

Joint Advisory Committee on the Ethics of Investment 2008

1. Role and Function of the Committee

1.1 Terms of Reference

The Joint Advisory Committee on the Ethics of Investment (JACEI) was established in 1983 by a Resolution of the Methodist Conference to provide a mechanism for the Methodist Church to tackle ethical dilemmas associated with investment and report annually to the Conference. Its terms of reference, which were last revised in 2001, are as follows:

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

- *to advise the CFB of ethical considerations relating to investment, it being accepted that the CFB legally has responsibility for making the final decision on the purchase or disposal of any share;*
- *to make public where appropriate any ethical policy of the CFB and in particular any investment decision taken on ethical grounds and any other advice the Committee may provide on ethical matters relating to investment;*
- *to report to the Conference on the workings of the Committee and in particular to comment on the performance of the CFB in managing the funds under its control according to an ethical stance which is in accordance with the aims of the Methodist Church.*

1.2 SRI Reporting Requirements

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

1.3 JACEI Procedures

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

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

and that the Committee should:

- 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.

2. Highlights of Actions and Decisions

2.1 The Committee:

Supported the Central Finance Board's (CFB) judgements relating to a number of companies.

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Agreed that the Methodist Church in Ireland could become a non-voting participant in its work (see section 3.1).

Hosted a 'fringe' meeting at the 2007 Conference (see section 3.2).

Agreed that attendance at company AGM's would not normally be a good use of CFB time (see section 3.3).

Agreed that the CFB policy concerning Nestlé should remain unchanged (see section 4.1).

Considered a CFB paper, Assessing and Adjusting CFB Voting Policy. No change was recommended (see section 4.3).

Recommended acceptance by the CFB of the Policy Statement on Companies with Military Exposure. Commended the Connexional Team initiative to stimulate debate about Military Exposure within the Church (see section 4.4).

Highlighted the importance of the CFB Ethical Performance Review and scrutinised the CFB voting record, the EIRIS ethical overview of UK sectors, the list of ethically excluded UK and European companies and the minutes of the monthly CFB ethics meeting (see section 4.5).

Noted the continuing work done by the Church Investors Group (CIG) (see section 4.6).

Advised the CFB in relation to carrying out existing policy on investment in mining companies (see section 4.7).

2.2 The Central Finance Board (CFB):

Held meetings and or produced briefing notes relating to ethical, environmental and human rights issues as follows on:

- *Anglo-American, Lonmin (see section 4.7).*
- *BP and Royal Dutch Shell (see section 5.5).*
- *Chevron (see section 5.8).*
- *Easyjet (see section 5.5).*
- *GlaxoSmithKline (see section 4.6).*
- *Marks and Spencer (see section 4.2).*
- *Wm Morrisons (see section 5.4).*
- *Nestlé (see section 4.1).*
- *Reed Elsevier (see section 4.6).*
- *Smiths Group and Daimler (see section 5.2).*
- *Tesco (see section 5.4).*
- *Vodafone (see section 4.6).*

Continued to play an active role in the development of the Church Investors Group and the Institutional Investors Group on Climate Change. Became a signatory of the Access to Medicines Index and worked with the UN Principles for Responsible Investment.

Reported on the regular dialogue with the General Board of Pensions and Health Benefits (GBOPHB) of the United Methodist Church following the outsourcing to them of the CFB's core US portfolio. The GBOPHB has its own ethical policy and uses this as a basis to engage with US companies.

Began an in-depth review of ethical issues specifically linked to children.

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3. The Working of the Committee

3.1 Committee Membership

For the Connexional year 2007-08 the Revd John Howard was the Chair of the Committee. Members nominated by the Methodist Council were: Dr David Clough, Ms Anthea Cox, Dr Brian Gennery, Mr Kumar Jacob and Mr Gareth Mostyn. Nominated by the Central Finance Board (CFB) were: Dr Keith Aldred, Mr Alan Emery, Sir Michael Partridge, Mr Bill Seddon and Mr Peter Thompson.

Also in regular attendance to facilitate the workings of the Committee were members of the Staff Preparation Group (SPG): Mr Russell Sparkes (Committee Secretary), Mr Stephen Beer, Mr Stephen Hucklesby and Ms Alison Jackson.

