

15. Joint Advisory Committee on the Ethics of Investment

1 Role and Function of the Committee

1.1 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.*

1.2 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.

1.3 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 (the Ethical Investment Research Service) screen, voting records and any disinvestment 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

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- 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.

2 Highlights of Actions and Decisions

2.1 The Committee:

- ∞ supported the Central Finance Board's (CFB) judgements relating to a number of companies;
- ∞ welcomed representatives of the Trustees of the Methodist Church in Ireland to meetings (section 3.1);
- ∞ hosted a 'fringe' meeting at the 2008 Conference (section 3.2);
- ∞ approved a CFB position paper on Ethical Investment Issues Involving Children (section 4.1);
- ∞ considered a policy on Private Security Contractors (section 4.2). Advised

the CFB against investment in G4S (section 4.2) and Thyssen Krupp (section 5.2);

- ∞ carried out detailed scrutiny and debate about the ethical suitability of BSKyB (section 4.5), noted the CFB's engagement work, and advised the CFB that the existing ban on investment should be retained for the time being;
- ∞ highlighted the importance of the CFB Ethical Performance Review and scrutinised the CFB voting record, the EIRIS ethical overview of UK sectors, the list of ethically excluded UK and European companies and the minutes of the monthly CFB ethics meeting (see section 4.9);
- ∞ advised the CFB in relation to carrying out existing policy with regards to Nestlé (section 4.3) and on investment in mining companies (section 4.8);
- ∞ emphasised the high priority of establishing a policy on climate change, and highlighted the CFB's existing work in this area (section 4.6).

2.2 The Central Finance Board (CFB):

Held meetings, corresponded and/or produced briefing notes relating to ethical, environmental and human rights issues either singly or in concert with others as follows on:

- *Aggreko* (see 4.6)
- *Anglo-American* (see 4.7 & 4.8)
- *Antofagasta* (see 4.6)

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- *Arcelor Mittal* (see 4.8)
 - *Aveva Group* (see 4.6)
 - *Beazley Group* (see 4.6)
 - *Bodycote* (see 5.2)
 - *BSkyB* (see 4.5)
 - *BP* (see 5.3)
 - *Charter International* (see 4.6)
 - *Compagnie Financiere Richemont* (see 5.1)
 - *Dassault Systemes* (see 5.2)
 - *Dignity* (see 4.6)
 - *GlaxoSmithKline* (see 5.7)
 - *Forth Ports* (see 4.6)
 - *G4S* (see 4.2)
 - *Hargreaves Lansdown* (see 4.6)
 - *ICAP* (see 4.6)
 - *Intercontinental Hotels Group* (see 4.6)
 - *Kazakhmys* (see 4.6)
 - *Morgan Crucible* (see 5.2)
 - *Morgan Sindall* (see 4.6)
 - *Wm Morrison* (see 5.4)
 - *Nestlé* (see 4.3)
 - *Rexam* (see 4.6)
 - *Royal Dutch Shell* (see 5.5)
 - *Ryanair* (see 5.5)
 - *Shire* (see 4.6)
 - *Tate & Lyle* (see 4.6)
 - *Tesco* (see 5.4 & 5.7)
 - *Thomas Cook* (see 4.6)
 - *Thyssen Krupp* (see 5.2)
 - *United Business Media* (see 4.6)
 - *Vodafone* (see 5.9)
 - *Wood Group* (see 4.6)
- ∞ continued to play an active role in the Church Investors Group (see 4.7); the Institutional Investors Group on Climate Change (see 4.6); the Carbon Disclosure Project (see 4.6); Access to Medicines Index (see 5.7) and the UN Principles for Responsible

Investment (PRI). Had regular collaboration with the General Board of Pensions and Health Benefits (GBOPHB) of the United Methodist Church. Drafted a position paper on ethical issues related to climate change (section 4.6).

3 The Working of the Committee

3.1 Committee Membership

The Revd John Howard was the Chair of the Committee.

Members nominated by the Methodist Council were: Dr David Clough, Ms Anthea Cox (to August 2008), Dr Brian Gennery, Ms Alison Jackson (from October 2008), Mr Kumar Jacob (to September 2008), Ms Rachel Lampard (from October 2009), Mr Gareth Mostyn (to June 2008) and Mr Chris Moorhouse (from April 2009). One place remained unfilled.

