

### **Basic Information**

<b>Title</b>	<b>Joint Advisory Committee on the Ethics of Investment</b>
<b>Contact Name and Details</b>	Russell Sparkes Russell.Sparkes@cfbmethodistchurch.org.uk
<b>Status of Paper</b>	Final
<b>Resolution/s</b>	The Conference receives the Report of the Joint Advisory Committee on the Ethics of Investment.

### **Summary of Content**

<b>Subject and Aims</b>	Annual report of the work of the Committee
<b>Main Points</b>	The Committee judges that the Central Finance Board (CFB) has managed the funds under its control in accordance with the aims of the Methodist Church
<b>Background Context and Relevant Documents (with function)</b>	

<b>Impact</b>	
<b>Risk</b>	

## 1. Highlights

**Climate Change** (section 4.1): Position Paper and Policy Statement recommended to Central Finance Board (CFB) for approval.

**Prisons and Detention Centres** (section 4.2): Policy Statement recommended to CFB for approval.

**Ethical Issues Involving Children** (section 4.3): Policy Statement recommended to CFB for approval.

**Caste Discrimination** (section 4.7): Position Paper finalised and Policy Statement drafted.

**CFB Voting Policy** (section 5.3): new ecumenical approached welcomed.

**BSkyB** (section 4.5): existing ban on investment lifted following closure of pornographic channels.

**Booker** (section 5.1) and **Amec** (5.2): added to ethically excluded list.

**Petrofac** (section 5.8): insufficient grounds to exclude from potential investment on ethical grounds.

**Nestlé** (section 4.4): continued scrutiny and engagement.

## 2. Conclusion

*The Committee judges that the Central Finance Board (CFB) has managed the funds under its control in accordance with the aims of the Methodist Church.*

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

- voting record of the CFB;
- Ethical Investment Research and Information Service (EIRIS) sector overview of the CFB UK portfolio;
- ethically excluded list of UK and European companies;
- monthly ethics meeting minutes (see section 4.9) of the CFB;
- company engagement record of the CFB;
- Trucost and EIRIS reviews of the CFB UK portfolio carbon footprint;
- active role of the CFB in the **Church Investors Group** (see 4.6); the **Institutional Investors Group on Climate Change** (see 4.1); the **Carbon Disclosure Project** (see 4.1);) and the **UN Principles for Responsible Investment** (PRI) (see 4.8)
- collaboration with the General Board of Pensions and Health Benefits (GBOPHB) of the United Methodist Church.

## 3. Responding to the Connexion

The annual JACEI Report had been taken out of “en bloc business” at the 2009 Methodist Conference with questions raised on the subject of Israel/Palestine and executive remuneration. As a result the Position Paper on Israel/ Palestine had been posted on the CFB website and a Policy Statement was to be drafted for approval.

The Committee regularly discussed the subject of executive remuneration, noting the frequency with which the CFB had voted against company remuneration policies. It was also reported that the Church Investors Group (CIG) had commissioned a major theological review of the subject (see 4.6).

The Committee regretted that it had proved impossible to hold the usual fringe Conference event in 2009. However, it was noted that the Beckly Lecture had been given by Committee member, Chris Moorhouse, and that there had been a separate JACEI ‘meet the team’ slot with the Connexional Team, together with a stand illustrating the CFB’s work.

The Committee noted the lack of response to the 2009 short report, *Ethical Investment in a Digital Age*. However, it was agreed that a short report should continue to be produced with the focus for 2010 on climate change. The Committee commended the positive and informed article describing

the work of the CFB and JACEI written by the Vice-President, David Walton, and printed in the *Methodist Recorder*.

## 4. Significant Issues

### 4.1 Climate Change

During the year the Committee spent a significant amount of time discussing and refining both the Position Paper and Policy Statement on Climate Change produced in the light of *Hope in God's Future*.

