



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

ANNUAL REPORT 2016



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THE COMMITTEE JUDGES THAT THE CFB HAS MANAGED THE FUNDS UNDER ITS CONTROL ACCORDING TO AN ETHICAL STANCE WHICH IS 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;
- ethically excluded lists of UK and European companies;
- monthly ethics meeting minutes of the CFB;
- company engagement record of the CFB;
- Trucost and EIRIS reviews of the CFB UK portfolio carbon footprint;
- participation of the CFB in the Church Investors Group; the Institutional Investors Group on Climate Change; CDP (formerly the Carbon Disclosure Project); the Principles for Responsible Investment; Access to Medicines Index; Access to Nutrition Index; Business Benchmark on Farm Animal Welfare, and the Extractives Industry Transparency Initiative;
- collaboration with Wespeth (the investment arm of the General Board of Pensions and Health Benefits of the United Methodist Church).

THE CONFERENCE RECEIVES THE REPORT OF THE JOINT ADVISORY COMMITTEE ON THE ETHICS OF INVESTMENT FOR THE YEAR TO 31 MARCH 2016



Revd John Howard
Committee Chair

THE WORLD ECONOMIC FORUM'S ASSESSMENT PLACES THE FAILURE TO MITIGATE AND ADAPT TO CLIMATE CHANGE AS THE SINGLE MOST PRESSING RISK FACING THE WORLD

I am delighted to submit our Annual Report to Conference on ethical investment issues we have debated and tackled during the 2015/16 reporting year.

The World Economic Forum Global Risks Report published annually is a respected and comprehensive appraisal of the key risks facing the world. For the first time, the 2016 assessment places the failure to mitigate and adapt to climate change as the single most pressing risk facing the world in terms of impact. Extreme weather events and failures associated with climate change are assessed as the second and third biggest risks in terms of likelihood.

OUR CLIMATE CHANGE SHAREHOLDER RESOLUTIONS AT BP AND SHELL WERE ADOPTED BY AN OVERWHELMING MAJORITY

2015 was a momentous year with the COP21 Paris Climate Change talks determined a success, and as investors, having our shareholder resolutions at BP and Shell on climate change resilience, adopted by an overwhelming majority.

The past year has been a busy one for JACEI as we approved a new Policy on the 'Ethical Implications of Different Fuel Sources' of which one consequence was divestment from Glencore. We are now going onto apply the Policy to the oil equipment & services sector. The success of the 'Aiming for A' coalition in filing shareholder resolutions will be repeated in 2016 when the extractives sector will be the target, as we believe this kind of engagement is bearing fruit.

At every meeting of JACEI, climate change is a major agenda item; we not only review the work of the CFB, but latest thinking and key literature to inform our oversight.

We have been mindful of the strong interest expressed by Conference and the Memorials tabled in 2015. Seeking to address concerns expressed by Conference in 2014, a report 'Fossil Fuels and Ethical Investment' was tabled at the 2015 Conference, and was received after a full and lively debate.

Climate change rightly dominates this Report to Conference, but it is far from the only subject that draws our attention. Each meeting of JACEI contains a full Agenda of engagements, issues and concerns addressed by the CFB in its day to day work.

This Report particularly acknowledges the amount of work undertaken in support of the Living Wage Campaign. CFB has actively worked on this since 2011, and a review conducted during the year showed the significant success our work has achieved, with 47% of the 19 targets either adopting or in near compliance with being Living Wage employers.

METHODIST, CHURCH OF ENGLAND AND OTHER CIG MEMBERS WILL VOTE WITH ONE VOICE FOR THE FIRST TIME

2015 saw the roll out of a single, unified voting template and policy for Church Investors Group (CIG) members using one service provider – ISS. This has been a long-held aspiration, and has taken some time to bring to fruition. It means for the first time that Church of England, Methodist and other CIG members will vote at company meetings with one voice so as to maximise our influence, particularly on executive pay.

CFB is signatory to a number of industry initiatives such as Access to Medicines, Access to Nutrition, Business Benchmark on Farm Animal Welfare and the Extractives Industry Transparency Initiative. Our Report sets out how we use these and factor their findings into our engagement.

CFB is a signatory of the Principles of Responsible Investment, and with extra resource committed, we expect to make more use of the international network of investors to engage on global environmental, social and governance issues. We were heartened that CFB received the highest overall rating of A+ for its process and performance.

WATER RISK, HUMAN RIGHTS AND TRAFFICKING, INVESTMENT IN ISRAEL/PALESTINE AND ENGAGEMENT WITH NESTLÉ WERE ALSO IN FOCUS THIS YEAR

Other issues that have seen focus this year include water risk (leading a CIG water engagement initiative), human rights and trafficking, investment in Israel/Palestine and engagement with Nestlé. Noting the interest expressed by Conference in this work, we provide more detail this year on how we engage with Nestlé and the benefits of close engagement with the company.

A new issue we have grasped this year in response to a Church Action on Poverty report is Funeral Poverty. With the cost of a funeral rising, the phenomenon of funeral poverty is a pressing one. We see this as a strong issue of social justice and have engaged with the UK's largest provider of funerals on their adopting the Fair Funerals Pledge.

THIS IS MY LAST REPORT AS CHAIR OF JACEI AS MY TERM OF OFFICE COMES TO AN END IN 2016

This is my last Report as Chair of JACEI as my term of office comes to an end in 2016. I am grateful to all JACEI members for their time and care in debating the great ethical investment issues of our day and I thank colleagues at the CFB and Joint Public Issues team (JPIT) for their diligence and hard work in supporting the Committee. I also wish my designated successor, the Rev Dr Stephen Wigley, Chair of the Wales Synod, every success as he takes on the challenging role of leading JACEI

I commend this report to Conference as evidence of the breadth and depth of issues regularly considered by JACEI and as part of the CFB's commitment to invest ethically in accordance with Methodist Church thinking. We are always delighted to receive comments and feedback on the report itself, and on the work undertaken.

The 2015 Methodist Conference contained a number of items of business relating to climate change and investment. The report, Fossil Fuels and Ethical Investment, which updated the Conference on CFB policy on fossil fuels and outlined the advice of JACEI, was presented in response to a Memorial from 2014. Three new Memorials related to investment in fossil fuels were considered and whilst they were declined, the replies indicated the seriousness with which the CFB takes the issue as seen in its new policy, Climate Change: Implications for Different Fuels. Finally, JACEI welcomed the fossil fuels and climate change Notice of Motion debate, as it provided an opportunity to discuss and understand better JACEI's approach to advising the CFB. Both JACEI and the CFB also took note of the request to develop a strategy for increasing investments in renewable energy.