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

In attendance to facilitate the workings of the Committee were: Mr Russell Sparkes (Committee Secretary), Mr Stephen Beer, Mr Stephen Hucklesby, Mr Miles Askew, and Ms Kate McNab. The Committee gave a particular welcome to the Revd Winston Graham who was in attendance representing the Trustees of the Methodist Church in Ireland for the first time.

The Committee noted the restructuring of the Connexional Team resulting from the Team Focus process and will review any

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impact on the working of the Committee in due course.

3.2 Developing Greater Understanding of the Committee's Work

The Committee agreed that the 2008 popular JACEI report, *Investing with Integrity - living in a complex and diverse world*, made clear how the Committee operated and what it tried to achieve. The report had been circulated to Conference representatives and sent to all district and circuit treasurers and others with an interest in Methodist finances. It was also agreed that it would be desirable to give it wider publicity, to facilitate small group discussion.

At the 2008 Conference a fringe event was held to promote discussion of the Committee's work. This was in the format of a 'thought for the day' by David Walton, the Vice-President. It was agreed that the JACEI fringe meeting had been worthwhile.

(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.)

4 Significant Issues

4.1 Ethical Investment Issues Involving Children

The Committee considered a detailed CFB paper on the above subject, which attempted to identify the main ethical issues involving children, noting their essential vulnerability, in that they are often the first to suffer when things go

wrong. The paper also described the general principles set out in the UN Convention on the Rights of the Child and the ethical issues highlighted on the websites of the UK's leading charities and UNICEF. Finally ethical issues were categorised by industrial sector to guide CFB ethical investment research and engagement work. Following detailed scrutiny the paper was revised to incorporate a number of amendments. The Committee agreed that it was a good basis for a CFB policy on ethical investment issues involving children, with the next step being for the CFB to produce a Policy Statement on the issue.

The CFB also reported that staff had spoken at an Action for Children (formerly NCH) trustee workshop on ethical investment. Discussions took place at a subsequent meeting between members of the CFB and Action for Children's policy team, on child poverty, the portrayal of young people in the media, and young people's access to media services. The CFB also described the engagement work done by the General Board of Pensions and Health Benefits (GBOPHB) with the US retailer Wal-Mart on child labour in Uzbekistan.

4.2 Private Security Contractors

A CFB report on G4S, previously known as Group 4 Securicor, was considered. The company had previously been excluded owing to its involvement in US prisons where the death penalty could be carried out. However, following the sale of this business a thorough ethical review of G4S had been carried out to see whether it was now ethically acceptable. A new

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concern had arisen following the recent acquisition by G4S of the private security contractor Armor Group, which carried out military outsourcing in combat zones. The Committee concluded that Armor Group came close to running private unregulated armies; involvement with which was considered unacceptable. It therefore advised the CFB that investment in G4S should be avoided on ethical grounds.

Following this decision the Committee noted that private security contractors were not covered by the recently agreed *Policy on Companies with Military Exposure*, and it was agreed that a complementary policy should therefore be drafted. It subsequently agreed a *Policy on Contractors Providing Military and Security Services*, noting the areas of ethical concern and the specific policy to be followed:

Areas of ethical concern

Companies involved in providing private military or security services to government, corporate, or NGO clients may be more directly involved in armed conflict than companies providing military equipment or services.

Private military contractors may prevent harm and may be more akin to police than national armies, thereby raising fewer ethical concerns. Nevertheless, private armed forces do not always have clear lines of accountability and democratic control and can be used as substitutes for national forces. The application of the Christian Just War tradition to the use of private forces is not straightforward.

Private contractors may employ personnel less well-trained than those in the armed forces, under less well-developed chains of command, and with less accountability. The use of contractors in place of military personnel may therefore increase the risk of inappropriate use of force in some areas of conflict.

Policy

The CFB policy *Companies with Military Exposure* must be specifically applied to the provision of private military or security services by a company. Such services may be regarded as raising more concern than the provision of offensive weapons.

For the purposes of investment, a company's exposure to the provision of private military or security services will only be tolerated if it does not form a significant proportion of its overall activity, is clearly conducted in a well-regulated environment with clear rules of engagement subject to legal scrutiny, and is not deployed as a substitute for national armed forces.

