

GOOD RETURNS

**HOW IS OVER £1 BILLION OF
METHODIST MONEY INVESTED?
AND HOW CAN IT HAVE A
POSITIVE INFLUENCE?**

Joint Advisory Committee on the Ethics of Investment 2016

IN THE TRADITION OF JOHN WESLEY

“We are to gain all we can without hurting our neighbour [which] we may not, cannot do, if we love our neighbour as ourselves.”

(John Wesley)

In matters of commerce Wesley’s teaching was intensely practical. He extolled a positive business ethic for the good of society and to provide employment. The advice in his famous sermon on the use of money is as radical as his own lifestyle. Faith, ethics and money were inseparable for Wesley. When it came to his own spending he asked himself, “Am I acting like I owned it, or am I acting like the Lord’s trustee?”

Our purpose

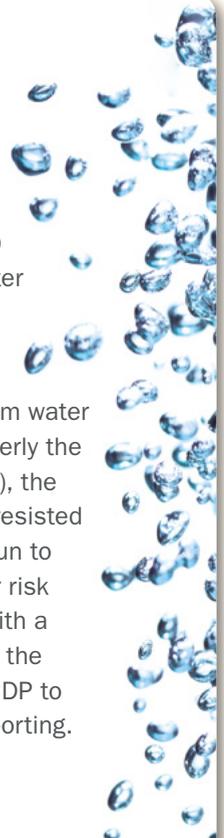
Grappling with such questions was difficult in Wesley’s time and is possibly even more so today as we live in a globalised society. In 1983 the Methodist Conference established the Joint Advisory Committee on the Ethics of Investment (JACEI) to advise the Central Finance Board of the Methodist Church (CFB) on the ethical considerations relating to investment.

The CFB has responsibility for investment decisions related to over £1 billion of Methodist funds. JACEI sometimes

CASE STUDY WATER

Some 2.7 billion people, or 40% of the global population, live with water shortage for at least one month a year. Latest projections suggest demand will exceed supply by 40% by 2030 unless water management practices change; without these, water scarcity may lead to migration and conflict.

Business has an important role to play as a key user of water, and JACEI has encouraged engagement with companies for whom water stress represents a strategic risk. Working alongside CDP (formerly the Carbon Disclosure Project) and the Church Investors Group (CIG), the CFB has identified 37 UK ‘laggard’ companies that have either resisted or have been slow to adopt standards for disclosure. It has begun to engage with them to encourage improved performance on water risk management and disclosure. Early results have been positive with a number of companies committing to disclose water-use through the CDP Water Programme, and others entering into dialogue with CDP to work towards improving risk identification, management and reporting.



CASE STUDY

THE LIVING WAGE

The Methodist Church has been a strong supporter of the Living Wage campaign and was the first UK church denomination to pay the Living Wage from 2011. In the same year the CFB began a programme of engagement with UK companies on the subject. The Living Wage is based on the cost of living in the UK. In contrast the new compulsory minimum wage for staff aged over 25, which the government has confusingly called the National Living Wage, relates to labour market conditions rather than a family's need and is calculated on the basis of what the market might be able to bear without significant disruption. Over the past five years the CFB's engagement with companies has had considerable success. Of 19 companies originally targeted, 12 (including Lloyds, HSBC and Pearson) have either become Living Wage employers or have moved significantly towards adoption.



advises that the activities of companies are incompatible with the positions of the Methodist Church, for example because of their involvement with nuclear weapons, a significant exposure to alcohol or gambling, coal burning or tar sands or abuse of human rights. In such circumstances the CFB will either disinvest or place them on an exclusion list. More often, though, JACEI advises on how the CFB's relationship with companies can best be used to raise the ethical dividend – this is often referred to as 'engagement'.

JACEI develops ethical policies for the CFB on a range of issues, including the military, prisons, pornography,

caste discrimination, human rights, children's issues and conflict, which guide the engagement with companies. For example, a CFB policy on electricity generation in relation to climate change has resulted in active engagement with six companies over the consistency of their business model with the need to reduce carbon emissions. In two cases this led to a decision to disinvest or exclude from future investment. Discussions have continued with a further two generating companies to make clear that the CFB's ongoing investment is dependent on the company's future approach in relation to the burning of coal.