Climate change has once again been the most significant issue on our agenda, with considerable time devoted to it over the past year. In particular JACEI noted that the CFB:

- implemented its new Policy, Climate Change: Implications for Different Fuels on its UK and European portfolios;
- engaged extensively with companies on climate change issues including participation in the investor coalition 'Aiming for A', taking the lead in co-filing a shareholder resolution at the Anglo American AGM;
- accepted opportunities to invest positively in clean energy including Green Bonds;
- continued to measure the carbon footprint of its UK portfolio, which remains lower than the Index although the gap between the two has narrowed;
- worked collaboratively with the Church Investors Group (CIG) engaging with industry laggards;
- continued to use its vote against companies that are laggards in reducing carbon emissions;
- participated in several IIGCC initiatives including a letter to the EU Commission on vehicle emissions and to HM Treasury on a proposal to discontinue corporate requirements to report on tangible non-financial issues such as emissions;
- signed the COP21 Paris Pledge that arose out of the 2015 Paris Climate Change talks;
- signed the PRI led Montreal Pledge in which participants commit to measure and disclose the carbon footprint of their portfolios;
- participated in Roundtable discussions convened by Christian Aid on Church investment and fossil fuels;
- responded to correspondence from individuals within Methodism on CFB investment in fossil fuels

“ CLIMATE CHANGE HAS ONCE AGAIN BEEN THE MOST SIGNIFICANT ISSUE ON OUR AGENDA ”



“ FOLLOWING THE DEBATE AT CONFERENCE, JACEI DECIDED TO HOLD A FOSSIL FUEL FORUM ”

FOSSIL FUEL FORUM

Following the debate at Conference, JACEI decided to hold a Fossil Fuel Forum as part of our commitment to consultation and dialogue. The Forum was designed to:

- assist JACEI in providing appropriate advice to the CFB relating to fossil fuels and climate change;
- explain publicly where we are currently positioned and the work already undertaken; and
- discern a direction of travel in response to changing circumstances.

The day comprised eminent speakers setting out the theological and economic context to climate change, some industry scenario analysis and the case for divestment. In addition to Committee members, those attending included representatives of those who had brought the fossil fuel Notice of Motion and Memorials to the 2015 Conference, observers from other churches, expert advisers and local Methodist churches. A full report of the day will be made available in due course.

FOSSIL FUELS AND OTHER CHURCHES

The Church of England's new climate change policy was reviewed. The main thrust of its approach to fossil fuels was consistent with that of the CFB, although there may be different implications for individual companies. The same view was taken of the new United Reformed Church climate change policy.

It was noted that in the past year a number of church bodies, including those linked to the United Church of Canada, the Uniting Church of Christ, the United Methodist Church and the Episcopal Church had announced plans for some form of divestment or withdrawal from companies involved in the production of fossil fuels.

“ DURING THE YEAR THE CFB ADOPTED A NEW POLICY, CLIMATE CHANGE: IMPLICATIONS FOR DIFFERENT FUELS ”

During the year the CFB adopted a new policy, Climate Change: Implications for Different Fuels, as advised by JACEI. This built on the work that had resulted in the policy for the electricity generation industry. The policy statement and the background position paper can be found on the CFB website.

The position paper considers the theological context, and policies adopted by other churches, before looking at the climate change impact arising from different fuels including coal, gas, biofuels, nuclear and renewables. It concluded that ‘ethical acceptability’ should be dependent on how consistent a company’s current operations and future investment plans are with a target to reduce the UK’s GHG emissions by 80% from 1990 levels by 2050.

The policy is focused on engagement with companies so as to reduce their carbon intensity and impact. However, it also sets out areas of investment that would be incompatible with the position of the Methodist Church, particularly significant exposure to thermal coal and tar sands.

POLICY

In respect of fuel extraction, primary energy production and related industries:

- To reflect the Methodist Church’s positions and actions on climate change within our investments, and our voting;
- To engage with companies to encourage accurate disclosure of their overall levels of emissions and emissions intensity;
- To engage with companies to encourage them 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 engage with companies to encourage them to invest in such a way that it is consistent with the need to reduce greenhouse gas emissions in developed markets by 80% by 2050 and globally by 50% by 2050, recognising that a substantial proportion of fossil fuel reserves will need to remain unexploited;
- To evaluate companies based on the quality of disclosure of their emissions and emissions intensity, the levels of their emissions and emissions intensity and the implications of their business models and investment plans for future emissions reductions;
- To seek investments that contribute to, or facilitates reductions in, greenhouse gas emissions.

To recognise that companies which provide equipment and services to the extractive industries should be viewed similarly to the companies they serve.

To recognise that the following would be inconsistent with the positions and actions of the Methodist Church and may lead to exclusion:

- Investment plans that have a significant proportion devoted to oil sands or thermal coal production and would therefore imply a low probability of meeting emissions reduction targets;
- Business models dedicated to exploring for and developing new assets which imply a low probability of meeting emissions reduction targets;
- Companies in which a significant proportion of revenues is derived from the extraction of thermal coal and oil sands and would therefore be inconsistent with the CFB policy to have portfolios with relatively low and measurably declining carbon footprints.

To evaluate companies based on all aspects of their operations, including their lobbying, health & safety, local environmental impacts and human rights record, as well as their impact on climate change.

Once the policy was approved, the CFB undertook a detailed assessment. Six oil and gas producers were identified as being in breach. JACEI agreed with this conclusion. The CFB was not invested in four (**Cairn Energy**, **Exillon Energy**, **Nostrum Oil & Gas** and **Ophir Energy**), but had holdings in **Tullow Oil** and **Premier Oil**, which were subsequently sold. No UK companies were significantly exposed to tar sands, although **BP** and **Royal Dutch Shell** continued to invest in the area. This was a matter of concern and discomfort, which JACEI urged should be stressed in future when engaging with them on their overall approach to reducing climate change impact.

An assessment of mining companies not already excluded on ethical grounds was also undertaken. Glencore’s exposure to thermal coal was considered to be a significant proportion of its overall business. As a result, JACEI advised that the holding should be sold on ethical grounds, and this was subsequently done.

Similar assessments were made of six European companies. JACEI agreed with the conclusion that none were in breach of the Policy, but recommended that engagement should be undertaken with **Statoil** and **Repsol** given their rising exploration expenditure and exposure to oil sands.