Once the Committee had finalised the Position Paper and Policy Statement they were approved by the CFB Council, and put onto the CFB website ([www.cfbmethodistchurch.org.uk/ethics](http://www.cfbmethodistchurch.org.uk/ethics)). It was agreed that once the Policy was approved a press release should be issued. This occurred in November and stated that: '*The Methodist Church's investment arm has outlined how its investments reflect Methodist teaching on the environment and take forward the fight against climate change. It aims to create and manage portfolios with a carbon footprint that is relatively low and measurably declining.*' It was also agreed that due to the evolving nature of climate change issues the policy should be reviewed each September.

#### Policy

- to reflect the Methodist Church's teaching and positions on climate change within our portfolios.
- to create and manage portfolios with a carbon footprint that is relatively low and measurably declining.
- to consider, not only the absolute level of a company's emissions, but also the intensity of those emissions relative to the company's size. This should include the emissions of the supply chain as well as those involved in the use of the company's products.
- to encourage all companies and particularly those with a high level of carbon intensity, to disclose their greenhouse gas emission levels accurately. This should include that of their supply chains, including transport.
- to encourage all companies to limit and reduce the greenhouse gas emissions and intensity resulting from their own processes, their supply chains and the use of their products.
- to encourage companies in sectors with high relative levels of greenhouse gas emissions to act and invest to reduce those emissions, and to monitor these efforts.
- to maximise the impact of engagement with companies in relation to climate change. This will include collaboration with other investors or investor groups mainly through a process of dialogue and may include shareholder resolutions and representations to government.
- to consider disinvestment as the appropriate response when companies are either unwilling to enter into dialogue or if it proves to be ineffective.
- to consider avoiding whole areas of economic activity as unacceptable if it appears that involvement with such activities and profiting from them is contrary to the teaching of the Methodist Church.

The Committee noted the important work being carried out by the Connexional Team on climate change. Three related questions were discussed:

- *If the Government failed to act appropriately in pursuit of its own climate change targets how would the CFB respond?* It was noted that whilst it is not the CFB's job to engage with the government, it is involved with groups such as the Institutional Investors' Group on Climate Change (IIGCC) which pressurises governments to meet targets.
- *Would the CFB consider 'positive climate change investment' i.e. deliberately seeking to invest in alternative energy suppliers?* The CFB responded that when justified on financial grounds it was keen to invest in companies with exposure to renewable energy opportunities.

It was agreed that this was an investment issue, but the CFB's sympathetic attitude was welcomed.

- *What position would the CFB take with regards to nuclear power generation?* It was noted that in relation to the ethical suitability of civil nuclear energy the Committee had previously advised the CFB that the purchase of shares in British Energy was not unacceptable on ethical grounds.

The CFB reported that a review of the UK Equity Portfolio's carbon footprint relative to the UK Stock Market had been produced by Trucost. The CFB reported that it had spent a considerable amount of time working with Trucost to refine its methodology, but the results still only gave a 'broad-brush' impression. EIRIS had also produced an analysis of carbon emissions. Despite the vastly different methodologies used, both analyses indicated that the CFB portfolio had a slightly lower carbon footprint than that of the FTSE All Share Index and the reason for this was stock selection within sectors.

The Committee considered communication from a number of companies such as **Aveva, Aggreko** and **Morgan Sindall** with reference to the 2008 report from the Carbon Disclosure Project (CDP). It was thought encouraging that so many companies had responded positively to this issue which was of great long term importance. The CFB wrote to the UK companies in which it holds shares that failed to complete the CDP 2009 questionnaire (**Beazley, Carpetright, Charter Int, Cookson, Forth Ports, Halfords, Halma, Hargreaves Lansdown, Microfocus, The Restaurant Group, Rightmove, Spice, Spirent Group and Wellstream**) and was working with the Church Investors Group (CIG) to extend the engagement process to those that had not improved their carbon profile since the last survey. A report from IIGCC to political leaders ahead of the Copenhagen Climate Summit stressing the need for a global agreement on climate change was also noted.