4.3 Nestlé

The CFB reported that it was continuing to monitor Nestlé's ethical performance as requested by the 2006 Conference. The Chair stated that the Methodist Youth Executive had written to him at the request of the 2007 Methodist Youth Conference, enquiring how the shares owned by the CFB might have influenced the company's behaviour, with particular reference to allegations of bonded child labour on cocoa plantations. His reply to the Methodist Youth Executive noted

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that at a recent CFB meeting with the company a number of Nestlé initiatives that seek to eliminate child slavery and to improve conditions in the cocoa trade had been identified. It was noted that a meeting between the company and a joint Connexional Team/CFB delegation had been held on the 26 March 2009.

4.4 Israel/Palestine

The Committee commended the CFB's decision to host a meeting to exchange views and discuss the situation in Israel/Palestine with the Church of England and three US Church investors: the General Board of Pensions and Health Benefits of the United Methodist Church, the Evangelical Lutheran Church of America and Mennonite Mutual Aid. It was noted that the CFB had discussed the Committee's 2007 position paper, *Guidelines for Constructive Corporate Engagement Related to Israel/Palestine*.

4.5 BSKyB

During the year the Committee devoted a significant amount of time to discussing the ethical suitability of BSKyB, following the production by the CFB of a detailed paper on the company. This noted how the Committee had advised the CFB in 1994 that the company was not suitable for investment owing to its involvement in the production of pornographic content through its partial ownership of the Playboy Channel. The CFB stated that its policy was to avoid discriminating against companies because of their past, but to look at their present activities, and crucially, the direction in which they were moving. It believed that the company had changed significantly since 1994,

becoming much more 'family focused' and that it was therefore timely to review the ethical ban on owning shares in it. It also noted that BSKyB appeared open to engagement at present.

However, the Committee noted continuing ethical concerns about BSKyB related to the screening films of a pornographic nature and gambling channels. A number of detailed questions were raised which required the CFB to obtain additional information from the company. The CFB research also compared BSKyB with other media companies in which the CFB invested, examining accessibility to pornographic material and gaming. The Committee agreed that it was important to have a consistent approach in providing advice on BSKyB and other media companies such as BT and Vodafone. Following revisions and additions to the original paper further discussions took place.

After a thorough debate the Committee agreed that the company's current gambling exposure, 1% of group turnover, did not represent an area of significant ethical concern. However, this advice should be reviewed if turnover exceeded 5%, as this would indicate that it may have become a strategic growth area for the company. There was less agreement about the company's role as a conduit of pornographic material, although on balance it was accepted that the company had moved forward significantly since 1994. It was recognised that BSKyB was required by law to broadcast any channel on its platform subject to screening and 'adult content' controls. However, although BSKyB

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no longer held any stake in the Playboy Channel it did still own channels that broadcast pornographic content.

It was suggested that whilst engagement may be the most appropriate stance to take in future, it should involve trying to persuade BSkyB to exit from pornography and gaming as well as seeking tighter restrictions on access. The CFB commented that it was difficult to engage with a company unless it was as a shareholder. The Committee decided that engagement with the company at a senior level, preferably in collaboration with the Church Investors Group (CIG), was necessary before considering any alteration to its current advice. Such a meeting was subsequently held in February 2009 with the Chief Executive and Finance Director of the company. The Connexional Team leadership agreed that it was appropriate for one of the four Methodist Strategic Leaders to be included in high profile meetings between the Methodist Church and senior company executives. Consequently, the Secretary for Team Operations as well as representatives of the CFB and Connexional Team were part of the CIG delegation. The Committee welcomed the Methodist participation in this CIG meeting, and looked forward to seeing positive signs of change from the company in the areas of concern.

4.6 Climate Change

The Committee agreed that this was an extremely important issue that needed to be given a high priority on its agenda. The Committee noted the work done by the Methodist Church, the Baptist Union of Great Britain, and the United Reformed

Church on a joint project entitled *Hope in God's Future: Christian Discipleship in the Context of Climate Change*, a theological assessment of climate change. It also considered a 2007 Conference Resolution, *Caring for Creation in the Face of Climate Change*. It was accepted that whilst there was increasing concern about climate change among ordinary members of the Churches, little work on this subject had previously been produced by the mainstream UK Churches from a theological perspective. In the light of *Hope in God's Future*, produced for presentation to the Methodist Council, the CFB had drafted a position paper on climate change. Once detailed scrutiny of this has been completed the Committee aims to recommend a policy statement to the CFB as soon as possible. The Connexional Team also reported that the President of the Methodist Conference has joined with other Church leaders in urging that the UK government and the EU commit to a stronger negotiating line on targets in relation to the UN summit on climate change to be held in Copenhagen in December this year. In particular UK Churches have called for targets to be met by domestic emission reductions and expressed concern that our financial support to developing countries to build low-carbon economies should not allow us to buy out of progress on domestic emission reductions.