In November 2007 the Committee agreed that the Methodist Church in Ireland could become a non-voting participant in its work. It was noted that the question of broadening the Committee's scope to include other churches had been agreed in principle several years before. The Committee decided that:

- i) The Methodist Church in Ireland was welcome to receive JACEI papers, table written comments to JACEI, raise additional items on the JACEI agenda and speak at JACEI meetings;
- ii) applications by other church bodies to be in attendance would be reviewed case by case;
- iii) the decision in relation to the attendance of the Methodist Church in Ireland could be reviewed as appropriate.

3.2 Developing Greater Understanding of the Committee's Work

The Committee agreed that the shorter illustrated version of its report was proving to be a very useful publication. The 2007 report, *Journeying Together- using investments to influence change*, was circulated to Conference delegates and sent to all district and circuit treasurers and others with an interest in Methodist finances.

At the 2007 Conference a fringe event was held to promote discussion of the Committee's work. This had a new format in the form of a 'thought for the day' from Leslie Griffiths followed by a useful question and answer session. Although this was well received, the attendance was relatively disappointing and more time for discussion would have been welcomed by those attending. It was also noted that holding the fringe meeting on the first 'business day' of Conference had not been helpful.

(Enquiries about the Committee's work are encouraged, with letters to be addressed to the Committee's Chair c/o 25 Marylebone Road, London NW1 5JR).

3.3 Conference Debate

The Chair reported that the Committee's 2007 Report to Conference had been taken out of en-bloc business, with two issues raised on the floor of Conference. The first question related to labour standards of UK companies operating in India with particular reference to Dalits and whether UK companies present in India are adhering to the Ambedkar Principles. The Committee noted that a Motion had been adopted in relation to caste discrimination at the 2003 Conference, and that the CFB had corresponded with those concerned with the subject of Dalits, most recently in May 2006. However, it was questioned whether following the Ambedkar Principles added much if anything to other codes of conduct such as the Global Compact and the International Labour Organisation (ILO) principles. The Committee agreed to examine the scope of the ILO principles and other relevant codes in relation to the Ambedkar Principles.

The second question asked whether the CFB's shareholdings should be used to enable Methodism to be represented at company Annual General Meetings (AGMs) in order to ask demanding questions of managements. The CFB reported that the issue of attendance at company AGMs was a subject on which a Memorial had been placed before the 2003 Conference (M87). The CFB believed that while there was a role for NGOs to campaign in this way, the CFB policy of building relationships with

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companies through regular dialogue was more effective and consequently the CFB rarely attended AGMs. The Committee agreed that attendance at company AGM's would not normally be a good use of CFB time.

3.4 Future Working Practices

Following consideration of a report, *Future Working of the Committee*, it was agreed that there should be four meetings a year; November; February - to agree the report to Conference; June, and September – to consider any action required by Conference. Each Meeting should have clearly defined agenda items. These were likely to include position papers for approval, matters arising, items for information or regular review, such as the CFB Voting Report, and requests for future work. It was agreed that members of the Committee should feel free to contact the Secretariat between meetings about issues of concern to them, and members who were unable to attend a particular meeting were encouraged to email their comments on position papers or other matters to the Secretariat. The Committee's procedures were also reviewed and minor amendments were agreed.

4 Significant Issues

4.1 Nestlé

The 2006 Conference adopted a JACEI report advising the CFB to monitor Nestlé's ethical performance. The Committee considered a CFB briefing paper on Nestlé written in response to a negative report about the company produced by Save the Children and subsequently covered in a *Guardian* article. It agreed with the CFB's conclusion that these reports added nothing substantially new to the 'baby milk' debate and therefore no change in CFB policy was required. It was noted that as part of their research members of the CFB and Connexional team had visited Save the Children to discuss their report. While they seemed initially sceptical of JACEI's views on Nestlé, they accepted the thorough nature of the investigative process carried out by JACEI.

However, it was also accepted that the Save the Children report did identify areas of concern, particularly in relation to the use by Nestle of 'prescription pads'. It was agreed that these concerns should be raised with the company in writing. In the past year Nestle has engaged in a project to develop further its social and environmental principles. A member of the Connexional Team was invited to provide input at one of a series of stakeholder consultations and followed through this process with Nestle. This provided a further opportunity to communicate the aspirations of JACEI regarding greater accountability and transparency, with particular reference to the marketing of breastmilk substitutes. Drawing on this project Nestle has published the 'Creating Shared Value Report'. A member of the Connexional Team also met with FTSE4Good to discuss the value of engagement between them and Nestle.