#### **4.2 Prison Policy**

The Committee considered a draft *Policy Statement on Prisons and other Detention Centres*. There was particular discussion on three issues:

- *The need to define the distinction between prisons, juvenile detention facilities and centres for the detention of asylum seekers.* It was stressed that children might be detained as asylum seekers who had not broken the criminal law.
- *How would the policy apply in other countries and contexts?* The CFB stressed that regardless of location or nature it would only invest in companies that were conducting their operations in an ethical way.
- *The detention of children for immigration purposes.* The Connexional Team reported that work was currently being conducted on behalf of the Methodist Church and noted the importance of ensuring that any Church campaigning stance was reflected in ethical policy.

The Committee, whilst recognising the continuing debate about its scope, recommended the Policy for approval by the CFB, but would review it should any new issues arise.

#### **Policy**

- Investment in companies operating prisons is ethically acceptable in principle.
- Investment in companies owning prisons (e.g. through PFI contracts) is ethically acceptable in principle.
- Investment in companies operating or owning prisons in which the death penalty is carried out is not acceptable.
- Investment in companies operating or owning prisons in jurisdictions in which the death penalty is carried out, but not in those prisons run or owned by the company is likely to be acceptable.
- Children are detained in prison for offences that they have committed; due to offences committed by others (e.g. babies too young to be separated from their mothers); and due to their families facing deportation under immigration or asylum laws. Before the CFB invests in any company operating or owning prisons in which children are detained, their

- operating regimes will be examined with particular care.
- Before investing in any company operating or owning prisons, the CFB will seek to ensure that all such facilities operate in accordance with best practice.

### **4.3 Children**

A draft Policy Statement, *Ethical Investment Issues Involving Children*, based on the Position Paper that had been approved by the Committee last year was recommended for approval by the CFB. The Committee agreed that this was a helpful and timely policy on an important issue. Related discussions focused on HIV/AIDS and testing of pharmaceuticals for children. The Policy Statement was approved by the CFB Council and is now available on the CFB website.

#### **Policy**

- The widespread nature of children's issues means that they should be managed within the CFB's existing ethical framework rather than as a category in their own right.
- However, there is a need for an extra ethical dimension for issues such as children's rights that transcend the traditional company sector based ethical framework. The CFB should ensure that its research on companies identifies the particular areas of ethical concern relating to children.
- This extra dimension also needs to be taken into account when engaging with companies on ethical issues. Engagement work should be proactive in bringing children's ethical issues to companies' attention.
- Many of the issues relating to children are global in nature, and when possible children's issues should be raised in partnership with other UK and overseas church investors, and with children's charities.

The CFB reported that in its regular dialogue with the GBOPHB, manager of the core CFB US portfolio via their Domestic Stock Fund (DSF), it had discussed US companies who might be sourcing cotton produced using child labour in Uzbekistan. The Committee also noted correspondence from US SRI investors on the issue of Uzbek child labour.

### **4.4 Nestlé**

The CFB reported that it was continuing to monitor Nestlé's ethical performance as requested by the 2006 Conference. CFB Nestlé meeting notes were reviewed and considered helpful.

It was noted that all Committee members had been invited to the Church Investors Group meeting with Nestlé (see section 4.6). The open and candid manner adopted by the company was welcomed as not only infant formula was discussed but also other issues including prevention of child labour on cocoa plantations, childhood obesity, water usage, improved husbandry and Fairtrade. The Committee's view was that Nestlé had made progress in the last 10 years in terms of disclosure and transparency. The Connexional Team also reported that a member of staff had served on an 'expert stakeholders' panel' on corporate social responsibility for Nestlé in Switzerland.

### **4.5 BSKyB**

The meeting with the BSKyB Chief Executive in February 2009, organised through the Church Investors Group, in part at JACEI's request to assist it in considering whether BSKyB could now be considered as an ethically acceptable investment, was reviewed. It was agreed that the way the company was moving forward on issues of ethical concern, particularly pornography, was encouraging. The CFB also reported on a joint meeting together with CCLA (an investment management service owned entirely by its charity, faith and local authority customers) held with BSKyB to discuss gambling issues and in particular how SkyBet operates.

Although the Committee was greatly encouraged by the fruits of engagement with the company, it advised that the CFB should continue to avoid investing in BSKyB whilst it continued to own pornography channels. Once these were disposed of there was quite a strong case that the company should then be regarded as ethically acceptable.

