

21. Joint Advisory Committee on the Ethics of Investment (JACEI)

Contact name and details	The Revd Rachel Parkinson Chair of the Committee jaceichair@methodistchurch.org.uk
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Chair's Foreword

1. I became Chair of JACEI in the autumn of 2023, half way through the period which this report covers. I am still getting to grips with both the privilege and responsibility this role entails.
2. The privilege arises through the part I am able to play, through JACEI, in helping the Methodist people put into practice our reaffirmed commitment to being a justice-seeking Church. I felt somewhat vulnerable taking up the Chair without expertise in finance and investment. However, the primary focus of JACEI is not money. JACEI's focus is God's creation, of which the human family is a part. Our goal is to increase the state of health and well-being within the whole of creation. Money comes into the equation as a source of power through which that goal may be achieved. The work of JACEI is to discern advice which will help the CFB (Central Finance Board) and its subsidiary, Epworth Investment Management Ltd (Epworth), to use that power wisely and justly on the Church's behalf through ethical and responsible investment.
3. As I have discovered, the just and wise use of the power bound up in our financial resources entails far more than making investment decisions. My enthusiasm for joining in the work of JACEI was inspired by an address which Andrew Harper, Chief Responsibility Officer for the CFB, gave to the Presbyterian Synod of the District I serve. Andrew gave specific examples of how the CFB had used its status as shareholder to engage with companies through conversation, negotiation and education. This led to changes in company policy which had helped transform the lives of disadvantaged communities. I remember Andrew saying that a better question than "how do we change the world?" is "whose world can we change?". I like this quote because it roots the work covered in this report back into the effects it can have on the wellbeing of God's creation.
4. Within this report you will find a number of positive examples of engagement with companies and industry sectors. These cover a broad range of issues, guided by the seven ethical pillars which continue to provide a theological underpinning to the CFB's approach. Much of this work has been undertaken in collaboration with members of the Church Investors Group or other interested parties. The power of joint action is illustrated by the progress made in engaging with banking giants HSBC and Barclays over their approaches to financing oil and gas projects.

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The global nature of our Methodist family can also provide unique collaborative opportunities when it comes to raising ethical concerns. This year JACEI has sought to respond to allegations of sexual violence on tea plantations by encouraging the CFB to open dialogue with companies in that market. In this area of work we have found a willing partner in the Methodist Church in Sri Lanka which we hope will add weight to our advocacy on behalf of vulnerable employees.

5. Alongside the privilege of chairing JACEI comes the responsibility. I personally feel the weight of this in the complexity of the work which JACEI undertakes on behalf of the Church. Matters are rarely straightforward and an eye always needs to be kept out for the unintended consequences of decisions made. In order to be useful, the policies JACEI approves need to be relatively succinct whilst also speaking into the broad range of circumstance in which they will be applied. A major piece of work for JACEI this year has been the approval of a new Conflict policy for the CFB. An important basis for its formulation was the extensive work previously done on policy in relation to Israel and Palestine, with specific checks being made to ensure that the adoption of a global policy would not diminish the rigour of approach in this particular arena. Since the policy was approved, we have witnessed the horrendous events of 7 October and its aftermath, together with Russia's continued war on Ukraine and countless other conflicts around the globe which do not make our headlines. These all underline how vital the Conflict policy will be in helping the Methodist Church to seek justice through the pursuit of peace.
6. Having cited my own lack of experience in the area of investment, it has been a joy of these early months to find myself working alongside people in JACEI and in the CFB/Epworth who bring a wide range of skills and expertise to the table. I want to pay tribute to the time, energy and commitment they bring to the work we do together.
7. I also want to commend this report to you. As you read it, and bearing in mind everything that God has created, you may wish to ponder: "whose world could this change?"

**The Revd Rachel Parkinson,
Chair of JACEI**

Executive Summary

8. Ethical Pillars

JACEI is pleased to report the CFB has taken steps to further integrate theological principles into its operations by updating certain key policies better to reflect its ethical pillars. These enhancements demonstrate the CFB's ongoing dedication

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to fulfilling God's call for stewardship over the planet and concern for its peoples. Inspired by the Methodist values of justice, equality, personal integrity, and communal support, these policy updates are also in line with the Methodist Church's mission to become a Justice-Seeking Church. Details of these Pillars can be found on the Epworth website.

9. **Climate emergency**

JACEI continued to follow the work of the CFB on the climate emergency during the year. The CFB is a co-lead on engagement with Anglo American as part of Climate Action 100+ collaboration group. Anglo American is a large, multinational diversified mining company specialising in the production of platinum, diamonds, copper, nickel and iron ore. The collaborative group is now focusing its attention on Anglo's methane emissions from the mining of coking coal. The mining of coking coal is a major source of methane emissions globally. Methane emissions represent the largest component of Anglo American's Scope 1 emissions. As such, the CFB and the CA100+ co-leads, Robeco & Church of England Pensions Board have asked Anglo to set methane-specific reduction targets.