4.2 Israel/Palestine

The Committee reviewed a report, *Fact Finding Visit to Israel/Palestine*, describing a Methodist Church delegation to Israel/Palestine, which included Jerusalem and the West Bank. (The report is available online at: www.methodistchurch.org.uk/downloads/pi_ispaljaceivisit_0607pdf) It was reported how they had met with business leaders in Israel, and with a variety of religious leaders in both Israel and Palestine. There were few issues on which to engage with companies, except the sourcing of products sold in UK supermarkets, (produce sourced in the Occupied Territories but incorrectly labelled as made in Israel). The Committee commended the report and its conclusions. It was also noted that a joint CFB/Connexional Team meeting had been held with Marks and Spencer prior to the visit to discuss product sourcing from Israel/Palestine.

It was noted the Board of Church and Society of the United Methodist Church in the US had filed a resolution entitled *Divestment and Caterpillar* for the Church's 2008 Conference. The CFB reported that it was in regular dialogue with the General Board of Pensions and Health Benefits about its engagement work with Caterpillar. Material produced on Israel/Palestine by other US churches was also noted.

4.3 Executive Remuneration

The CFB paper, *Assessing and Adjusting CFB Voting Policy*, which paid particular attention to executive remuneration, was considered at length together with the PIRC Shareholder Voting Guidelines on

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Directors' Remuneration. The paper had been produced because of concerns by both JACEI and the CFB Council about the extremely high level of negative votes that the current policy was producing regarding executive remuneration. The CFB noted that the current policy had been introduced in 2006 and although it was carried out by PIRC, it did not necessarily follow PIRC's recommendations but rather used PIRC ratings to set the CFB voting template. It was suggested that while the system may have correctly identified that executive remuneration was too high, the current policy could have been too restrictive, as it rarely resulted in votes in favour of resolutions. In the calendar year 2007, the CFB UK Equity Fund voted in favour of nine remuneration reports, opposed ninety-one, and abstained from voting on thirty-five. However, no consensus emerged within the Committee to recommend a change in policy on this issue.

4.4 Companies with Military Exposure

The CFB produced a position paper on *Developing a Policy on Companies with Military Exposure*, together with a draft CFB Policy Statement. It was reported that one of the objectives in writing the paper was to organise previous precedents on military exposure into a consistent and logical policy framework. The joint Methodist Church/URC working group report, *Peacemaking - A Christian Vocation*, which was considered and commended by the 2006 Methodist Conference, provided a theological basis for the paper. A CFB paper assessing military sales by UK companies based upon information supplied by EIRIS also informed discussion.

Following thorough scrutiny, which involved redrafting, and a line by line review, the Committee recommended acceptance of the draft CFB Policy Statement (see appendix), which was subsequently approved by the CFB Council. The Committee also commended the Connexional Team initiative to initiate a wider project to stimulate debate about military related issues within the Church. It was noted that the Connexional Team consultation process on the defence industry would be extensive, involve expert advisers, designed to attract interest and to bring together varying groups of people. Once this process had been completed its conclusions would be used to inform a review of the CFB Policy and to revise the position paper.

4.5 The CFB Ethical Review

The Committee highlighted the importance of the CFB Ethical Performance Review, which allowed trustee bodies to meet the legal requirement to ascertain whether their investments were managed in accordance with their SRI policy. The CFB voting record, ethical overview of UK sectors, list of ethically excluded European and UK companies (11.7% of FTSE All Share Index) and minutes of the monthly CFB ethics meeting were all noted. A significant number of CFB reports on individual companies were received during the year (see section 2.2). The CFB also reported that the CFB's core US portfolio had been outsourced to the General Board of Pensions and Health Benefits of the United Methodist Church (GBOPHB), and that it was now in regular dialogue with the GBOPHB on a variety of ethical issues. The CFB, recognising the need to address child related issues more overtly within its ethical investment policy, began an in-depth review of ethical issues specifically linked to children such as use of child labour.

4.6 The Church Investors Group

The Committee noted the continuing work done by the Church Investors Group (CIG), an initiative aimed at enabling the UK Churches to present an ecumenical approach when dealing with companies on ethical issues, and in making related public statements. Executives of Vodafone and GlaxoSmithKline each provided a detailed presentation on their company's corporate social responsibility profile to the Group, while there was also a presentation by the Sudan Divestment Group. The CFB also reported that the second CIG Trustee Training Day had been well received with a good attendance. CIG continued its dialogue with executives of Reed Elsevier regarding its concern about the company's involvement with defence exhibitions. It was, therefore, pleased when in June 2007 the company's management announced plans to sell the defence exhibitions business.