Finally, six oil equipment and services companies not already excluded on ethical grounds were assessed. It was noted that activities included not only support for exploration and development, but also repair, decommissioning, and renewables. JACEI agreed with the conclusion that **Hunting** and **Lamprell** were in breach of the Policy, but advised that further work on **Petrofac** was necessary. None of these is currently held by the CFB. JACEI supported engagement with **John Wood Group**, which is held by the CFB.



The Church Investors Group (CIG) manages engagement on behalf of members linked to the results of the CDP (formerly known as the Carbon Disclosure Project) annual survey. CDP surveys 5,000 of the world's largest companies asking them to report on their climate strategies, energy use and emissions. This offers a robust methodology and mechanism for managing and reducing climate change impact and facilitates the integration of climate change into our proxy voting policies. Companies that respond receive a numerical score relating to their disclosure and a letter grade (A-E) reflecting performance. CIG engages with companies in carbon intensive sectors that either do not respond to the survey or achieve less than a 'C' grade for performance.

In 2015 CIG identified 63 'laggards'. CDP results showed that 51% of these target companies improved their disclosure score, of which 59% showed significant improvement by either moving up a performance band or responding to the survey for the first time.

Over the past three years of CIG engagement results have shown a significant improvement with 35 'laggard' companies now achieving above a 'C' grade, twelve of which scored a 'B' and one an 'A'. An independent assessment commissioned annually from the University of Edinburgh concluded with a 95% confidence level that had CIG not conducted the engagement programme 13 of these companies would have failed to improve their CDP performance grade over the three years.



“ CDP SURVEYS 5,000 OF THE WORLD'S LARGEST COMPANIES ASKING THEM TO REPORT ON THEIR CLIMATE STRATEGIES ”



“ THE COLLAPSE OF A TAILINGS DAM DEVASTATED AND DESTROYED LOCAL COMMUNITIES ”

The Mining Reflections Initiative, which brings together mining executives and church leaders to discuss sustainable mining, continued to command a high priority over the past year. A further programme of mine visits took place, including ones to a copper mine in Peru (led by **Glencore**), and a diamond mine in South Africa (led by **DeBeers/Anglo American**) in which CFB executives participated. Although there was no Global Day of Reflection in 2015, a conference, entitled Meaningful Conversations, was hosted by the Archbishop of Cape Town. It aimed to widen discussions between mining executives, communities and churches in South Africa. There was also a meeting with the industry hosted by the Pontifical Council for Justice and Peace and workshops in London to consider how to take the process forward. There continues to be strong commitment by the major mining companies participating in

the Reflections process, and plans are underway for a Global Day of Reflection in 2017, involving senior representatives of the major Christian denominations.

The extractives industries receive considerable focus given the multiple issues arising for responsible investors. During the year CFB participated in SRI meetings organised by **BP** and **Anglo American**, and arranged 'one to one' meetings with **Tullow Oil**, **Glencore**, **Randgold Resources** and **Royal Dutch Shell**.

The Committee noted with concern the major accident in Brazil at the Samarco iron ore mine a joint venture between **BHP Billiton** and **Vale**. The collapse of a tailings dam devastated and destroyed local communities, caused at least 19 fatalities, and widespread environmental damage. The CFB has kept the situation under close watch and JACEI noted the swift

and compassionate response by BHP, which saw accelerated remediation and compensation plans put into effect. CFB also engaged with Anglo American regarding allegations of disproportionate violence used in the forced eviction and resettlement of community members at the Cerrejón mine in Colombia. The response received was considered satisfactory.

CFB is a signatory investor of the Extractives Industries Transparency Initiative (EITI) and takes part in regular investor calls monitoring progress in enrolling more country participation in the tax transparency initiative. EITI now has 49 implementing countries, 31 fully compliant with EITI transparency requirements and 44 publishing tax revenues.

“ THE COALITION CO-FILED SUPPORTIVE SHAREHOLDER RESOLUTIONS AT THE BP AND ROYAL DUTCH SHELL AGMS ”



'Aiming for A' is a coalition of investors encouraging 10 major UK companies in the utility and extractives sectors to aim for continuous inclusion in the CDP Climate Performance Leadership Index (CPLI) by achieving and retaining an 'A' performance rating. The coalition co-filed supportive shareholder resolutions at the **BP** and **Royal Dutch Shell** 2015 AGMs calling for more disclosure on portfolio resilience to climate change.

The resolutions were supported by the respective Boards, and passed with over 95% support.

In 2016, the coalition is repeating the exercise, but focusing on three extractives companies: **Rio Tinto**, **Anglo American** and **Glencore**.

CFB is the investor lead for the Anglo American resolution which calls for routine annual reporting from 2017 to include further information about:

- ongoing operational emissions management;
- asset portfolio resilience to the International Energy Agency's scenarios;
- low-carbon energy research and development and investment strategies;
- relevant strategic key performance indicators and executive incentives and;
- public policy positions relating to climate change.

40% of the most pressing global risks highlighted by the World Economic Forum are now environmental, with water stress ranked as the third biggest risk in terms of impact. Some 2.7bn people or 40% of the global population lives with water shortage for at least one month a year and water scarcity will, it is suggested, increasingly lead to migration and conflict. The latest projections suggest that demand will exceed sustainable supply by 40% by 2030 unless water management practices change. Business has an important role to play as a key user of water. Reducing water impact and increasing security of supply will be fundamental to successful business in many parts of the world.

CFB is leading a new strand of CIG engagement focused on water risk. Working alongside CDP, CFB identified 37 UK companies for whom water stress represents a strategic or operational risk, and wrote to them with a view to their responding to the 2016 CDP Water survey. As with CDP Carbon, better water disclosure will allow investors to improve their assessment of risk based on reported data around use, management and conservation. Of 24 responses so

far, seven have been largely positive (from **Burberry**, **KAZ Minerals**, **Marks and Spencer**, **InterContinental Hotels Group**, **Randgold Resources**, **SSE** and **John Wood Group**). Both Burberry and SSE are keen to report more on water, whilst Randgold said it would respond as a direct request of the CFB. A useful engagement took place with **United Utilities**, which suggested there are limits to reducing leakage based on the economic cost. United Utilities also provided insight into flood and drainage management including how it works with planning authorities to reduce risk.

Unlike carbon, water is a local resource risk. Some have declined to respond to the survey on the grounds that it does not adequately reflect the local nature of water management. For example, **BP** and **Tesco** will continue to capture data and scope risk, but do not intend to report through CDP at the moment. Housebuilders **Persimmon** and **Barratt Developments** disappointingly stated that water is not a material issue.

