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- *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

The following Standing Order relating to JACEI was approved by Methodist Conference (2019).

- (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.*

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 an 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.

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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.

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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 four meetings; in 2021/22 four meetings took place in June 2022, September 2022, December 2022, and March 2023;
- ✓ 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.

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

Committee membership

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 Methodist Council.

Members appointed by the Methodist Council are:

- The Revd Dr Sheryl Anderson
- The Revd Dr Vincent Jambawo

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- Ms Rachel Lampard
- Mr Jonathan Cape
- The Revd Dr Michael Long

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

- Ms Morwenna Williams
- Mr Bala Gnanapragasam
- The Revd Anne Ellis
- The Revd Julian Blakemore
- The Revd Dr Andrew Harper

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 Steve Hucklesby and Ms Roz Amos.

Mrs Sophie Forrest is JACEI Secretary.

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.

Enquiries about the Committee's work are encouraged, with letters to be addressed to the Committee's Chair c/o 25 Tavistock Place, London, WC1H 9SF, or by email to: jaceichair@methodistchurch.org.uk.

The CFB may be contacted through the Revd Dr Andrew Harper at 9 Bonhill Street, London EC2A 4PE. Telephone: 020 7496 3630 or email andrew.harper@epworthinvestment.co.uk