In early 2010 BSkyB announced the closure of its final pornographic channel. Following this action the Committee agreed that its criteria for acceptance as an ethically acceptable investment had been met. However, concerns remained particularly in relation to its small but growing involvement in gambling and the CFB was asked to remain in regular dialogue with BSkyB. This case indicated the significant positive impact that engagement with companies could have and it was suggested that the CFB write to the BSkyB CEO informing him of the decision and thanking him for participating in the process.

#### 4.6 The Church Investors Group (CIG)

The Committee reviewed the CIG note following a meeting with the Chief Executive of **Barclays**, John Varley. It was commended as a surprisingly frank and detailed account of Barclay's view of the credit crunch and its implications. This was another example where the CFB had through CIG participated in a meeting with an extremely senior executive of a company, which on its own would have been difficult to arrange. CIG also:

- discussed the environmental damage caused by tar sand extraction in Canada.
- organised a Trustees Training Day with a keynote speech from the Bishop of London.
- received presentations from **Scottish & Southern Energy** and **United Utilities**.
- commissioned a detailed paper on a Christian approach to Executive Remuneration.
- received a presentation from the Ecumenical Council on Corporate Responsibility (ECCR) on vulnerable migrant labour.
- met with a Board member of **Nestlé**.
- agreed an ecumenical approach to voting policy.

#### 4.7 Caste Discrimination

The Committee approved a Position Paper on Caste Discrimination produced by the Connexional Team. It commended the high quality of the paper and suggested that the section posing questions to be asked of companies could potentially be adapted to form a Policy Statement. However, it was noted that the paper had been specifically written to cover the subject of caste discrimination of Dalits in India and it was questioned how it could be used by a multinational company that might face varying types of discrimination issues in different countries. The CFB has now placed the Position Paper on its website. A draft Policy Statement has been discussed by the Committee, but has not yet been finalised.

#### 4.8 UN Principles for Responsible Investment (PRI)

The Committee was pleased to see an assessment report on the CFB from the PRI in which the CFB was rated in the top quartile in 5 out of 7 categories. The CFB stated its belief that the PRI was likely to play an increasingly important role in the CFB's ethical work. PRI internet-based discussion groups were a useful resource, with the CFB participating in 'webinars' on child labour in Uzbekistan, tar sands, the Copenhagen summit and developments in the Carbon Disclosure Project.

#### 4.9 The CFB Ethical Review

The CFB voting record, ethical overview of UK sectors, list of ethically excluded European and UK companies (approx 6% of Eurofirst 300 ex UK Index and 14% of FTSE All Share Index, respectively) and minutes of the monthly CFB ethics meeting were all noted. After outperforming the FTSE All Share Index in 2008, the ethically adjusted index had underperformed by 1.9% in 2009. A significant number of CFB reports on individual companies were received during the year.

### 5 Regular Reporting Items

#### 5.1 Alcohol and Tobacco

The Committee noted public debate about a possible advertising ban on alcohol. The CFB reported that the cash and carry company **Booker** had recently entered the FT All-Share index. As CFB research showed that over 40% of the company's sales came from tobacco with additional alcohol sales, the CFB had decided to add it to the ethically excluded list. The Committee agreed.

## 5.2 Armaments

The Committee considered a CFB note on the French company **Alcatel Lucent**, which stated that the company was currently excluded from the CFB's ethical index in Europe. However the disposal of the company's stake in a major defence company and the small nature of its remaining military exposure suggested that it should no longer be ethically excluded. This was agreed. Material on private security companies and arms fairs was noted. The Committee agreed with the conclusion of a CFB paper that **Amec** should be excluded from potential investment in view of its role in maintaining nuclear weapons' bases.

## 5.3 Corporate Governance and Business Ethics

The Committee noted that the Local Authority Pension Fund Forum had filed a resolution requesting **Marks & Spencer** to separate the roles of Chairman and Chief Executive of the company. It was noted that this practice was in defiance of generally agreed standards of good corporate governance, and the Committee therefore supported the CFB decision to vote for this resolution. Correspondence with **Morgan Sindall** re data protection was noted.