JACEI noted and commended the progress made and endorsed CFB commitment to leading this project on behalf of CIG members.

“ 40% OF THE GLOBAL POPULATION LIVES WITH WATER SHORTAGE FOR AT LEAST ONE MONTH A YEAR ”

“ THE COST OF A FUNERAL HAS RISEN BY 80% OVER THE PAST DECADE ”



JACEI received a report jointly produced by Church Action on Poverty, Quaker Social Action and the Anglican Diocese of Lichfield, 'Preventing Poverty beyond Death'. The cost of a funeral has risen by 80% over the past decade with the average cost now over £8,000. Those on low income or benefits are hardest hit, as they have fewer savings and a proportionately higher part of their income is therefore needed to cover funeral costs. Consequently an increasing number are being plunged into serious long-term debt.

Funeral poverty exists when the cost of a funeral is beyond a person's ability to pay, leading to difficult choices at a time of suffering and grief. The Fair Funerals Pledge encourages providers to make their most affordable funeral package clearly visible and available. CFB wrote to **Dignity**, the largest UK provider of funerals and related savings plans asking them to support the Fair Funerals Pledge. The company responded encouragingly suggesting that their approach is consistent with the Pledge, and that staff are trained to act sensitively to issues of affordability.

The Living Wage has been at the heart of CFB engagement since 2011. Over 1,700 employers are now fully accredited by the Living Wage Foundation. The CFB work closely with Share Action on the issue and in 2014/15 participated in its collaborative investor engagement programme by co-signing letters to 75 FTSE100 companies. Of these over 70% had become accredited Living Wage employers or accepted the idea in principal, whilst only 12% refused to respond.

During the year JACEI reviewed CFB engagement on the Living Wage since 2011. This had involved 19 companies identified by Share Action for special attention, none of which were fully accredited Living Wage employers when the CFB engagement process began. Of these five had been wholly successful with **ITV, Smith & Nephew, Lloyds Banking Group, Pearson** and **National Grid** now fully accredited, whilst a sixth, **HSBC**, confirmed its commitment to pursue accreditation. In addition **British Land, Rexam** and **Land Securities** are all seeking to be compliant and are close to achieving it, paying Living Wage rates or above to UK employees but not yet to all contractors. Three further companies had made progress and were assessing the impact of becoming compliant. Overall 62% of targeted engagements had resulted in a positive shift in the position of companies.

Predictably there had been more resistance on cost grounds from the service sector. For example **Tesco** was sympathetic to the concept, but asserted that their overall pay package was already in excess of the Living Wage base rate. A constructive meeting had been held with **Cineworld**, which typically employs entry level recruits at above national minimum wage levels, but below the Living Wage. However, it made a convincing case that digitalising the cinema estate could have led to redundancies but instead staff had been retrained and redeployed as 'front of house' customer service personnel.

The Committee recognised the significant work undertaken; considered the results impressive; commended the progress made as an important contribution to social justice; and recommended continued work on the issue.

The introduction of a 'National Living Wage' at a rate of £7.20 an hour from April 2016 adds complexity and provides only for those aged over 25 to receive it. It is also significantly lower than the rate set by the Living Wage Foundation, which is £9.40 in London and £8.25 outside London. The CFB will continue to engage around adoption of the Living Wage as defined by the Living Wage Foundation, but also urge companies not to apply the higher age bar when paying the National Living Wage. To their credit, both **Tesco** and **J Sainsbury** have said the National Living Wage will be paid to all staff over 21.



“ THE CFB IS AN ACCREDITED LONDON LIVING WAGE EMPLOYER ”



CFB is a supporting investor of the Business Benchmark on Farm Animal Welfare (BBFAW) believing the use and welfare of farm animals in the food supply chain to be an issue of material interest to many church members. Using the 2015 Benchmark, CFB engaged with two companies **Whitbread** and **Compass Group** on their low overall ratings. Both companies responded positively suggesting that their poor showing was a result of inadequate disclosure rather than inadequate process management and undertaking to work with BBFAW in future. The 2016 benchmark published in January saw both companies improve their ranking markedly from the lowest Tiers (6 and 5 respectively), to Tier 3.

The 2016 Benchmark assessed 90 companies in the food retail, producer and hospitality sectors. 69% now have a policy on animal welfare (compared to 46% in 2012), whilst 54% set targets (compared to 26% in 2012). Despite considerable progress in only four years, 40% of companies still provide no disclosure on farm animal

welfare despite it being a material part of the supply chain. CFB is also collaborating with the Benchmark to produce an Investor Statement on Farm Animal Welfare.

CFB formed part of the invited panel at the launch of the 2016 Benchmark. Other participants included **Noble Foods**, **McDonalds** and **Greggs**. The CFB has joined a coalition of investors working with BBFAW on laggard companies. It is also working with Share Action on antibiotics and their use by farm animals as it accounts for half of all antibiotic use in the UK with potential consequences for human immunity. JACEI noted that Dutch bank **ING** is one of the first to publish an animal welfare policy. The CFB expects to engage with UK retail banks to encourage them to develop similar policies.

JACEI is keen, as resources allow to produce a Position Paper, including a theology of animal welfare, in order to develop a related Policy Statement and inform company engagement.

“ ENGAGEMENT WITH COMPASS GROUP AND WHITBREAD RESULTED IN A MARKED IMPROVEMENT BY BOTH IN THE 2016 BUSINESS BENCHMARK ON FARM ANIMAL WELFARE ”



“ FAITH INVESTORS HAVE VIEWED TRAFFICKING TO BE A BUSINESS RISK FOR SOME-TIME ”

Faith investors have viewed trafficking to be a business risk for some-time, engaging with hospitality companies around the 2010 World Cup, and the 2012 London Olympics. JACEI noted the publication launch of an important research report co-authored by Stop the Traffik and ECCR, 'Forced Labour, Human Trafficking and the FTSE100'. The report focused on four areas where compelling evidence of trafficking exists: textiles & apparel; travel & leisure; gold; and seafood. The report sets out a roadmap for managing trafficking risk and strengthening operational processes to eliminate it. The International Labour Organisation estimates that 21m people globally may be in forced, bonded or slave labour, of which 14.5m are in the private economy.

This remains a pervasive risk for many companies operating in high-risk sectors, and CFB actively engages on this with affected industries.