The Committee highlighted a number of initiatives already being taken by the CFB which addressed various aspect of climate change. It was noted that the CFB had been a signatory to every round of the Carbon Disclosure Project,

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and had written to all companies held by the CFB that had not participated in the (CDP 6) questionnaire. Letters to FTSE 100 companies were sent in the name of the Church Investors Group: Antofagasta, ICAP, Intercontinental Hotels Group, Kazakhmys, Rexam, Shire and Thomas Cook. The CFB wrote directly to Aggreko, Aveva Group, Beazley Group, Dignity, Charter International, Forth Ports, Hargreaves Lansdown, International Hotels Group, Morgan Sindall, Tate & Lyle, United Business Media and Wood Group. The replies received to date were noted by the Committee. The Committee also noted the growing acceptance and influence of the CDP process.

The CFB reported on the work of the Institutional Investors Group on Climate Change (IIGCC) of which it is an active member. During the year IIGCC produced a trustees' guide to the impact of climate change on property investment. It also submitted a statement to the UN Poznan conference on climate change stressing investor concern that the Copenhagen summit must draw up a replacement for the Kyoto Protocol which expires at the end of 2012.

Work was carried out investigating the feasibility of quantifying the carbon footprint of the CFB UK Equity portfolio. Having assessed various services, Trucost was commissioned to produce analysis. It was noted that the Trucost service was not limited to carbon dioxide and would provide an equivalent measure for other gases such as methane that posed a threat to the environment. The CFB cautioned that the work would only give a

broad overview and it was important not to attach too much weight to individual numbers. The Committee agreed that the most important action is to engage with companies to encourage a reduction in their carbon footprint, with the next stage being to utilise the Trucost data once a policy on climate change has been agreed.

4.7 The Church Investors Group (CIG)

The Committee noted the continuing work done by CIG, an initiative aimed at enabling the Churches of Britain and Ireland to present an ecumenical approach when dealing with companies on ethical issues, and in making related public statements. The Committee commended a paper commissioned by CIG on usury as providing a theological examination of a complex modern problem. It first provided an outline of biblical teaching on usury, moved on to examine the development of Church teaching, before seeking to relate them to contemporary investment issues. Two areas of concern were identified; home credit (door step lending) and sub-prime secured lending. The research concluded that home credit represented a usurious form of lending that disproportionately affected the disadvantaged, whilst other forms of sub-prime were not necessarily usurious.

CIG issued a *Policy Statement with Respect to Sudan*, which deplored the current situation in the Sudan, urged all parties to work for constructive engagement, and welcomed the contribution made by the Sudan Divestment Movement. In-depth reports on the Future of Nuclear Power and Shell's tar sands project, both produced

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on behalf of the Church of England, were made available to CIG members.

It was also noted that the CFB and members of the Committee had participated in a number of CIG engagement initiatives:

- ∞ Meeting with Chief Executive of EDF Energy, the UK subsidiary of the French electric utility EDF, to discuss the issue of building new nuclear power stations in the UK;
- ∞ Meeting with Chairman of Anglo American to discuss key issues related to the company's sustainable development performance;
- ∞ Marks & Spencer and Unilever both made presentations to members on their approach to corporate social responsibility. Given the significant operations Unilever has in India, the issue of caste discrimination was raised.

4.8 Investment in Mining Companies

There was regular contact with Anglo American over the year in relation to allegations raised by the NGO, Action Aid, on health and safety, local communities, and water pollution. Management had stressed the high commitment to safety by the new CEO, and had given detailed answers on the other questions. Subsequent independent water quality tests found that neither a school supply nor other drinking water supplies mentioned by Action Aid were contaminated by mining pollution. Other forms of pollution did exist, arising perhaps from poor sewerage. Two sites, which Anglo American states are used for

non-drinking water supplies, were found to contain pollution consistent with mining. Anglo American subsequently fenced off these sites. In addition to the CIG meeting the CFB participated in a meeting between the company and members of the Extractive Industries Transparency Initiative investors group.

