Central Finance Board of the Methodist Church

The CFB exits the oil and gas sector

The climate crisis has been at the core of the Central Finance Board of the Methodist Church's (CFB) investment approach for over 10 years, with our first policy to tackle it going back to 2009.

Further policies followed and substantial engagement with companies has been ongoing ever since. Our pace accelerated when the Methodist Church declared a climate emergency in 2019. In conjunction with our ethical advisory committee ***JACEI*** (The Joint Advisory Committee on the Ethics of Investment), we fully reviewed the oil and gas sector to assess its compliance with the ***Paris Accord***.

In 2020, this analysis concluded that a number of companies, including ***BP*** and ***Total***, were not aligned and we divested from those stocks. Some other stocks, including ***Royal Dutch Shell***, were kept under review. Also in 2020, we launched the ***Epworth Climate Stewardship Fund***. This equity fund for charities, looks to earn good long term returns whilst tackling the climate emergency. It excludes not only all oil and gas sector stocks, but also those from other sectors that have significant greenhouse gas emissions. This approach is complemented by investing in companies that will help with the transition to a low carbon economy. At the end of 2020, the Fund had a carbon footprint some 70% lower than the market (as measured by the FTSE All Share).

Further work over the last 12 months looked at the remaining stocks in the oil and gas sector. In April 2021, ***JACEI*** concluded that no companies in the oil and gas sector were currently aligned with the climate change targets set out by the 2015 ***Paris Accord***.

> *"The pace of change across the oil and gas sector has been inadequate and we welcome the recommendation of JACEI to disinvest."*

As a result, the CFB sold its remaining company holdings in the oil and gas sector, including ***Royal Dutch Shell***.

Commenting on the exit, David Palmer, Chief Executive said:

"The CFB has long been committed to engaging with companies around issues that negatively impact the poor and God's creation. The pace of change across the oil and gas sector has been inadequate and we welcome the recommendation of JACEI to disinvest."

David Palmer
Chief Executive Officer

Stewardship Code

The ***UK Stewardship Code 2020*** sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them.

The Code comprises a set of 12 ‘apply and explain’ Principles for asset managers and asset owners. As part of this, it aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities by setting out good practice on engagement with investee companies to which the ***Financial Reporting Council*** believes institutional investors should aspire.

THe CFB is a signatory to the Code. The Principles of informed engagement with companies set out within the Code, lie at the heart of our investment approach. We produced a detailed Statement in response to the Principles contained within the 2020 Code, which include a number of case studies that show how we implement our approach in practice.

Review our
Stewardship Code statement

www.cfbmethodistchurch.org.uk/downloads/cfb-methodist-church-stewardship-code.pdf

Access to Medicine

The ***Access to Medicine Foundation*** stimulates and guides pharmaceutical companies to do more for the people living in low-and middle-income countries without access to medicine. In 2008, it launched The Access to Medicine Index (***ATMI***), a biennial ranking of the world’s largest pharmaceutical companies’ efforts to improve access to medicine. As part of the ***ATMI*** programme, the CFB and other investors, have engaged with companies such as ***GlaxoSmithKline*** (***GSK***), to address the opportunities and complexities of improving access to medicines. After successful conversations, ***GSK*** continue to lead the ***ATMI*** rankings.

We have also supported the Foundation in their call for an effective, fair and equitable global response to the roll out of the COVID-19 vaccine. Their review suggested that if the tools to fight COVID-19 were not distributed fairly, and the virus continues to spread in low-and middle-income countries, the additional impacts could be nearly twice as many deaths, and USD9.2 trillion in global economic losses.

Fair Tax Mark

Ensuring that companies pay both an appropriate level of taxation and in the right jurisdiction, has become an issue of increasing focus over the last few years. At the CFB, we feel this is an important ethical issue, and in 2020 we became the first fund manager in the UK to secure the ***Fair Tax Mark***.

We achieved some further progress recently when ***Ten Entertainment*** (one of our portfolio companies that specialise in ten-pin bowling) published their tax policy online after we engaged with them. We will encourage others to both follow their example and consider applying for the Fair Tax Mark.

The recent ***G7*** announcement of a global minimum corporate tax rate of 15% is welcome news. Although the rate is lower than we would have hoped, the agreement is an important step in the fight to ensure that companies will no longer be in a position to dodge their tax obligations by booking their tax profits in the lowest tax countries.

Fair Tax

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