As part of CFB focused engagement on trafficking in the airline industry a response was received from **British Airways**. The airline recognises trafficking as a serious issue, which it has taken steps to address, but noted that it is less prevalent in the long-haul market where BA principally operates. Nevertheless, it had integrated behavioural and observational training into its employment practices and noted that several instances of potential trafficking had been detected in its operations, showing the risk to be a real one.

CFB joined a coalition of investors in signing an Investor Statement calling on companies to improve disclosure on integrating the UN Guiding Principles reporting Framework into their risk management. The initiative was designed to catalyse more robust disclosure in meeting the Framework guidelines.

JACEI noted the Church of England's divestment from **SOCO International** following an intense engagement process that failed to provide assurances on a series of controversies including human rights abuse allegations and the decision to drill in the fragile ecology of Virunga National Park in the Democratic republic of Congo. Although the CFB did not have a holding, the Committee endorsed the decision to add the company to its exclusion list as it failed to meet CFB environmental and human rights standards.

“ JACEI REMAINS STRONGLY COMMITTED TO A PROCESS OF ROBUST DIALOGUE WITH NESTLÉ ON BREAST MILK SUBSTITUTES ”

JACEI noted the debate at the 2015 Conference on its report on Nestlé and acknowledges that the significant minority vote against it being received reflects that disquiet still exists within Methodism concerning the advice given by JACEI and affirmed by Conference in 2006 that there were insufficient reasons for the CFB to exclude Nestlé from investment on ethical grounds.

An open letter to JACEI written by Baby Milk Action (BMA) in response to the paper produced for the Methodist Conference was discussed. BMA raised three main concerns: the provision of gifts and sponsorship to health workers; direct targeting of pregnant women and mothers of infants and young children; and the advertising of infant formula. Whilst these were significant areas of concern it was noted that in each area Nestlé’s actions were in line with those of its peers and the company might be considered the industry leader through its independent accreditation by FTSE4Good. It was concluded that the vast majority of issues and allegations were linked to differing interpretations of the WHO code, upon which it was difficult for JACEI to make a judgement.

JACEI remains strongly committed to a process of robust dialogue with Nestlé on breast milk substitutes (BMS) and other material issues. It monitors the engagement process closely and each year makes the results available to the Methodist Conference through the annual report. JACEI is mindful that whilst engagement has focused

on Nestlé, breast milk products are manufactured by a number of companies, many of whom have poorer processes than Nestlé. For this reason, engagement via the FTSE4Good process is viewed as a vital way of improving standards.

Each year a member of the Connexional Team attends the annual workshop facilitated by FTSE4Good in which stakeholders such as NGOs and the churches come together to discuss findings from the verification process. Nestlé remains the only BMS manufacturer to have complied with the performance requirements for inclusion in the Index. The process commits companies in the Index to an in-country audit of performance by PwC every 18 months to test compliance with the Code. The findings and company responses are published and are available on the FTSE Russell website.

In 2016 Nestlé was ranked first of the six BMS manufacturers measured against the requirements of the Access to Nutrition Index (ATNI). The company was particularly commended for its explicit commitments and the strength of its management systems to comply with the Code and was found to have the highest level of disclosure of the six companies surveyed. ATNI also ranks the world’s largest food and beverage companies against international standards and best practice for their approach to undernutrition and diet-related chronic illness.

Nestlé’s overall ranking out of twenty two companies improved from third to second in 2016, just behind Unilever. It was also first in five of the Index’s nine categories including both nutrition-general and under-nutrition.

In addition, the CFB arranges an annual in-depth meeting with senior personnel from Nestlé UK which brings expertise from around the world on specific issues. In 2015 the meeting looked at

- Health & Safety, fatalities and accidents
- Cocoa Plan – working with farmers; human rights
- Coffee Plan – sustainable agriculture
- Water risk and management
- BMS breaches to the Code and process strength
- Product refreshment, healthy lifestyles (sugar, salt)

As part of a normal review cycle the CFB Policy on Nestlé, first adopted in 2005, was updated to include developments such as the FTSE4Good process. The revised version is available online.

JACEI believes that the comprehensive nature of its engagement, together with the independent assessment by ATNI and FTSE4Good provide compelling evidence that its advice on Nestlé is firmly grounded.

“ COMPREHENSIVE ENGAGEMENT OVER THE COURSE OF THE YEAR PROVIDES STRONG EVIDENCE THAT ADVICE ON NESTLÉ CONTINUES TO BE FIRMLY GROUNDED ”

“VOLVO WAS QUESTIONED ON ITS RELATIONSHIP WITH MERKAVIM TRANSPORTATION THAT HAD PROVIDED ARMoured BUSES FOR USE IN THE OCCUPIED TERRITORIES”



We questioned **Volvo** on its relationship with Merkavim Transportation that had provided armoured buses for use in the Occupied Territories. The company confirmed it has a minority stake in Merkavim, but noted that it had exited the manufacture of buses used in prison transports.

A subsidiary of **HeidelbergCement** (Hanson Israel) owns and operates four facilities in the Occupied Territories and we wished to learn the extent to which these may be in breach of international law and how the company was empowering Palestinian economic activity. The company provided a comprehensive response pointing to the benefits accruing to Palestinians from its presence, its non-discriminatory practices, and the active employment opportunities it presents. The response was welcomed however certain aspects are being followed up.

JACEI noted the final withdrawal of all **Veolia** business activities in Israel in April 2015. CFB did not have a holding in the company at the time.

The Committee’s attention was drawn to the activities of **Unilever** subsidiary, Ben+Jerry, in the Palestinian Territories. It was clear from research that there was no manufacturing or distribution presence in the Occupied Territories, and all activity was in the retail sale of ice cream. The Committee was comfortable with the assurances ascertained.

The Committee reviewed possible CFB Overseas Fund exposure to settlements. Whilst no European companies were involved, several companies held indirectly through the US Equity Fund managed by Wespeth, a division of the United Methodist Church Pensions Board did have exposure to Israeli settlements. It was agreed that the CFB would approach Wespeth to discuss its policies relating to Israel.

JACEI noted a decision by Wespeth to place five Israeli banks on its investment exclusion list. The banks failed human rights tests and are principally connected with finance to build settlements. The CFB has no Israeli bank holdings.

