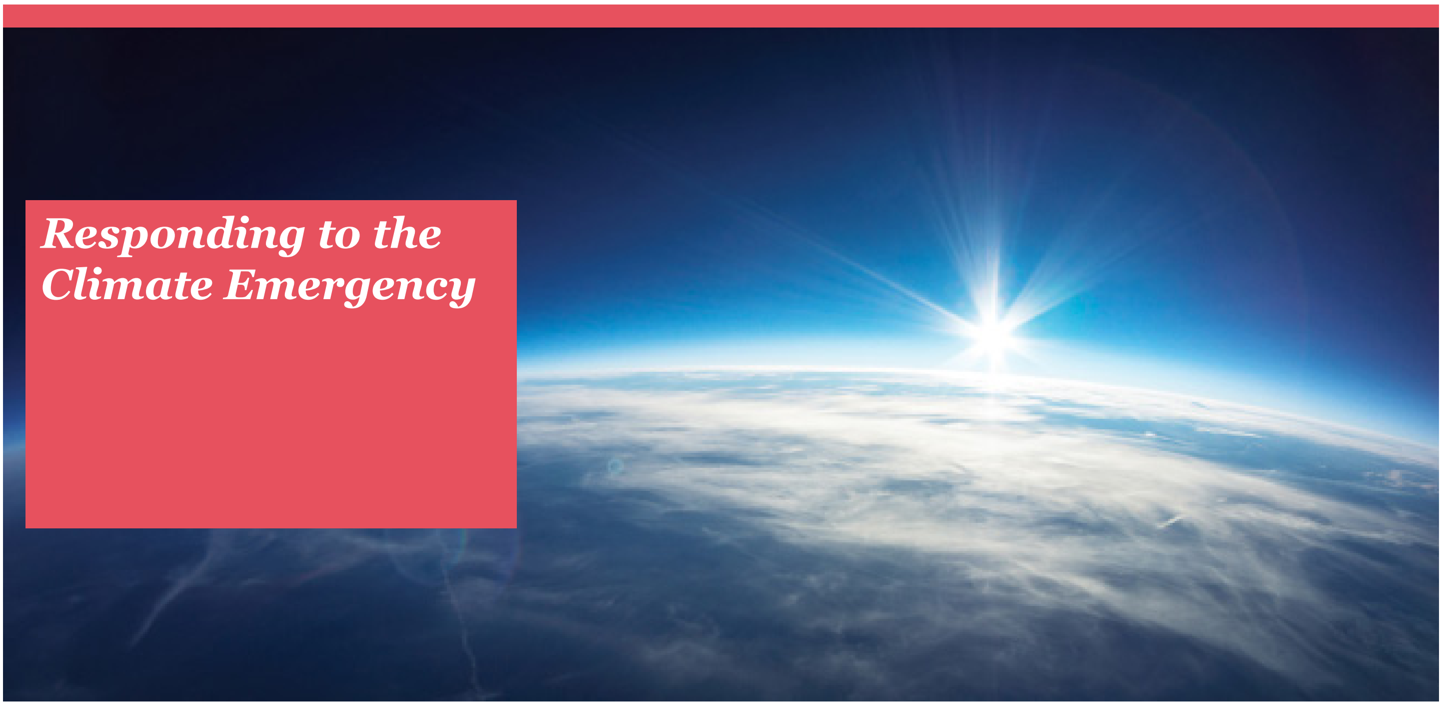
Central Finance Board
of the Methodist Church

Responding to the Climate Emergency



Regular readers of ***Christian Ethics in Practice*** will know what a major topic climate change has been. For over 10 years we have reflected the deep climate concern of our investors in the way we manage investments.

In 2009 we launched our first policy on climate change, which looked at company's carbon emissions and those of their supply chain through the use of their products. In 2013 we built on this with another policy, focusing on electricity generation companies. Our third climate change policy was published in 2015, focusing on the climate implications of different fuels. These policies led to both divestments and also substantial engagement with companies to ensure they were taking their impact on the climate seriously.

Presentation to Conference 2020

In 2017, Methodist Conference asked the Joint Advisory Committee on the Ethics of Investment (JACEI) to review oil and gas companies to establish if their business plans were consistent with the ***Paris Agreement***.