The Committee noted widespread public concern about the executive incentive scheme at **Royal Dutch Shell** (Shell) and was disappointed that the company seemed to be disregarding performance standards it had previously set. It therefore strongly supported the CFB decision based on the PIRC (an investment research consultancy) recommendation that the CFB should vote against Shell's remuneration report. Subsequently, the CFB had met with the Chairman of Shell in the CFB offices as part of a CIG delegation. The company had put in place new performance criteria and a new bonus scheme. The meeting had been very positive and the changes made could affect the way the CFB voted in future.

The CFB reported that it had worked with CCLA to produce a CIG voting template operated by PIRC. The CFB and the CBF of the Church of England had both agreed to use this in future and it was hoped that other members of CIG would also do so. This involved a small level of compromise from the existing CFB Voting Policy but it was hoped that the ecumenical approach would give greater power when engaging with companies. In addition when the management of the Epworth European Fund, through which the CFB Overseas Fund invests, is brought back in-house, it would use the same voting template as that of the Church Commissioners, the Church of England Pensions Board and the CBF of the Church of England. On balance the Committee welcomed the new ecumenical approach.

## 5.4 Supply Chain Issues (including Debt Relief and Fair Trade)

The Committee considered press comment on supply chain concerns relating to Tesco and a note on the subject from ECCR. It discussed a shareholder resolution filed with Tesco by the Unite trade union requesting the company give greater disclosure on its supply chain, particularly in the meat industry. It noted increasing concern in a number of areas about Tesco's performance relating to supplier standards and supported the CFB's decision to vote for the resolution. The Committee reviewed a CFB briefing note on **AB Foods** which concluded that various allegations in relation to supply chain issues had merit. However, the Committee was reassured by the company's robust action in relation to past policy breaches and by its decision to audit Primark's supply chain in order to avoid future breaches. It was agreed that the company should be kept under review and an engagement process instigated. The CFB reported that a staff member had been a member of an ECCR delegation to the offices of **W. Morrison** to discuss supply chain issues.

Correspondence with a local Methodist Church was considered which raised concerns about "ethical banking" and the CFB's connection with **HSBC**. It was noted that the information supplied by the CFB had been considered helpful in enabling the Church Council take an informed decision on its own banking arrangements. The Chair noted that this was an example of a growing interest in ethical matters from within Methodism. The CFB commented that the power to instigate change should not be underestimated and it was important to encourage individual churches to engage with companies rather than pull out. The Methodist Church's concerns over

'credit slavery' were noted.

It was noted that ECCR was working on the issue of supermarkets sourcing goods from Palestine.

## 5.5 Environment

A report was presented on a joint CFB and Connexional Team meeting with Shell explaining the many changes in how the company was organised and where Sustainable Development and CSR responsibilities now lay. There had also been a useful update on the **Royal Dutch Shell** (Shell) operations in Nigeria. Concerns were expressed that although the company's original commitment to reduce gas flaring in Nigeria by 2009 had now been moved back to 2011, even this did not look definite. Other issues relating to Shell that were discussed included tar sands, CO2 disclosure and the Corrib Field development in Ireland. It was agreed that it was important to carry on the engagement programme with the company and to have a regular dialogue with other oil companies covering strategic ethical issues such as oil security and climate change. A note of a meeting between the CFB and **BP** in June 2009 was also considered.

The Committee discussed an initiative by Fair Pensions regarding special resolutions to be presented at the BP and Shell AGMs requiring the companies to assess and report in greater detail the risks inherent in their oil sands investments. The CFB Council had decided that it was appropriate to co-file in both cases. The CFB reported that there had been a meeting of the co-filers to discuss the joint approach and with Shell to discuss its oil sands developments. There would also be a meeting with BP following an approach by the company.

