

7. 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. It is my privilege to introduce this year's report on the work of JACEI, the Joint Advisory Committee on the Ethics of Investment.
2. Last year's report focused heavily on investments in the oil and gas sector, and you will be aware that after extensive analysis and following the recommendations contained in the JACEI report, the Central Finance Board of the Methodist Church (CFB) took the decision to disinvest from its remaining oil and gas holdings because of the sector's inadequate response to the challenges of the climate emergency.
3. This year, the work to address the climate emergency and reduce carbon emissions has continued. We are pleased to report that the CFB was represented at the November COP26 conference in Glasgow. At this conference the CFB's new Head of Ethics, the Revd Dr Andrew Harper, spoke to journalists and companies on behalf of JACEI and the CFB. Alongside a joint announcement of fossil fuel disinvestment with 71 other faith groups, the CFB challenged the banks to stop climate target dilution activity. This challenge was well covered in a November issue of the Times where the CFB questioned HSBC's commitment to science, the planet, and its people – especially the poor.
4. Work has also been completed on an extractives policy which will enable us to better engage with mining companies and help in protecting indigenous communities and workers' rights. This is even more crucial as the world consumes more precious and rare earth metals in pursuit of overall carbon reduction. We know the mining industry touches lives all around the world, many of whom are poor and marginalized. The new extractives policy will focus the CFB's efforts on issues that most impact people and planet.
5. Following the Conference's request through the Council in 2021, JACEI has worked hard to amend and update the CFB's policy on Israel Palestine. We are satisfied that this updated policy now gives the CFB the best tools to address the complexity facing the region and welcome plans to refresh its engagement in some key areas.
6. As Chair of JACEI, I am encouraged by the role the CFB can play in leading our thinking on ethical issues. The CFB's appointment of a new Head of Ethics marks a significant step forward in strengthening its commitment to ethical thinking and provides it with the resources necessary to navigate the nuanced issues facing investment. As part of this renewed focus, JACEI is committed to developing policies that will meet the ethical standards of the Church, as well as give us the opportunity to affect the most change for the good of people and planet.
7. This year has also seen some significant changes in terms of the membership of JACEI, which is a mixture of appointments made by the CFB and the Methodist Council. Over the year we said farewell to Dr Keith Aldred, Mr Alan Emery, Ms Alison Jackson and Mr Terry Wynn. On behalf of JACEI I would like to pay tribute to the many years of service and even more years of experience which they brought to the work of JACEI and for which the Committee remains hugely grateful.
8. At the same time, we were pleased to welcome new members in Mr Bala Gnanapragasam, the Revd Julian Blakemore, the Revd Dr Vincent Jambawo and Ms Morwenna Williams, together with the Revd Dr Andrew Harper. We look forward to the diverse insights and experience which they will bring to JACEI's work going forward.

9. The pages which follow give a fuller picture of the wide range of work which JACEI undertakes on behalf of the Church throughout the year. It is our conviction that this Report evidences to the Conference 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

10. Climate emergency

JACEI remained focused on the climate emergency throughout the year under review. In April 2021, JACEI concluded that no companies in the oil and gas sector were currently aligned with the climate change targets set out by the 2015 Paris Accord. As a result, the CFB/Epworth sold its remaining company holdings in the oil and gas sector, including Royal Dutch Shell. In addition, JACEI determined that the mining company, BHP, had an intolerable exposure to fossil fuels. As a result, the CFB/Epworth sold its holding in BHP.

11. Extractive industries

JACEI discusses issues as they relate to extractives industries regularly and during the year a new policy was adopted on the topic. JACEI welcomed the engagement of the CFB/Epworth with Rio Tinto and Anglo American during the year. In February 2022, CFB/Epworth featured in a Sunday Times article as one of the few investors willing to make serious comment after the mining company Rio Tinto published a report detailing systemic workplace toxicity including incidents of criminal harassment, rape and racism with their company. We believe our role is to stand in solidarity with the victims and drive change.