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4.7 Investment in Mining Companies

The CFB reported its concern over a national mining strike held in South Africa on safety issues. The CFB produced an ethical review of a UK-listed mining company, Lonmin, analysing the company according to the CFB policy on investing in shares of mining companies and other extractive industries. Conclusions reached about other mining companies were also used for the purposes of comparison. The Committee agreed with the CFB's conclusion that there appeared to be no ethical bar to investing in Lonmin shares.

5. Regular Reporting Items

5.1 Alcohol and Tobacco

Press articles and other material relating to alcohol were considered. Comments made by Tesco in relation to hopes for a UK Government initiative in relation to the pricing of alcohol sales through supermarkets were noted with interest.

5.2 Armaments

The Committee considered a CFB note on Smiths Group, which noted that the CFB had avoided investment in the company on ethical grounds owing to its significant military aerospace business. However, the company had sold this division in 2007. Around 10% of sales came from the military end market, most of which were related to communications and could be deemed defensive in nature. The note suggested that applying the Policy Statement seemed to indicate that Smiths Group should be considered acceptable on ethical grounds. The Committee accepted this argument, although it was noted that communications systems were not necessarily defensive, and the position should be kept under review.

The CFB sought the Committee's advice in relation to Daimler, which caused an ethical dilemma, not because of its own operations (cars and heavy lorries), but due to its 24.9% stake in the aerospace company, EADS, which was currently valued at 6.5% of the total Daimler market capitalisation. Through this associate company, military exposure on a see-through basis accounted for only 2.5% of Daimler's sales. In normal circumstances this would not be sufficient to preclude an investment in Daimler on ethical grounds even though EADS was the dominant partner in the Eurocopter and Eurofighter programmes. However, EADS also had links to the French nuclear weapons systems. The Committee advised the CFB against any investment in Daimler on ethical grounds for the following reasons:

- While Daimler's ethical concerns related to its stake in EADS rather than to its own operations, this was not just a passive investment, as Daimler was part of the consortium which controlled EADS. Since the CFB ruled out EADS as an ethically acceptable investment, the fact that Daimler had management control of EADS also ought to rule out investment in Daimler.
- Even though EADS only had exposure to nuclear weapons indirectly through joint ventures, and this was a minute proportion of Daimler's turnover, this was an area of very great concern, so it also argued against investment in Daimler.
- As either of these issues might individually rule out the company as ethically acceptable, when combined the result was strongly negative.

5.3 Corporate Governance and Business Ethics

The CFB applies the *Combined Code* guidelines on the independence of non-executive directors. As a consequence in 2007 the CFB voted against the election of fifteen directors and abstained on the election of nine, of a total of 648 director elections in which it participated. The CFB believes that company auditors should focus on audit work and that the amount of non-audit work for a company being audited should be limited. In 2007 the CFB opposed the appointment or renewal of eighteen auditors and in another case it abstained. The CFB voted on 134 resolutions concerning the appointment of auditors. (Matters relating to executive remuneration are covered under 4.3.)

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5.4 Debt Relief and Fair Trade

The Committee reviewed a report produced by the Connexional Team on supply chains in the grocery sector. The report noted that supermarket power had an overwhelming impact on the prices paid to suppliers, which not only impacted local farming communities, but raised questions of animal welfare. However, the Committee agreed to defer further discussion of this subject until the Competition Commission had published its report on the Grocery Sector. A report produced by the Church of England, *Fairtrade begins at Home*, was also noted. A CFB report on the supermarket group Wm Morrison was noted.

The CFB reported that its support had been sought for a resolution at the Tesco shareholders meeting *“to ensure that workers in its supplier factories are guaranteed decent working conditions, a living wage, job security, freedom of association and of collective bargaining”*. Whilst sympathetic to the ideas behind the resolution, the CFB had decided not to support it owing mainly to the lack of consultation between the filer and the company.

5.5 Environment

The Committee noted the CFB’s work in the Institutional Investor Group on Climate Change (IIGCC), and the Carbon Disclosure Project (CDP). A list of FTSE 350 companies surveyed by the Carbon Disclosure Project (CDP) was prepared by the CFB, which identified company policy and practice on carbon disclosure. The CFB also reported that it had signed up to the CDP for 2008 through to 2010, and was one of the few church investors to have participated in every round of the CDP. The Institutional Investors Group on Climate Change (IIGCC) had also produced a framework for analysing utility companies which would be factored into the CFB’s climate change work. A CFB report on the budget airline Easyjet was noted.

