



**2021**  
**Annual**  
**Report**

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# Chair's foreword

THE REV. DR STEPHEN WIGLEY

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*“The year under review has seen incredible disruption as COVID-19 swept the globe”*

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The year under review has seen incredible disruption as COVID-19 swept the globe. We started the year with restrictions that aimed to protect the NHS: masks and social distancing became the new norm. We are now hopeful that significant progress is being made, with the roll out of vaccines across the UK bringing the infection hospitalization and death rates down. We take a moment to remember the individuals, not just the numbers, of those who are no longer with us because of COVID-19. JACEI commends the CFB and Epworth for the engagement that it has undertaken in order to ensure companies prioritise worker's mental and physical health during these trying times.

With all the restrictions placed on economic and social activities, 2020 is set to be a year of lower emissions. With the efforts to reboot the economy following the lockdown in March, the CFB and Epworth supported letters to the UK Government and the European heads of states calling for the recovery to be

sustainable. The inauguration of President Joe Biden and the re-entry of the US into the Paris Agreement has signalled further acceleration of the decarbonisation of the global economy, though we recognise there is much more to be done. Following the decision from Methodist Council on the Memorial at Conference 2020, JACEI's work during the year continued to be focused on its assessment of oil, gas, and mining companies under the approved framework. JACEI planned for an additional meeting in order to respond to Methodist Council's direction, which will be outlined in a special report to Methodist Conference within the Conference papers.

2020 has arguably seen a step change in UK company responses to the climate emergency. Across all sectors, companies are looking to make carbon commitments ahead of the COP26 summit in Glasgow in November 2021. New initiatives such as “Say on Climate” are gaining traction, with Unilever being the first FTSE 100 company to put its climate transition plan up to a shareholder vote at its 2021 AGM. This has been followed to date by commitments from Royal Dutch Shell and Glencore, and there is no doubt others will follow. The CFB's regulated subsidiary, Epworth Investment Management Ltd, launched a Climate Stewardship Fund during the year in response to calls for a fund that

moves faster in the transition to a low carbon economy. At the time of writing, the Fund had a carbon footprint 69% lower than its stock market benchmark.

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*“Across all sectors, companies are looking to make carbon commitments ahead of the COP26 summit in Glasgow in November 2021”*

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Black Lives Matter has drawn attention to the endemic, systematic racism that exists not just in the UK but in other places across the globe. I am pleased that following the recommendations of the Parker Review, the Church Investors Group (CIG) voting policy will now vote against the nomination committee chair at FTSE 100 and S&P 100 companies that do not have minority ethnic representation on the board in 2021. Through the CIG, the CFB and Epworth continues to have a progressive voting policy which has also ratcheted up expectations for gender diversity on boards under its latest iteration, voting against FTSE 350 companies that do not have 40% female representation on their boards.

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*“We will now vote against the nomination committee chair at FTSE 100 and S&P 100 companies that do not have minority ethnic representation on the board in 2021”*

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We have also seen change internally, with the departure of Stephen Beer from the CFB. Stephen was the Chief Investment Officer and a valued member of JACEI for over two decades. We are hugely grateful to Stephen for all his leadership and contributions to the Committee and wish him all the best for his future endeavours. We also record our appreciation and farewell to Dr Brian Gennery and Mr Chris Moorhouse who retired from the Committee and we welcomed Mr Jonathan Cape

and Dr Revd Mike Long to the Committee. We look forward to meeting the new Head of Ethics for the CFB, Rev. Andrew Harper, in due course.

Throughout the year, notwithstanding the focus on the climate emergency and fossil fuels, JACEI continued to be committed to engaging with and providing oversight on the complex ethical issues raised at each meeting. I note particularly the work undertaken in relation to Israel Palestine, where a framework for a policy review has been agreed with a commitment to approve a revised policy by the time of the 2022 Methodist Conference, and tax justice where we recognise the substantial engagement programme the CFB is doing in encouraging companies to become accredited through the Fair Tax Mark. I would like to take a moment to thank all on the Committee for their hard work and dedication.

This Report provides evidence to Conference of the work undertaken by JACEI through the year and also evidences that the CFB has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church.

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*“This Report provides evidence to Conference of the work undertaken by JACEI through the year”*

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# Conclusion

*The Committee judges that the CFB has managed the funds under its control in support of an ethical stance which is in accordance with the aims of the Methodist Church. This includes the holdings in its wholly owned subsidiary, Epworth Investment Management Ltd.*

In arriving at this conclusion, the Committee scrutinised compliance with the CFB ethical policies through the:

- voting record of the CFB;
- ethically excluded lists of UK and global companies;
- ethics meeting minutes of the CFB;
- company engagement record of the CFB;
- Independently verified review of the CFB UK portfolio carbon footprint;
- The CFB participation in the Church Investors Group (CIG);
- The CFB participation in the Institutional Investors Group on Climate Change (IIGCC); CDP (formerly the Carbon Disclosure Project); TPI (Transition Pathway Initiative); Climate Action 100+; the Principles of Responsible Investment (PRI); Access to Medicines Index (ATMI); Access to Nutrition Index (ATNI); Business Benchmark on Farm Animal Welfare (BBFAW); Farm Animal Investment Risk & Return (FAIRR); the Powering Past Coal Alliance; the Plastic Solutions Investor Alliance.