12. Tax Justice

JACEI commends the continued engagement undertaken during the year with companies encouraging greater transparency in tax reporting. It also notes that Epworth Investment Management, the wholly owned subsidiary of the CFB, renewed its Fair Tax Mark accreditation during the year.

13. HSBC

JACEI welcomes the CFB/Epworth engagement with HSBC on various ethical issues. In the latter part of 2021, JACEI noted that the CFB/Epworth undertook significant engagement activity with HSBC. The CFB/Epworth challenged HSBC particularly on the bank's introduction of a charge for charity accounts, its involvement in areas of occupation and conflict, and its lending practices to companies not aligned with the Paris Accords. After a period of engagement, the CFB/Epworth featured in a November 2021 edition of the Times, calling out HSBC on allegations of climate target dilution, and undermining the principles of the Net Zero Banking Alliance.

14. Russia

The JACEI meeting in March took time to discuss the situation in Ukraine and the stance of the CFB on Russia. The CFB/Epworth believes that for both ethical and fiduciary reasons, Russian securities should not form any part of our clients' investment portfolios.

15. Israel Palestine

Following a resolution at the Conference, JACEI was asked by the Council to review the CFB/Epworth policy statement on Israel/Palestine within a manageable timeframe. After consultation with subject matter experts and a detailed examination of data and in-country testimony, a new policy was drafted. At the December 2021 meeting of JACEI, the new policy was approved and subsequently published on the CFB website, fulfilling the request of the Methodist Council.

16. Human rights

JACEI discussed the CFB/Epworth's continued to participate in the 'Find It, Fix It, Prevent It' investor initiative where the CFB/Epworth was directly involved in engagement with Compass Group and Intercontinental Hotels Group. The CFB/Epworth attended a roundtable hosted by CCLA and the Home Office. The event facilitated investment organisation to feed into the UK Government's review of their 2014 Modern Slavery Strategy.

17. 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.

18. Health, wellbeing and farm animal welfare

JACEI welcomed the extensive work undertaken engaging with Tesco. In early 2021, CFB/Epworth along with other institutional investors coordinated by ShareAction, co-filed a resolution which asked Tesco to set and report on a target for growing the proportion of its sales from healthier products. A two-year process of engagement has been agreed between Tesco, ShareAction and investors in the Healthy Markets Coalition, as Tesco implements the new commitments.

19. Nestlé

JACEI supports the dialogue between the CFB and Nestlé, which covers issues related to breast milk substitutes, and other material sustainability matters. During the year, JACEI and CFB/Epworth met with Nestlé to discuss sustainable sourcing of coffee.

20. The UK Stewardship Code

CFB/Epworth were awarded signatory status of the UK Stewardship Code 2020 during the year, one of only 125 firms that made the signatory list. Our detailed statement in response to the Principles contained within the Code are set out on our websites.

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. 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.
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;
 - Independently verified review of the CFB UK portfolio carbon footprint;
 - The CFB participation in **the Church Investors' Group (CIG)**;
 - The 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

- 7/1. **The Conference received the report of the Joint Advisory Committee on the Ethics of Investment for the year to 31 March 2022.**

For more detail on the issues contained within this Summary Report, and other matters considered by JACEI, we recommend referring to the full 2022 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 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 the 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 the 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 the 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 the Conference.

Responsible investment reporting requirements

The Task Force on Climate related Financial Disclosures (TCFD) 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 TCFD 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.

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;
- 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 four meetings; in 2021/22 four meetings took place in June 2021, September 2021, December 2021, and March 2022;
- ✓ 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 focussing 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 the Methodist Council.

Members appointed by the Methodist Council are:

- The Revd Dr Sheryl Anderson
- The Revd Dr Vincent Jambawo
- Ms Rachel Lampard
- Mr Jonathan Cape
- The Revd Dr Mike 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.

Mrs Anna McDonald attended JACEI meetings in this capacity during the year.

Enquiries about the Committee's work are encouraged, with letters to be addressed to the Committee's Chair 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