The Committee reviewed a report of a meeting held with the CFB and Connexional Team and executives of Royal Dutch Shell. The meeting discussed concerns about Shell’s operations in the West of Ireland (Rosspoint), Nigeria, Alaska, and Sakhalin. However, it was noted that an ECCR report was still critical of the situation in Rosspoint, although Shell claimed that the majority of local people supported their plans. Notes of a CFB meeting held with BP to discuss health and safety and environmental concerns in the US were also reviewed.

The Committee discussed making climate change a major work priority for the Committee, as it had potentially enormous consequences for social justice and human rights. The Connexional Team reported that it had submitted evidence to Parliament ahead of the government’s forthcoming Climate Change Bill. It was noted that guidance from the Committee to the CFB would be welcome as CFB staff tried to grapple with the ethical complexities of climate change. It was also noted that it was probably best for the CFB to seek to influence companies regarding climate change by working together with other concerned investors through organisations such as the CDP and IIGCC. The Committee agreed that this was an issue of major importance, and that the preparation of a detailed position paper should be a priority.

5.6 Gambling

The Committee considered *Against the Odds*, a paper jointly produced by the Methodist Church and the Salvation Army examining the Gambling Act 2005 and problem gambling.

5.7 Medical and Food Safety Issues

It was noted the CFB had agreed to become a signatory of the Access to Medicines index, which rates the world’s top 20 pharmaceutical companies on the basis of access to medicines with a focus on developing countries.

5.8 Human Rights

The CFB introduced a paper on the US oil company Chevron, together with an investor’s letter supported by the General Board of Pensions and Health Benefits of the United Methodist Church in the USA

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(GBOPHB) requesting a meeting with Chevron executives to discuss its involvement in Myanmar/Burma. It was noted that there had been widespread public outrage at the human rights abuses and suppression of democracy which had taken place in Myanmar/Burma recently. This had led to increasing concern among US investors about Chevron's involvement in the country. The Committee noted that in 1997 it had advised the CFB to sell its shareholding in Total in view of the company's stated intention to increase exposure to Myanmar/Burma and allegations relating to forced labour in building a gas pipeline.

The CFB paper argued that Chevron only became involved in Myanmar/Burma through its takeover of the US oil company Unocal, which it was believed to have been at the prompting of the US government. The CFB also reported that it was in regular contact with the SRI team of the GBOPHB of the United Methodist Church who were engaging closely with Chevron, and who were planning to file a shareholder resolution on Myanmar/Burma if engagement did not prove effective in shifting the company's position. The Committee accepted the argument that Chevron's position was different from that of Total and it was agreed that Chevron was an ethically acceptable holding as it was engaging with investors on the issue. However, it also agreed that this should be kept under regular review.

5.9 Media

No significant issues were discussed during the year.

5.10 Networking

The CFB reported that it was in regular dialogue with the General Board of Pensions and Health Benefits of the United Methodist Church. It had met and corresponded with overseas church bodies: Glebe Asset Management, Anglican Diocese Sydney; Uniting Church of Australia (New South Wales, Queensland and Victoria Synods); the Interfaith Center on Corporate Responsibility; Mennonite Mutual Aid, and also the International Working Group of US socially responsible investors.

It was also actively involved in: the Church Investors Group (Vice-chair and Steering Committee - see section 4.6); the Institutional Investors Group on Climate Change, and the EIRIS Foundation (Trustee Board member). Other contacts included the Ecumenical Council for Corporate Responsibility, the Responsible Investor Network, the Payments Transparency Group, and the UN Principles for Responsible Investment.