The CFB reported on a meeting with **Anglo American**, noting that their entire Corporate Responsibility and Sustainability team had changed, as well as an update meeting with **BHP Billiton**. The CFB stated that the Committee had advised in 2006 that Xstrata should be barred from investment. However a number of subsequent changes had occurred and the CFB believed it was now appropriate to engage with the company prior to reconsidering whether it was now acceptable. The Committee also reviewed: the Faith Leaders' Statements on Climate Change; material on a World Bank Green Bond to help finance the development of a low carbon economy; various initiatives by the Institutional Investors Group on Climate Change; the Carbon Disclosure 2009 Report and a CFB note on the Extractive Industries Transparency Initiative (EITI).

## 5.6 Gambling

The Committee noted Methodist concerns on gambling and that further work on the issue was needed.

## 5.7 Medical and Food Safety Issues

The Committee noted material on **GlaxoSmithKline** clinical trials and the International Financial Mechanism on Pharmaceuticals (IFFIMI). IFFIMI is an international agreement to issue bonds backed by the World Bank to fund vaccinations in developing countries. The CFB reported on a visit to an animal testing facility run by GlaxoSmithKline, which stressed the highly regulated nature of animal testing. Renewed reports of the possible health risks to children by use of mobile phones were considered, as were concerns about the operation of the French food company **Danone** with respect to infant formula. It was noted that at the CIG meeting with **Nestlé**, both Nestlé and Baby Milk Action had used Danone as an example of a company whose advertising was not in accordance with WHO regulations.

The issue of pharmaceuticals was discussed as an important one on which a written policy was ultimately needed, and it was noted that preliminary work on the subject was in hand. The importance of work in this area was highlighted by the fact that church investors in the USA had made a major impact on the pharmaceuticals industry, with many positive changes being made due to investor engagement.

## 5.8 Human Rights

Notes from a meeting with the European steel and mining company **Arcelor Mittal** were reviewed with particular reference to health and safety in developing countries. It was noted that the

company seemed to be addressing the key issues of concern, but regular engagement was important to ensure this continued. The CFB reported on correspondence regarding Burma (Myanmar). The possibility of creating a Human Rights policy was discussed, with a suggestion that looking at Human Rights from the perspective of conflict situations would be a good place to start, as it would address a number of issues, but would not be as vast in scope as a more general policy. The Committee agreed that it might be a worthwhile idea to approach the Church Investors Group (CIG) about commissioning a Position Paper on Human Rights, which could then be used as a basis for producing a CFB policy document.

The Committee considered a CFB paper on **Petrofac**, an oil services company operating in Sudan. The CFB research had concluded that while this was a very difficult ethical issue, on balance no investment should be considered before engaging with the company on the operating standards of its subsidiaries in the Sudan. The Committee considered whether there should be an outright ban on companies with links to Sudan (as with Burma). After some discussion it was agreed that Sudan was not like Burma or apartheid South Africa, where legitimate opposition to the regime urged foreign companies to leave the country. The Committee agreed that there was no reason to bar all investment linked to Sudan, and it noted that worse offending companies would most likely take the place of companies such as Petrofac if they were forced to pull out. However, great concerns were expressed over human rights abuses in Sudan, and it was felt necessary to enter into dialogue with the company in order to gauge its general philosophy with regards to ethical matters, particularly human rights, before definitive advice could be given. A report on a subsequent meeting with the company was discussed and it was agreed that there were insufficient grounds to advise that the company should be excluded from potential investment on ethical grounds, although continued dialogue with the company was encouraged on human rights and their participation in the Carbon Disclosure Project.

The CFB reported that it had received an inquiry from a Methodist charity whether the CFB Overseas Fund indirectly owned shares in the UK listed company Vedanta through its investment with the Domestic Stock Fund (DSF) of the GBOPHB in the US. The Committee reviewed material that was critical of the Vedanta's performance in terms of health and safety, and it was noted that the Church of England investment bodies had decided to sell their holding in the company following detailed research and a visit to its operations in India. The CFB stressed that it had never owned shares in Vedanta directly and confirmed that Vedanta was not an indirect shareholding through the DSF. Information about Vedanta was passed onto the GBOPHB for their consideration.