The Committee also noted that the SRI portion of the Norwegian state pension fund had sold its shares in Rio Tinto over concerns about the Grasberg mine. The CFB had discussed these concerns with the company previously and will do so again in the coming year. A CFB report on the European company Arcelor Mittal, a large steel and mining company, was considered, noting that the CFB held shares in Arcelor Mittal via the Epworth European Equity Fund. Two main areas for concern were identified: health and safety and consultation with local communities. It was agreed that the next step should be to obtain further information from the company regarding these issues before considering future action.

4.9 The CFB Ethical Review

The Committee highlighted the importance of the CFB Ethical Performance Review, which allowed trustee bodies to meet the legal requirement to ascertain whether their investments were managed in accordance with their SRI policy. The CFB voting record, ethical overview of UK sectors, list of ethically excluded European and UK companies (approx 8% of Eurofirst 300 ex UK Index and 13% of FTSE All Share Index, respectively) and minutes of the monthly CFB ethics meeting were all noted. After several years in which

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the ethical policy had hurt investment returns, the ethically adjusted index had outperformed the FTSE All Share Index by 0.8% in 2008. A significant number of CFB reports on individual companies were received during the year (see section 2.2). The CFB reported on its regular dialogue with the GBOPHB, manager of the core CFB US portfolio, on a variety of ethical issues. It had not proved possible to find a suitable ethical fund for Continental European equities, and consequently an ethical index tracker fund had been established, operated by Barclays Global Investors but with the ethical screen supplied by the CFB.

5 Regular Reporting Items

5.1 Alcohol and Tobacco

The CFB reported that historically the French luxury goods company Compagnie Financiere Richemont had been excluded on ethical grounds due to holding a large stake in British American Tobacco (BAT). However, after restructuring, the company had now sold its stake in BAT and the Committee agreed that it should therefore be deleted from the European ethically excluded list.

5.2 Armaments

The Committee considered a CFB briefing note on the diversified German engineering and engineering company Thyssen Krupp, whose shipbuilding division represented 3.9% of the total group including submarines. Of particular concern were three Dolphin-class submarines built for the Israeli navy. There were credible although unproven allegations that these submarines could carry nuclear cruise

missiles. More general humanitarian concerns arose from the Israeli Navy's blockade of Gaza in order to prevent arms imports but which also curtailed Palestinian fishing. The Committee advised that as there was sufficient reason to believe that these submarines could be used as nuclear weapons platforms it clearly ruled out investment in Thyssen Krupp on ethical grounds. (Note also section 4.2.)

The CFB examined a number of companies in relation to their military exposure using the framework provided by the *Policy on Companies with Military Exposure*:

- ∞ Dassault Systemes, a producer of shipbuilding design software with no apparent link with any nuclear weapons platforms. The military exposure was insufficient reason for ethical exclusion and the fact that it was 50% owned by the defence contractor, Dassault Aviation, was not regarded as relevant. The Committee confirmed the CFB's view that there was insufficient cause for ethical exclusion.
- ∞ Morgan Crucible, a UK engineer, took a controlling stake in NP Aerospace, a company specialising in producing parts for the defence and aerospace industries, which include body and vehicle armour protection. Following the acquisition revenues derived from military sales were likely to jump from 5% to over 15%. The Committee advised that it should be excluded from investment.
- ∞ Bodycote, a UK engineer, had been contacted due to concerns over

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the company's military exposure. However, it had confirmed that none of Bodycote's facilities operated specifically for the manufacture of weapons or ammunition. The Committee confirmed the CFB's view that there was insufficient cause for ethical exclusion.

The Committee was also pleased to note the signing of the UN Convention on Cluster Munitions.

5.3 Corporate Governance and Business Ethics

The CFB reported on the Barclays EGM, and explained that while the CFB was not happy with the way the company had ignored shareholders' pre-emption rights, it had voted in favour of the resolution. CFB staff had participated in a meeting between BP and members of the Extractive Industries Transparency Initiative investors group. The CFB's decision to become a signatory to a letter from the UN Principles for Responsible Investment (PRI) calling for improved US corporate governance was noted. In 2008 the CFB voted against 20 resolutions authorising the appointment/reappointment of auditors and against 74 remuneration reports with a further 33 abstentions.