TAX JUSTICE

Tax has seldom been out of the news during 2015, as further evidence came to light of apparently profitable corporations failing to pay tax in the UK. It was therefore no surprise that the issue was addressed by a Memorial seeking to ensure that work on the subject continues and progress is reported back to the Conference in 2018. CFB has kept abreast of developments, but JACEI recognises that this is an enormous subject best approached in partnership with others. During the year the CFB participated in a PRI led seminar launching guidance

on engagement with companies on corporate tax issues, which included a very helpful set of questions. A panel discussion on tax was held by the Church Investors Group at its conference. JACEI welcomed the award of the Fair Tax Mark to **SSE**; the first to a FTSE 100 company.

Tax reform requires strong international effort, and JACEI welcomed the first signs of progress within the G7 to reform outdated international tax accounting.

FINANCIAL ETHICS

Financial misconduct and ethical probity have long exercised JACEI’s attention, and it therefore welcomed the concern expressed in the Memorial to the 2015 Methodist Conference on **HSBC**. CFB met with **HSBC** to understand how the bank was responding to the disclosure of a number of financial scandals and the consequent reputational damage. Some reassurance was given that global processes had changed, and that private clients now had to provide more evidence regarding their tax arrangements. The meeting also covered other issues such as customer mis-selling, responsible lending, and the Living Wage.

The CFB also participated in an Investment Association investor roundtable with Sir Sandy Crombie,

Senior Independent Director of **RBS**. The bank is slowly emerging from the financial crisis, but it was noted that substantial penalties for previous misconduct had still to emerge. However, its balance sheet had been appreciably reduced and as a result the Bank had become a much simpler entity.

JACEI also noted a campaign by Transparency International to improve corporate lobbying disclosure which is generally poor. Its survey of 40 FTSE100 companies provided no information on lobbying spend and only 33% had a policy on political lobbying. CFB voting policy has been amended to oppose any political expenditure over £100,000, however, should resources allow more work will be undertaken on improving transparency on lobbying activities.

“THE CFB MET WITH HSBC TO UNDERSTAND HOW THE BANK WAS RESPONDING TO THE DISCLOSURE OF A NUMBER OF FINANCIAL SCANDALS”

“ JACEI PLACES HIGH IMPORTANCE ON THE CFB EXERCISING SHAREHOLDER STEWARDSHIP ”

JACEI reviews the quarterly CFB UK and European voting summary reports (available on the CFB website) at every meeting, placing high importance on the CFB exercising this aspect of its shareholder stewardship.

The CFB votes on all resolutions put to its UK and European holdings based on the Church Investors Group global voting template. This was agreed collaboratively with our church investor partners and is executed through a common proxy voting service provider, ISS. It has long been an aspiration to build a strong Church coalition of like-minded voters. We were therefore delighted when it was finally achieved in 2015, and believe it was a significant moment in giving the Church a stronger voice in company engagement.

The CFB takes a robust position on excessive or poorly structured executive remuneration packages. In deciding how to vote, the CFB considers the quality of disclosure, how stretching performance hurdles are and the potential for excess. During the calendar year 2015, the CFB voted at 127 UK meetings comprising 2,203 resolutions. Out of 140 UK remuneration reports and policies, the CFB opposed 81 and abstained on 2. The CFB also opposed

or abstained on the re-election of 106 directors, accounting for 10% of those seeking election. Overall CFB opposed or abstained on 11% of UK resolutions. No major UK companies saw their remuneration proposals voted down in the past year.

The CFB continued to take a strong position on bank remuneration. Under EU rules, banks are restricted to awarding bonuses of up to 100% salary, or 200% with shareholder approval. However, all the UK banks chose to circumvent this by introducing ‘role based pay’ which increased fixed pay against which bonuses were measured. JACEI shared the CFB’s view that this is inappropriate. The CFB voted against all bank remuneration policies as well as specific votes to approve bonuses of 200% salary.

In Europe, where fewer markets empower shareholders to vote on remuneration, the main issues leading to CFB votes against Board resolutions were shareholder capital and board balance concerns. In 2015, the CFB voted at all European meetings, except four which were share-blocked. This totalled 246 meetings and 4,070 resolutions, 17% of which were opposed or abstained by the CFB.



“ THE BURBERRY REMUNERATION REPORT WAS AN EXAMPLE OF EGREGIOUS EXCESS THAT WOULD DELIVER LITTLE ADDITIONAL VALUE FOR SHAREHOLDERS ”

EXECUTIVE REMUNERATION

There was further correspondence with the Chairman of **Burberry** to register strong opposition to the remuneration package of the Chief Executive, which included a substantial additional allowance and discretionary performance shares with a face value of £7m. The Remuneration Report was comfortably approved by shareholders in 2015, but we viewed

this as an example of egregious excess that would deliver little additional value for shareholders.

CFB received several enquiries relating to **WPP**, whose chief executive is the highest paid in the UK. Replies were sent confirming that the CFB had voted against the remuneration package.

THE UK STEWARDSHIP CODE

The CFB is a signatory to the UK Stewardship Code, and its Statement on meeting the Code’s seven principles is published on the website.

The CFB Council approves the Statement annually, and the 2016 edition is now available online.

“ THE CFB IS A SIGNATORY TO THE UK STEWARDSHIP CODE ”

“ THE CHURCH INVESTORS GROUP MAKES AN IMPORTANT CONTRIBUTION TO THE IMPACT OF FAITH-BASED INVESTMENT IN THE UK AND IRELAND ”



The CIG was formally re-launched in 2005. Its objectives are:

- to encourage the formulation of investment policies based on Christian ethical principles
- to assist each other in putting such policies into practice;
- to encourage responsible business practices through engagement with company managements;
- to share information and views on ethical matters related to investment;

JACEI welcomes and commends the continued strengthening of the ecumenical work through the work of CIG, which has grown to an impressive 55 members with combined assets of over £15bn. It is making an important contribution to the impact of faith-based investment in the UK and Ireland via its collaborative voting and engagement work. CIG also continues to develop international partnerships

to develop a global voice for Church investors so as to increase the weight and influence of Christian investors globally.

The CIG also helps members by collating a list of companies excluded by all members, and in compiling a library of faith investor ethical investment policies.

2015 saw CIG host its third two-day international conference which attracted 80 delegates and eminent speakers on climate change, business ethics, tax transparency and the benefits of diversity in the Boardroom.

Bill Seddon, the Chief Executive of the CFB serves as CIG Chair, with a Steering Group drawn from the Church of England, the URC, the Church of Scotland, the Roman Catholic Church and the Joseph Rowntree Charitable Trust.

THE CFB ETHICAL REVIEW

JACEI reviewed the PRI report on CFB performance against its Principles. The CFB scored an impressive A+ rating in its 2015 return to PRI placing it among the top 10% of global signatories for process, performance and disclosure.