## **5.9 Media**

Work in this area was dominated by **BSkyB** (see section 4.5). It was noted that the CFB had met with Vodafone to discuss media ethics and child safety, and the company had described access controls designed to limit access to pornographic material to those over 18.

## **5.10 Networking**

The CFB reported that apart from the GBOPHB it had met and corresponded with overseas church bodies: Glebe Asset Management, Uniting Church of Australia, Mennonite Church in Canada, and the Methodist Church in New Zealand. It was also actively involved in: the Church Investors Group (Steering Committee member – see section 4.6); the Institutional Investors Group on Climate Change, the Carbon Disclosure Project, UN Principles for Responsible Investment, the Extractive Industries Transparency Initiative and the EIRIS Foundation (Trustee Board member). Other contacts included the Ecumenical Council for Corporate Responsibility (ECCR) where a Connexional Team member sits on the Board, and UK Sustainable Investment and Finance (UKSIF). It also used the services of Ethical Investment Research Services (EIRIS), PIRC and Trucost. The Committee also commended the important input on a variety of subjects from the Connexional Team.

## **6. \*\*\*RESOLUTION**

**6/1. The Conference received the Report of the Joint Advisory Committee on the Ethics of Investment.**

## Appendix

### 7. Role and Function of the Committee

#### 7.1 Terms of Reference

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 report annually to the Conference. Its terms of reference, which were last revised in 2001, are as follows:

*The Joint Advisory Committee of the Ethics of Investment shall have a Chair appointed by the Methodist Council. 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 share;*
- *to make public where appropriate any ethical policy of the CFB and in particular 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 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.*

#### 7.2 SRI Reporting Requirements

In July 2000 regulations came into force that obliges all pension funds to consider their policy, if any, on socially responsible investment (SRI). In April 2005 similar requirements were extended to charities under the SORP guidelines. The CFB is investment manager to large pension funds that use the JACEI Conference report as part of their assessment of CFB compliance with their SRI policies. The report should therefore enable trustee bodies to assess clearly whether the CFB has operated in a way consistent with the aims of the Methodist Church.

#### 7.3 JACEI Procedures

The latest procedural amendments (2008) agreed that each meeting should have:

- one or two major items for debate either previously agreed by the Committee, requested by the CFB or driven by events;
- regular reporting items to keep the Committee fully informed of ethical issues relating to investment and to assist in the selection of items requiring a major debate;
- a report from the CFB on its 'ethical performance'. This would include the EIRIS screen, voting records and any divestment on ethical grounds.

That the Committee should:

- hold four meetings a year in November, February, June, and September;
- have its own identity with an address located at Methodist Church House;
- advise the CFB in relation to current Methodist Church policy;
- examine all aspects of a company's operations rather than simply focus on one particular issue;
- take responsibility, where appropriate, for making public any ethical policy of the CFB and in particular any investment decision taken on ethical grounds;
- seek ways to make the advice provided by the Committee available to the wider Methodist Church.

That Committee members should:

- feel free to contact the Secretary between meetings about issues of concern to them;
- email their comments on position papers or other matters to the Secretary if unable to attend a particular meeting.

#### **7.4 Committee Membership**

The Revd John Howard was the Chair of the Committee.

Members nominated by the Methodist Council were: Professor David Clough, Dr Brian Gennery, Ms Alison Jackson, Mr Chris Moorhouse (from June 2009), Ms Rachel Lampard.

Nominated by the Central Finance Board (CFB) were: Dr Keith Aldred, Mr Alan Emery, Sir Michael Partridge, Mr Bill Seddon and Mr Peter Thompson.

The Revd Winston Graham represented the Trustees of the Methodist Church in Ireland.

In attendance to facilitate the workings of the Committee were: Mr Russell Sparkes (Committee Secretary), Mr Miles Askew, Mr Stephen Beer, Mr Christophe Borysiewicz, Mr Stephen Hucklesby, Ms Kate McNab and Mr Neville White (CFB Ethics Consultant).

The Committee agreed that a member of the Ethical Investment Advisory Group of the United Reformed Church could attend a Committee meeting as an observer.

*(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](mailto:jaceichair@methodistchurch.org.uk)).*