STRONGER TOGETHER

With the support of JACEI, the CFB plays a leading role in the Church Investors Group (CIG). By combining the influence of Church investors that together have total investments of £15 billion, the CIG multiplies the impact of its members. The CIG's engagement project around the management and disclosure of carbon emissions was shown by an independent academic assessment to have been responsible for a measured improvement in reporting by 23 major UK companies in 2015.

The CFB and JACEI maintain a close working relationship with the significant

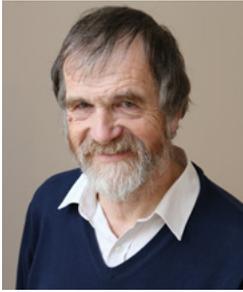
investment fund of the United Methodist Church in the United States, managed by the General Board of Pension and Health Benefits subsidiary, Wespath Investment Management. This collaboration further extends the influence of our work. In the past year JACEI has re-evaluated private sector involvement in the manufacture and stockpiling of nuclear weapons. The work was shared with Wespath, which subsequently revised its policy in this area and decided to disinvest from six companies with an involvement in nuclear weapons.

ACCOUNTABILITY

The JACEI committee comprises 11 members – the Chair plus 10 persons nominated equally by the CFB and the Methodist Council. A comprehensive account of the work of JACEI is provided to Methodist Church members and to the Methodist Conference each year (www.methodist.org.uk/jacei). There has been steadily increasing interest in the work of JACEI on the part of members of the Methodist Church. This reflects a higher public profile

of ethical investment overall and of disinvestment campaigns in particular.

Following the instructions given by John Wesley is no easy task. JACEI and CFB are committed to ensuring that the Methodist Church uses its influence in the world of business to bring about positive change. In this respect we strive to help the Methodist Church to act “like the Lord’s trustee”.



The Revd John Howard

From the Chair of the Joint Advisory Committee on the Ethics of Investment (JACEI):

During 2015/2016 JACEI has advised the CFB on a wide range of ethical issues. In addition to activities already outlined we have:

- organised a fossil fuel roundtable meeting as a part of our commitment to consultation on climate change and investment
- assessed oil and gas companies against the *Climate change: Implications for different fuels' policy* leading to divestment from three companies and listing of a further six for exclusion from investment
- led an investor coalition in co-filing a shareholder resolution at the Anglo American AGM on carbon disclosure and transparency on policy positions in relation to climate change
- met with mining companies to discuss community relations and environmental issues and participated in visits to mines in Peru and South Africa as part of a wider ecumenical initiative
- engaged with Volvo over operations in Israel, and remain in discussion with

● HeidelbergCement regarding a quarry and other facilities in the occupied Palestinian territories

- added SOCO International to the CFB excluded list for failing to meet its environmental and human rights standards
- engaged with Dignity, the largest UK provider of funerals asking them to support the Fair Funerals Pledge.

A full report on the work of JACEI is contained in the agenda of the Methodist Conference, and is available from www.methodist.org.uk/jacei. Position papers and ethical policies are available from www.cfbmethodistchurch.org.uk/ethics.

We very much welcome comments and feedback on the work of JACEI and I encourage you to contact me if you have questions or concerns about ethical investment.

● *The Revd John Howard,
Chair, Joint Advisory Committee on
the Ethics of Investment (JACEI)*



The **Methodist Church** Joint Advisory Committee
on the **Ethics of Investment**

The Joint Advisory Committee on the Ethics of Investment (JACEI) meets four times a year to advise the CFB on the ethical aspects of its work, and monitors its decisions from an ethical standpoint.

Joint Advisory Committee on the Ethics of Investment (JACEI)

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Central Finance Board
of the Methodist Church

The Central Finance Board of the Methodist Church (CFB) is responsible for managing and investing over £1 billion of Methodist assets. Its challenge is to make good financial returns, whilst acting within the teachings of the Methodist Church. Its mission statement affirms that “we aim to construct investment portfolios which are consistent with the moral stance and teaching of the Christian faith [and] to be a Christian witness in the investment community”.

Central Finance Board of the Methodist Church (CFB)

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