10. **Banks**

JACEI was pleased to hear about the recent work undertaken by the CFB on the banking sector in relation to the Climate Emergency. Continuing the engagement work on HSBC done by the CFB, Andrew Harper, Chief Responsibility Officer for the CFB, was recently interviewed by ITV after an investigation by the Bureau of Investigative Journalism revealed that HSBC, despite its climate pledges, is continuing to support expansionist oil and gas projects. As a result of increased attention, HSBC has agreed to start publishing its off-balance sheet emissions from where it advises on capital raising for oil and gas companies.

CFB has continued its engagement focus within the banking sector, and alongside other institutional investors co-ordinated by ShareAction, co-filed a shareholder resolution against Barclays Plc. This has been done with the intention of improving and refining the company's policies surrounding the financing of oil and gas extractives which will in turn lead to a more robust foundation to hold the bank more accountable in its pledges. As a result of this engagement, Barclays has released a new policy covering its oil and gas business. Although there is space for the company to go further with its commitments, this new policy is a positive step in the right direction.

11. **Biodiversity**

Biodiversity has become a focus for investors, with the launch of Nature Action 100 in December 2022, and prior to that the Taskforce on Nature-related Financial Disclosures (TNFD) in July 2021. CFB is a signatory to the Nature Action 100 with

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three focus companies and will engage with the purpose to reduce the impact of their operations on nature by 2030, through setting specific targets and disclosing annually against them.

12. Tax Justice

The CFB is continuing its engagement with investee companies on the topic of tax justice, promoting the right payment of tax in the right jurisdiction at the right time. The CFB engaged with six new UK companies during the year, as well as following up with two non-responding companies. CFB has begun an engagement programme with its European holdings on the topic of tax transparency. As the Fair Tax Mark has broadened its offering to apply to global companies, the CFB has followed suit and written to seven European headquartered companies. JACEI looks forward to an update in due course.

13. Conflict Policy

During the year under review, JACEI approved a new Conflict policy for the CFB. Given the continuing rise in armed conflict across the world, the CFB and JACEI felt that a broader policy was needed. This new policy supersedes the Israel/Palestine policy, allowing for the rigour of that policy to be applied to multiple areas of conflict, including Israel/Palestine. The new policy aims to encapsulate the different forms of conflict, including occupied territories, that occur across all geographies, as well as being succinct enough to provide CFB fund managers guidance to speak with investee companies.

14. JACEI continues to hear from CFB on the stances of companies with involvement in Russia. In the past year, it was reported to JACEI that CFB has no direct exposure to Russia, whether through Russian equities or their banks.

15. Health, wellbeing and farm animal welfare

Nestlé has a wide range of products that it sells to consumers. The CFB brought to JACEI's attention a resolution at the company that institutional investors are co-filing to gain greater clarity around the targets that the company is setting with regard to healthy food sales. The CFB has pre declared its intention to support this vote at the AGM and will be engaging with the company in order to press them on this issue.

16. Tea Plantations

JACEI was shocked at the recent allegations of sexual violence in tea plantations in Kenya which Unilever previously owned. Given Unilever still has operations in India with tea plantations, JACEI encouraged the CFB to engage with the company, to which they have had no response to date. It was noted that this issue

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is prevalent in Sri Lanka also, and members of the Committee suggested reaching out to the Methodist Church in Sri Lanka to discuss this with them and dialogue has now been established which will continue in the coming year.

17. **Media policy**

During the year under review, JACEI began discussions around updating its media policy. JACEI began to discuss what we mean by media, outlining who benefits and who is most at risk from media. JACEI is particularly concerned with the harm media can and has caused to many vulnerable people- particularly children. This conversation is ongoing and will result in an updated policy in the near term.

18. **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.

19. **The UK Stewardship Code**

The CFB remains committed to attaining approval of its UK Stewardship Report. The CFB are in the process of submitting the 2023 report, and JACEI looks forward to hearing the outcome of this. The 2023 submission builds upon two years of successful applications after the 2020 Stewardship Code refresh.

20. **The Church Investors' Group (CIG)**

The CFB is part of the ecumenical Church Investors' Group, which works to encourage responsible business practice through engagement with company managements and promote ethical investment based upon Christian ethical principles.

21. **Communication**

All the CFB publications including quarterly responsible investment reviews and voting summaries, are available on the CFB and Epworth websites (<https://www.epworthinvestment.co.uk> and <https://www.cfbmethodistchurch.org.uk>) in keeping with a strong tradition of full transparency.

22. **The CFB ethical review**

JACEI's responsibility to the Conference includes a resolution that the CFB Funds are managed in support of an ethical stance *which is in accordance with the aims of the Methodist Church*. It regularly reviews the CFB performance in this regard across a range of reports and reviews.

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Governance

23. 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

24. 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.