The CFB voting records (UK and European), an ethical overview of the CFB UK Equity Fund by sector, the list of ethically excluded European and UK companies (approximately 9% of the Eurofirst 300ex-UK Index, and 15% of the FTSE All Share Index, respectively as at 31 December 2015) and minutes of the monthly CFB Ethics Meetings (11) were all noted and reviewed.

The impact of the CFB's ethical policy can be seen in the performance of the CFB's proprietary ethically adjusted benchmark index. Up to 31 March 2016, relative to the FTSE All Share Index, it lagged by 1.4% over 1 year and by 0.2% pa over 10 years whilst exceeding it by 0.6% pa over 3 years.

The CFB UK Equity Fund portfolio carbon footprint is measured annually by **Trucost** and using the **Vigeo-EIRIS** methodology. It was pleasing to record that the portfolio was nearly 8.1% lower than the FTSE All Share Index, although the Committee noted that the gap between the two has steadily narrowed. Analysis suggests the carbon intensity of the UK portfolio has fallen by 5.7% over the last year, and by 1.2% over six years.

Following a review of CFB policy statements it was agreed that those on **Nestlé** and **Israel/Palestine** should be updated together with a rolling programme for all those in excess of ten years old.

A CFB paper was reviewed that examined the ethical acceptability of corporate bonds issued by unquoted entities and overseas companies not previously reviewed. The Committee agreed with the conclusion that additional ethical exclusions were required by the CFB Corporate Bond Fund.

A significant number of reports and reviews of individual companies were received during the year (some of which are detailed elsewhere in this report). These included notes of meetings with **Anglo American, BHP Billiton, BP, Glencore, HSBC, Nestlé, Randgold Resources, Royal Dutch Shell, SSE, Tullow Oil** and **United Utilities**.

ALCOHOL & TOBACCO

The Committee noted a continued call for minimum unit pricing by health professionals in the wake of strong evidence that alcohol abuse remains a pressing problem in the UK.

The Welsh Government released figures showing that of the 24,806 substance referrals in 2013/14 over 13,000 were alcohol related. The Scottish Government's commitment to introduce unit pricing had been challenged on competition grounds by leading manufacturers and had achieved early success by blocking the move under EU law. The UK Government continued to resist moves to introduce unit pricing, despite recommendations to do so by leading health professionals.

ARMAMENTS

JACEI noted a CFB review of current UK defence exclusions in order to ensure compliance with CFB Defence Policy. **Interserve** was noted as having substantially reduced its exposure to defence, having ceased to provide services to the Aldermaston and Burghfield nuclear weapons facilities. The Committee agreed the company should no longer be excluded on defence grounds.

JACEI has kept abreast of a review of nuclear weapons policy carried out by Wespath. The Committee noted that 6 companies: **AECOM, Fluor Corporation, Honeywell, Jacobs Engineering Group, Larsen & Toubro**, and **Safran SA** had been added to the Wespath ethical exclusions list making them ineligible for future purchase. The revised approach brings Wespath more closely in line with CFB.

CORPORATE GOVERNANCE & BUSINESS ETHICS

The 2015 proxy voting season was quiet with few significant controversies or pay rows. Shareholders now receive a binding vote on Remuneration Policy every three years, the next in 2017. The Committee continued to commend CFB efforts to votes against excessive or poorly constructed remuneration arrangements (see page 10).

JACEI noted investor concerns at the level of pay at **WPP**. Research from PwC cast doubts over executive bonuses linked to performance after showing a level of consistency in variable pay over three years despite volatile performance. JACEI also welcomed calls from the Investment Association and the Institute of Business Ethics for a simplified approach to pay structures that were more aligned with shareholder interests.

During the year the Committee received regular news reports and updates on corporate governance and executive pay including comment from the Chief Executive of **Deutsche Bank** who said bonuses would not make him work harder, and that pay in the sector was too high.

The Committee noted that fines for malfeasance, although slowing, were still a feature of 2015 with **Lloyds Banking Group** receiving a further £117m penalty for PPI mis-selling. Lloyds has now paid over £13bn in fines and compensation for this, with total industry liabilities approaching £26bn. JACEI noted that **Barclays** had made further misconduct provisions of £1.45bn in 2015.

The Joint Public Issues Team (JPIT) briefed the Committee on plans by the Government to deregulate Sunday Trading laws in England & Wales. Despite a workable consensus that has endured since 1994, the Government announced plans to allow local authorities to decide Sunday trading hours within their jurisdictions with the potential for unlimited trading on a Sunday. Opposition from churches and trades unions saw the move defeated by MPs in a Parliamentary vote, however it is not yet known if the Government will bring the measure back in an amended form.

ENVIRONMENT

A Court of Appeal ruling during the year hinted that companies could face far greater fines for environmental offences. The ruling came after **Thames Water** appealed against a £250,000 fine for discharging untreated sewage into a brook. The judge ruled that the fine was insufficient and should have been higher to provide a material deterrent to negligent practice. Since 1991 Thames had been prosecuted 106 times for 162 environmental offences.

The CFB committed resource to an ongoing dialogue with **Glencore** and had a one to one meeting with the company as well as attending its second sustainability day. CFB judged that considerable progress had been made in improving environmental and health & safety performance. The company also formed part of the review under the new Fuels Policy (see page 4) owing to its exposure to thermal coal.

CFB staff attended meetings hosted by extractive companies where environmental performance was discussed. During 2015 these included **Anglo American**, **Tullow Oil** and **Randgold Resources**.

The Committee received reports on the emissions scandal at **Volkswagen** noting the company's poor response and the likelihood of further revelations at other automobile manufacturers.

CFB was part of an investor coalition that wrote to the Roundtable on Sustainable Palm Oil (RSPO) calling on it to strengthen its standards and practices given weaknesses in governance. The letter pointed out that palm oil sourced from the conversion of carbon stock forests or peatland is not covered by RSPO standards, and it provides little assurance that its standards are complied with. The letter was supported by leading companies including **PepsiCo** and **Procter & Gamble** which have become increasingly concerned that RSPO standards do not prohibit deforestation and peatland clearance. JACEI noted a new initiative led by ZSL (Zoological Society of London) that provides investors with bi-annual sustainability data on palm oil plantation companies. They hope to extend this to buyers of palm oil when funding allows.