On behalf of JACEI, the CFB undertook detailed research and engagement with 15 oil and gas companies over the last three years. **JACEI presented the conclusions to Methodist Conference 2020**.

We assessed climate change scenarios and looked at 25 metrics for each company. The Paris Agreement targets an average temperature rise of 'well below 2°C' but we were also mindful of growing calls for a 1.5°C target. A new development was the inclusion of companies' Scope 3 emissions targets (which includes all indirect emissions that occur from the use of the company's products) and ambitions in our assessment.

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Our analysis concluded that further oil and gas stocks should be excluded from Methodist portfolios going forward. This included exiting well known stocks such as ***BP*** and ***Total***. Some other companies, like ***Shell***, could be aligned with the Paris Agreement and JACEI has set clear objectives for the company. We will continue to engage with Shell's management and keep their alignment to the Agreement under review.

Whilst JACEI's report was considered by Methodist Conference; further discussion is required, and the Methodist Council will consider the report further ahead of next year's Conference.

In the meantime, our sister company has launched the ***Epworth Climate Stewardship Fund for Charities***. This avoids investment in all oil and gas producers as well as other companies with excessive greenhouse gas emissions. It seeks income and capital investment growth over a minimum period of 5 years, mainly investing in UK companies and looks to have a carbon footprint substantially below that of the FTSE All Share Index. This Fund is available to both Methodist and other UK charities.

David Palmer
Chief Executive Officer

Barclays - engaging for change on climate

In their May 2020 Annual General Meeting, ***Barclays*** overwhelmingly passed a board resolution committing the company to an ambitious target on climate change.

We had co-filed a separate resolution pressing for the phasing out of financial services to fossil fuel companies. This resolution, co-filed by a number of institutional investors and ***ShareAction***, called on Barclays to phase out the provision of financial services to the energy sector and to any electric and gas utility companies that are not aligned with the ***Paris Agreement***. As a reminder, the Paris goals aim to limit global warming to well below 2 degrees Celsius.

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This resolution was not approved by the AGM, but it did receive 24% of the votes. However, by filing the resolution, it forced the Barclays board to produce its own resolution on climate change. This includes an ambition to have net zero Scope 1, 2 and 3 emissions by 2050 and to align its provision of financial services with the Paris Agreement. Whilst the Barclays board resolution was not as explicit in its aims as the one we co-filed, it was an important breakthrough and this AGM commitment sets a standard by which other banks can be measured.

COVID-19 - implications for our ethical work

The developing COVID-19 pandemic and the response to it has dominated recent events and has impacted our ethical work. Many companies are receiving government, ultimately taxpayer, subsidies in the form of grants, including to maintain jobs, and guaranteed loans. Companies' priorities have been ensuring their survival and the well-being of their employees. We recognise that and so, we will not for the time being be voting against the re-election of board chairs and executive directors at AGMs, unless there has been particularly poor performance responding to climate change. There will be greater expectations for companies which receive government support, whether direct or indirect, to be good corporate citizens. This includes paying a fair rate of tax, preventing excessive executive pay, and paying the Living Wage.

Corporate Governance

We refreshed our voting policy, working alongside the ***Church Investors Group***, in time for the 2020 voting season. This already holds companies to high standards on executive pay, boardroom gender diversity, climate change, and tax justice. We regularly vote against executive remuneration schemes and against the reappointment of directors when pay schemes are particularly egregious. This year, new measures extend expectations on diversity and hold directors to account on ***Modern Slavery***. Mining companies face additional scrutiny on the issue of the management of tailings dams following the Brumadinho disaster that killed 270 people last year.

Tax Justice

The ***Fair Tax Mark*** certification scheme was launched in February 2014 and seeks to encourage and recognise organisations that pay the right amount of corporation tax at the right time and in the right place. It is perhaps not that well known yet among companies and we are looking to encourage them to consider this and apply for accreditation. In line with our engagement policy on tax justice, we engaged with two of our holdings in the quarter. Both companies are considering the Fair Tax Mark and the implications of accreditation further as a result. We will continue to engage with them and also introduce the Fair Tax Mark to other companies in which we invest.

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