25. 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+**; **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

21/1. The Conference receives the Report of the Joint Advisory Committee on the Ethics of Investment for the year to 31 March 2024.

For more detail on the issues contained within this Summary Report, and other matters considered by JACEI, we recommend referring to the full 2024 Report which can be found on the CFB website www.cfbmethodistchurch.org.uk

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Governance: Role, Function and Membership of the Committee

The Joint Advisory Committee on the Ethics of Investment (JACEI) was established in 1983 by a Resolution of the Methodist Conference to provide a mechanism for the Methodist Church to tackle ethical dilemmas associated with investment and to report annually to the Conference.

Terms of reference

The Joint Advisory Committee of the Ethics of Investment shall have a Chair appointed by the Methodist Council who should be able to represent Methodism at a senior ecumenical level. This position has to date always been filled by a District Chair.

The Committee shall have five members appointed by the Central Finance Board of the Methodist Church (CFB) and five members appointed by the Methodist Council. The function of the Committee shall be:

- *To advise the CFB of ethical considerations relating to investment, it being accepted that the CFB legally has responsibility for making the final decision on the purchase or disposal of any investment;*
- *To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, any investment decision taken on ethical grounds, and any other advice the Committee may provide on ethical matters relating to investment;*
- *To report to the Methodist Conference on the workings of the Committee and in particular to comment on the performance of the CFB in managing the funds under its control according to an ethical stance which is in accordance with the aims of the Methodist Church;*
- *JACEI may comprise both executive and non-executive members, with the expectation that the CFB and Methodist Council may each nominate one executive officer to be a Member of JACEI;*
- *Each non-executive member appointed by either the CFB or by Methodist Council shall be eligible to stand for membership for up to two successive terms of three years, up to a maximum of six years in total;*
- *Members, on the completion of each three year term, may stand down, be asked to stand down, or be asked to give their assent to continue to serve up to the normal maximum of six years. Their re-appointment shall be recorded in the Minutes; executive members of JACEI representing the CFB and Methodist Council shall have no upper limit to their terms;*
- *The Committee, may agree to a non-executive member, including the Chair, serving for an additional period of up to three years at the completion of any six year term, to facilitate continuity of the Committee's business;*

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- *A Minute shall be taken of any meeting of the Committee, approved by JACEI members, and signed as a true and fair record of proceedings by the Chair;*
- *The Committee shall appoint a Secretary to act on its behalf.*

Standing Order

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

- (1) *There shall be a Joint Advisory Committee on the Ethics of Investment, appointed annually in accordance with clause (2) below.*
- (2) *The Committee shall consist of eleven persons and shall comprise:-*
 - (i) *a Chair appointed by the Methodist Council;*
 - (ii) *five other persons appointed by the Methodist Council;*
 - (iii) *five persons appointed by the Central Finance Board;*
- (3) *The Committee shall meet as frequently as need be, but in any event at least once a year.*
- (4) *The Committee shall be responsible for advising the Central Finance Board on ethical aspects of investments, and proposed investments, and shall report annually to Conference.*

JACEI procedures

The Committee has agreed it should:

- Hold at least four meetings a year;
- Have its own identity with a postal and electronic address located within the Connexional Team at Methodist Church House;
- Advise the CFB and its subsidiary Epworth Investment Management Ltd. in relation to Methodist Church policy in respect of ethical and responsible investment;
- Examine all aspects of a company's operations rather than focus on one particular issue;
- To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, any investment decision taken on ethical grounds, and any other advice the Committee may provide on ethical matters relating to investment;
- Seek ways to make the advice provided by the Committee available to the wider Methodist Church.

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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.

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The Committee confirms it:

- ✓ held four meetings; in 2023/24 four meetings took place in June 2023, September 2023, December 2023, and March 2024;
- ✓ has its own identity with an address located at Methodist Church House;
- ✓ advised the CFB in relation to current Methodist Church policy;
- ✓ examined all aspects of a company's operations rather than simply focus on one particular issue;
- ✓ took responsibility, where appropriate, for making public any ethical policy of the CFB and in particular any investment decision taken on ethical grounds, and;
- ✓ sought ways to make the advice provided by the Committee available to the wider Methodist Church.

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

Committee membership

The Revd Rachel Parkinson is the Chair of the Committee. She assumed this position in October 2023. The Revd Dr Stephen Wigley stepped down during the year after eight years as the Chair of the Committee.

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

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

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

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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 Matthew Jones, Mr Callum Hughes, Ms Roz Amos and Mr Steve Hucklesby.

Mrs Sophie Forrest, the JACEI Secretary, was on maternity leave for some of the year. The Secretariat position was covered by the CFB.

The Committee has a reciprocal arrangement with the Church of England Ethical Investment Advisory Group (EIAG) whereby representatives of JACEI and the EIAG attend as observers of each other's meetings and exchange Minutes.

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

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