

Range of business over the past year

The JACEI report to Methodist Conference gives details of other work carried out over the course of the past year including:-

- The approval of a paper on ethical investment issues relating to children
- The agreement on a policy relating to private security contractors. In the light of this policy the committee advised against investment in G4S following the company's acquisition of Armor Group
- A review of the Methodist Conference paper *Hope in God's Future* and a CFB draft position paper on climate change

to contribute to the development of a CFB policy on climate change

- A review of papers commissioned by Church Investors Group on usury and on engagement with companies with operations in Sudan
- Meetings held with Nestlé to discuss child labour, breast milk substitutes and to develop plans for a major meeting of church investors with Nestlé senior executives in 2009
- A review of meetings with companies including Royal Dutch Shell, Anglo American, EDF Energy, BSkyB, Barclays Bank and Marks and Spencer.

Most Methodists benefit in some way from the £1 billion invested by the CFB. The CFB has the challenge of meeting demanding legal requirements while fulfilling its commitment to achieve good financial returns for its clients.

Over the past year the investment environment has been particularly difficult with UK shares falling by 30%. While CFB equity funds have been impacted they have performed relatively well. The CFB Annual Report provides full details on performance and is available from the CFB website or address overleaf.

For the CFB the ethical dimension is interwoven throughout its decision-

making processes. As the Board's mission statement affirms: "We aim to construct investment portfolios which are consistent with the moral stance and teaching of the Christian faith [and] to be a Christian witness in the investment community."

If you have concerns about where Methodist money might be invested, please feel free to contact the Chair of the Joint Advisory Committee, the Revd John Howard, whose details are given overleaf.

More information about the Committee's work can be found in its report to the Methodist Conference.



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The **Methodist** Church 

Ethical investment in a digital age

Ethical Investment Report 2009

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Joint Advisory Committee on the Ethics of Investment (JACEI)

This committee is composed of representatives appointed by the CFB and by the Methodist Council. It meets to advise the CFB on the ethical aspects of its work and monitors its decisions.

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Electronic media and access to pornography



New technology has transformed the way we communicate and access entertainment. While this offers exciting opportunities, the proliferation and availability of sexual imagery in cyber space is a growing concern.

TV channels can be viewed from our laptop computers or mobile phones. Further technological development will bring about even more changes to television and telecommunications services in the years to come. As access to media content becomes much easier the Joint Advisory Committee on the Ethics of Investment (JACEI) will consider and respond to the ethical challenges raised.

The Methodist Church considers pornography demeaning since men and women are made in the image of God. It regards such exploitation as contrary to Jesus' teaching about love, respect and care for one another. The Church, therefore, opposes the increasing prevalence of pornography in society. JACEI encourages further consideration of the issues raised by rapid technological development in electronic media.

Examining broadcasting and mobile phone companies and the media services they offer customers is an important part of the work of JACEI. Digital TV broadcasters have a

regulatory requirement to operate an 'open platform', meaning that they must broadcast any channel approved by OFCOM, including those with legal pornographic output. Nevertheless, broadcasters and phone companies have differing approaches to the ease of access and marketing of such content.

The Central Finance Board (CFB) of the Methodist Church engages with companies on this issue guided by its policy on the media sector*. However, if a company has an involvement in the production of pornographic material then JACEI is likely to recommend avoidance. One such company has

been BSkyB. JACEI, though, has been impressed with the changes BSkyB has made. It has become more mainstream and family-orientated. Staff members of the CFB and Connexional Team joined with representatives of the Church Investors Group to meet with the Chief Executive Officer of BSkyB. We asked the company to end its ownership of seven 'adult content' film channels. JACEI was encouraged by the response and will be looking out for further developments.

*The CFB policy on the media sector and other ethical policies are available online at www.cfbmethodistchurch.org.uk/ethics

Crisis in the economy

The financial crisis has raised serious ethical concerns. Restrictions on bank credit affected the ability of companies to finance their activities and UK shares fell by 30% in 2008. This has been accompanied by a sharp and continuing rise in unemployment and means many in work face an uncertain future.

The churches have highlighted moral failures in financial markets. Increasingly, complex financial instruments were created which appeared to be detached from the 'real' economy based on human labour and enterprise. For example, sub-prime mortgages and other risky debt-based products were packaged and resold.

A culture emerged that rewarded short-term financial performance and encouraged excessive risk-taking by banks. They had little appreciation of how such risks could undermine confidence in the financial system, nor did they anticipate the cost to society of combating the subsequent crisis. The CFB has neither invested in the derivative financial products that were at the heart of the financial crisis nor facilitated their

trading by lending the stocks in its portfolios.

Reform of corporate governance, including executive pay, is required. JACEI believes pay awards and bonuses should be clearly attached to sustainable performance and should not be excessive. At company AGMs, the CFB of the Methodist Church votes in line with policies recommended by JACEI. In 2008 the CFB voted on 118 remuneration reports, with 74 votes against and 33 abstentions. In other words, the CFB considered only 9% of the remuneration reports acceptable.

JACEI and the CFB continue to have an active programme of engagement with company directors and chief executives and monitor company corporate responsibility. Our desire is to see financial and business sectors that are profitable, behave ethically, and are aware of their responsibilities to the wider community.