6. Conclusion

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

Resolution: The Conference receives the report of the Joint Advisory Committee on the Ethics of Investment

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Appendix: Policy on Companies with Military Exposure

1. Preamble

- 1.1. Human life and peace are to be supported, celebrated, and affirmed. *'From the beginnings of salvation history in the Garden of Eden, to its end in the New Jerusalem, the Bible witnesses to the profound value of life and peace.'* (Peacemaking – A Christian Vocation).
- 1.2. Peacemaking is a Christian vocation that all should pursue to prevent violent conflict and the suffering and death it causes.
- 1.3. Many Methodists accept that armed forces are necessary, although a pacifist tradition also resides within the Methodist Church. The use of armed force must be as a last resort and determined according to ethical, as well as strategic, criteria. The Methodist Conference 2006 endorsed the Methodist Church/United Reformed Church document, *Peacemaking – A Christian Vocation*, which provides a useful summary of theological issues relating to the use of armed force.
- 1.4. Armed forces can have peacemaking and peacekeeping functions. They can also be used to destroy peace and promote war, death, pain, and destruction.
- 1.5. Weapons themselves are not morally neutral. Weapons and systems that support their use are intrinsically destructive of life and producing them is justifiable only within very stringent safeguards.
- 1.6. The global arms trade has made weapons of all sorts widely available and has significantly contributed to armed conflicts around the world. Governments often do not appear to regard the ethical implications of the arms trade with the seriousness it deserves.
- 1.7. Christians face a difficult dilemma: it may be appropriate in certain circumstances to call for armed intervention but Christians may feel uneasy profiting from the arms sales necessary for governments to follow such a call.

2. Areas of ethical concern

- 2.1. The global arms trade is a matter of ethical concern because it has tended to promote armed conflict and damage the cause of peace.
- 2.2. Trade in arms is necessary if nations, including the United Kingdom, are to have armed forces. However, it is not always possible to determine the destination of a company's military sales. The regulation of trade in weapons is not sufficiently strict because it does not exclude countries with poor human rights.
- 2.3. Some products are specifically designed for military use (e.g. missiles) and some military-related services may be unique.
- 2.4. It is useful to make the distinction between military equipment designed primarily for offensive use and that designed for defensive purposes. However, equipment can be difficult to categorise. In some cases the relevant category may be determined by the theatre of military operation or the reason for a conflict. In addition, defensive equipment may enhance offensive capability.
- 2.5. The Methodist Church is opposed to proliferation of nuclear weapons. Methodist Conference in 2006 opposed the replacement of the Trident nuclear weapons system and urged *'...the UK Government to take leadership in disarmament negotiations in order to bring about the intention of the Non-Proliferation Treaty for the elimination of all nuclear weapons.'*
- 2.6. There have been successful efforts to limit the proliferation and use of biological and chemical weapons and Methodism would support these efforts continuing. While such weapons *'...do not provide a threat*

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on anything approaching the same scale as nuclear weapons, and so do not justify the same responses', (Peacemaking – A Christian Vocation) a distinction from conventional weapons should be made.

- 2.7. The Methodist Church is opposed to cluster munitions (Methodist Conference 2003) and is concerned at the ease with which nations and groups can acquire small arms.
- 2.8. Some products and services have more general use or application but can be required for the military with a variety of degrees of adjustment. Some companies run military bases or non-military services within bases.
- 2.9. It is appropriate for some policing to be armed. However, police forces in some countries may use excessive force or even torture. Sales of equipment to such forces would not be considered appropriate.
- 2.10. There may be negative environmental impacts from certain products or services.
- 2.11. Concern has in the past been expressed as the proportion of total revenue or earnings from military sales approached or exceeded 20%. However, this proportion may be considered too high in the case of offensive weaponry sold to countries with poor human rights.

3. Policy

- 3.1. The Methodist Church should aim to avoid benefiting financially from the provision of military and related products and services where this might increase the probability of conflict and human rights abuses.
- 3.2. The extent of a company's exposure to military-related products and services will be assessed in terms of the proportion of revenue and, where possible, earnings. Companies with a high exposure will be avoided.
- 3.3. Consideration will be given to the type of product or service offered.
- 3.4. Exposure to products and services specifically designed for military use will raise the level of concern and close attention will be paid to the degree of exposure. Exposure to products and services primarily designed for other uses will also raise concerns but a higher exposure will be acceptable in such cases.
- 3.5. In considering the type of exposure, distinctions will be made between:
 - Defensive systems and components (mainly electronics and mechanical components);
 - fighting platforms (e.g. ships) and systems (guidance and target identification);
 - weapons (including bullets, shells, and missiles).
- 3.6. Where the destination of military sales can be specifically identified, it may allay concerns if sales are to countries deemed acceptable. In other cases it will be assumed that sales may be to countries with poor human rights records.
- 3.7. The Methodist Church should aim to avoid benefiting financially from the promotion of the arms trade.
- 3.8. The environmental impact of products or services for military customers will be considered.
- 3.9. In some cases positive benefits from other activities of a company may offset concerns over military exposure.