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

A CFB briefing note on supply chains was noted. The decision by Tesco to stop sourcing products from Zimbabwe was noted, as were allegations of poor employment practices by Tesco in the US. The Committee expressed its continuing unease about the treatment

by the company of UK farmers, a point also reaffirmed for Ireland. Allegations relating to supply chain concerns made by War on Want against Tesco, ASDA, and Primark, and by both Panorama and the Observer against Primark were noted. There was particular concern that Primark, a subsidiary of Associated British Foods (ABF), had been singled out three times. The CFB decision to engage with ABF was endorsed by the Committee. The Committee noted the correspondence between the CFB and Morrison Supermarkets over the latter's improved social responsibility performance.

5.5 Environment

A joint CFB/Connexional Team delegation met with Royal Dutch Shell. Subjects discussed included the company's approach to Global Corporate Responsibility, Health and Safety and the Corrib gas project. A follow-up meeting with the company on Nigeria was to be arranged. A press article concerning Canadian Tar sands and the environmental damage caused by their extraction and processing were considered. The CFB also participated in a PRI internet-based debate on Shell's proposed expansion in Canadian oil sands, which was feared to have a major negative environmental impact. However, it was believed that the rapid decline in the oil price put a question mark over the commercial viability of the project. It was noted that ECCR had produced a new report on Shell and that it planned to bring a resolution relating to the company's operations in the Artic Beaufort and Chukchi seas. An ECCR report on corporate water usage was also noted.

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5.6 Gambling

The only significant discussion under this heading during the year was in relation to BSKyB (section 4.5). The Committee also commended the public criticisms by the Connexional Team of government proposals to relax gambling regulations.

5.7 Medical and Food Safety Issues

The CFB reported that it had contacted GlaxoSmithkline (GSK) over allegations the company had failed to publicise adverse safety information on its Paxil/Seroxat antidepressant drug. However, it was noted that the conclusions of the meta-analysis, on which the criticisms were based, were not particularly robust. The Committee considered correspondence between the CFB and GSK over allegations of delays in publication of drug testing results, and it agreed that the company had provided a thorough and extensive reply to the CFB, which constituted a satisfactory response to the CFB's concerns. It was noted that publication of clinical trial results of this kind were likely to take up to six months although there was currently no legal obligation to publish results in any particular time frame. New legislation was being put in place which would tighten up procedures in this respect. A revised version of the Access to Medicines Index to which the CFB is a signatory was noted.

The Committee considered a Special Shareholder Resolution for the Tesco Annual General Meeting instructing Tesco to adopt the 'five freedoms' for battery chickens as part of its animal welfare policy. The CFB reported that it

had decided to vote for the resolution in line with its position on animal welfare having met with both the company and with the television company promoting the resolution. It was noted that cheap chickens were an important source of animal protein for poor families.

5.8 Human Rights

A project proposal for or from the Joint Public Issues Team to examine Human Rights and the Corporate Sector was noted. The Committee welcomed the prospect of structured theologically-based work on the subject. The Committee noted that the CFB had voted together with the GBOPHB in favour of Resolutions for the Chevron Annual General Meeting on human rights with particular reference to Burma/Myanmar. The Committee noted that continuing work was being carried out on the subject of caste discrimination, and considered the Dalit Solidarity Network report entitled: *Another Apartheid?* The CFB reported that the CIG Statement on Sudan had been used to satisfy concerns expressed by a member of the Lay Employees Pension Scheme in connection with companies operating in the Sudan.

5.9 Media

Work in this area was dominated by BSKyB (see section 4.5). The CFB reported that it had engaged with Vodafone on the subject of additional protection for children by age profiling.

5.10 Networking

The CFB reported that apart from the GBOPHB it had met and corresponded with overseas Church bodies: Glebe Asset

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Management, Uniting Church of Australia, the Evangelical Lutheran Church of America, Mennonite Church in Canada, the Church of Sweden, and the Dutch Pastors Pension Fund. It was also actively involved in: the Church Investors Group (Steering Committee member - see section 4.7); the Institutional Investors Group on Climate Change, the Carbon Disclosure Project, UN Principles for Responsible Investment, the Access to Medicines Index, the Extractive Industries Transparency Initiative and the

EIRIS Foundation (Trustee Board member). Other contacts included the Ecumenical Council for Corporate Responsibility and UKSIF. It also used the services of Ethical Investment Research Services (EIRIS), PIRC and Trucost.

6 Conclusion

The Committee judges that the CFB has managed the funds under its control in accordance with the aims of the Methodist Church.

*****RESOLUTION**

15/1. The Conference received the Report.