MEDICAL & FOOD SAFETY ISSUES

CFB continued to engage with **AstraZeneca** on its rating in the Access to Medicines Index (ATMI), having been placed a disappointing 15 out of 20 global pharmaceutical groups covered by the Index. The company stated its commitment to ATMI but noted that its specialisation (non-communicable diseases in the developing world) was not sufficiently reflected in the Index methodology, which focused on communicable diseases. The Index commended AstraZeneca's efforts to build nebulisation centres in hospitals across China in response to chronic respiratory illness among children. Its Young Health Programme was also recognised as delivering improvements in education health among marginalised communities.

The CFB signed a letter supported by ATMI members with over \$5 trillion assets under management urging full participation in the 2016 Index survey by targeted companies. The Committee has noted the increasing debate around diet, wellbeing and health. It therefore welcomed the CFB's involvement with the Access to Nutrition Index which launched its second Index in early 2016. The Index rates 22 of the largest food and beverage companies against a range of international norms and best practice for under-nutrition and diet-related chronic illness. The Committee noted that **Unilever**, **Nestlé** and **Danone** were the top three ranked companies. All three companies were commended for their commitments, particularly in driving product refreshment to tackle diet-related health epidemics.

CFB plans to update its published Policy, Ethical Issues Relating to the Food Industry, during 2016, to include recent thinking on malnutrition and diet related chronic ill health, and integrating its work on breast milk substitutes.

NETWORKING

The Committee warmly supports the continued development of ecumenical working on ethical investment issues and in 2015 these relationships drew ever closer. One way this is realised is through reciprocal observer status with the Church of England Ethical Investment Advisory Group (EIAG). The CFB also attended the Church of England EIAG away-day.

The CFB and its subsidiary, Epworth Investment Management, are actively involved in a number of SRI initiatives. JACEI receives regular reports on these:

The Institutional Investors Group on Climate Change (IIGCC); The CFB is: a founder member of IIGCC which now has 120 members representing over £10 trillion in assets; part of its corporate working group; and a signatory to the IIGCC Investor Statement on Climate Change;

CFB is a founding signatory to the pioneering CDP (formerly the Carbon Disclosure Project) and is also part of a wider coalition that encompasses its sister projects on water and forestry. CDP is backed by 822 global investors with \$95trillion in assets. CDP has integrated its surveys on carbon, water and forestry to build an holistic view of company performance in these areas;

CFB is signatory to the Principles of Responsible Investment (PRI) which has 1,467 asset manager-owners with combined funds under management of \$58trn forming a global coalition around six core responsible investment Principles. JACEI receives reports of PRI events and initiatives;

The CFB is signatory to the Access to Nutrition Index;

The CFB is a long-standing signatory to the Access to Medicines Index;

CFB is a supporting investor of the Business Benchmark on Farm Animal Welfare;

CFB is a signatory investor of the Extractives Industries Transparency Initiative;

CFB is a member of the Ecumenical Council for Corporate Responsibility (ECCR), where a Connexional team member sits on the Board;

UK Sustainable Investment & Finance is the SRI industry trade body in the UK of which Epworth Investment Management is a member

Regular newsletters and reports are reviewed from:

- ECCR
- IIGCC
- Vigeo-EIRIS
- Wespith (General Board of Pension and Health Benefits of The United Methodist Church)
- PRI

The CFB uses the specialist services of:

- Vigeo-EIRIS (company research)
- ISS (UK and European proxy voting)
- Trucost (UK portfolio carbon footprints)

JACEI commends and welcomes the valuable input on a variety of subjects made by the Joint Public Issues Team www.jointpublicissues.org.uk (JPIT) with team members attending every JACEI meeting.

The announcement that the Revd John Howard would be standing down as Chair of the Committee led to consideration of the process of appointing his successor. A job description was approved by the Committee. However, it was noted that JACEI is not presently covered by Standing Orders.

Consequently, the Conference Office drafted a proposal that covered: Terms of Reference; terms of appointment of committee members and the Chair and the reporting requirements for the Methodist Conference. These were reviewed and agreed by the Committee for submission to the Conference for approval.

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.

SRI REPORTING REQUIREMENTS

In July 2000 regulations came into force obliging 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 UK Stewardship Code, published in July 2010, provides further clarity on reporting by investors. 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.

The CFB has been a signatory to the UK Stewardship Code since its inception in 2012, and its 2016 Statement disclosure is available at www.cfbmethodistchurch.org.uk

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 disinvestment on ethical grounds.

That the Committee should:

- hold four meetings a year (in 2015/16 these took place in June, September, December and March);
- 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;
- e-mail their comments on position papers or other matters to the Secretary if unable to attend a particular meeting.

COMMITTEE MEMBERSHIP

COMMITTEE CHAIR

Revd John Howard

The JACEI Chair is independent, nominated from among the membership of the District Chairs, and appointed by Methodist Council.

Mr Howard will stand down in 2016 after completing nine years as Chair. The Chair Designate is the Rev Dr Stephen Wigley,

METHODIST COUNCIL NOMINATED MEMBERS

Prof David Clough
Dr Brian Gennery
Alison Jackson
Rachel Lampard
Chris Moorhouse

(There were no changes to the Committee's membership during the year)

CENTRAL FINANCE BOARD NOMINATED MEMBERS

Dr Keith Aldred
Alan Emery
Revd Jennifer Potter (until June 2015)
Terry Wynn (from June 2015)
John Reynolds
Bill Seddon

TRUSTEES FOR THE METHODIST CHURCH IN IRELAND REPRESENTATIVE

Revd Winston Graham (until December 2015)
Rev Dr John Stephens (from December 2015)

MINUTE SECRETARY

Kate McNab

COMMITTEE SECRETARY

Neville White

neville.white@
cfbmethodistchurch.org.uk

JACEI EIAG ARRANGEMENT

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. Mr Adam Matthews, (Secretary to the EIAG) attended JACEI meetings in this capacity during the year. Mr Bill Seddon and Mr Stephen Beer attended meetings of the EIAG.

OTHERS IN ATTENDANCE

In attendance from time to time to facilitate the workings of the Committee were:

Stephen Beer
Christophe Borysiewicz
Miles Askew
Steve Hucklesby

Mr Richard Nunn, Chair of the United Reformed Church Ministers' Pension Trust Ltd attends JACEI as an observer

ENQUIRIES ABOUT THE COMMITTEE'S WORK ARE ENCOURAGED

TO THE COMMITTEE'S CHAIR

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**ALL CFB ETHICAL INVESTMENT POLICIES
AND POSITION STATEMENTS ARE
AVAILABLE AT**

CFBMETHODISTCHURCH.ORG.UK/ETHICS