## RESOLUTION

The Conference receives the report of the Joint Advisory Committee on the Ethics of Investment for the year to 31 March 2021.

# Climate emergency

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*The focus remained on responding to Conference's request to look again at fossil fuel companies in the light of the Paris Agreement to keep the average rise in temperature to "well below 2C".*

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## METHODIST CONFERENCE MEMORIAL 32 (2017) AND REPLY

Methodist Conference 2017 asked Methodist Council to request JACEI to;

- examine the pace of change in the extractives industries sector;
- in the light of the increasing urgency for more global action, continue actively to consider divestment criteria, timescales, and consultation processes required to divest from oil and gas companies;
- report to Conference 2018 with the expectation that any such company in which the Church invests has not aligned their business investment plans with the Paris Agreement target of global temperature rise well below 2 degrees, there would be a recommendation that the Church divest from such a company by Conference 2020.

The CFB developed a methodology for assessing fossil fuel companies, which was received by Conference in 2018. Companies were examined in five different categories:

- current asset mix
- capital expenditure
- climate strategy and governance
- positive transition steps
- decreasing emissions

Within these categories the CFB examined companies with up to 25 different metrics. JACEI advised that ten companies should be excluded from investment on ethical grounds, including BP. Four companies held in the CFB Epworth portfolios, Repsol, ENI, Equinor, and Royal Dutch Shell, were judged on the basis of this analysis to have business

investment plans aligned with the Paris Agreement or at least well on the way to this.

Following the decision by Methodist Council in October 2020 to request JACEI to confirm whether these companies are aligned with the Paris Agreement, further analysis has been undertaken through the year, the results of which will be incorporated into a special report to Methodist Conference 2021. The CFB Epworth portfolios currently hold Shell as an equity holding (except the Epworth Climate Stewardship Fund), and Equinor in one of its bond funds.

## CFB PORTFOLIO CARBON INTENSITY

The CFB and Epworth are signatories to the Montréal Pledge, an initiative that encourages investors to measure, disclose and reduce the carbon footprint of their portfolios.

The Epworth UK Equity Fund, and the other Epworth funds listed below report on their carbon footprint using independently verified data. As at the 31 December 2020, the Epworth UK Equity Fund had a carbon footprint of 13% below its benchmark of the All Share Index.

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*“The CFB UK Equity Fund has a carbon footprint of **13% below** its benchmark.”*

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The Epworth Climate Stewardship Fund (see more below) has a mandate to have a carbon footprint substantially below (at least 15%) that of the FTSE All Share Index. As at the end of December 2020, the footprint of the fund was 69% less intensive than its benchmark.

The Epworth Global Equity Fund reports in line with the Montreal Pledge also, and as at the end of December 2020, it was 61% less intensive than its benchmark of the FTSE All World index.

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*“The Epworth Climate Stewardship Fund was **69% less intensive** than its benchmark.”*

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Following the results of the carbon footprint and in line with our 2009 policy, the CFB engaged with both Cranswick and Hilton Food Group. These companies were found to be the contributors to the higher carbon footprints of the CFB under one of the methodologies, due to Scope 3 emissions from the meat supply chain. The CFB queried the actions the companies were implementing to reduce supply chain emissions, as well as what measures they were taking to reduce the Scope 1 and 2 emissions within their control.



Cranswick’s response was encouraging: looking at the impact of animal feed, steps to reduce waste, and a commitment that all of its owned farms will be carbon neutral by 2030. Hilton Food Group is considering innovations in feed and farming that can reduce emissions in the supply chain, particularly methane from cattle. The company set an objective of carbon intensity reduction of 15% in the emissions of cattle by 2025. This is aligned with the environment target of the European Roundtable for Beef Sustainability.

Recognising the need for society to address the climate emergency, the CFB is giving consideration to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. There are some investor initiatives that the CFB could join that support this goal.

## CLIMATE EMERGENCY

The CFB is seeking to develop and broaden its reporting in future years, and this year is reporting the CFB UK carbon footprint from two providers using somewhat different methodologies. The methodology below is aligned with reporting under the Taskforce for Climate Related Financial Disclosures (TCFD). This shows that the CFB UK Equity Fund has a carbon footprint of 13% below its benchmark.

	CFB UK Equity Fund carbon intensity (tCO <sub>2</sub> e/Mil USD revenue)	FTSE All Share Benchmark carbon intensity (tCO <sub>2</sub> e/Mil USD revenue)	% below benchmark
2019	127.4	131.0	-2.8%
2020	122.1	139.8	-13.0%

Data from a different independent provider is shown below, based on an alternative methodology which includes scope 3 supply chain emissions. Emissions per unit compensates for changes in the size of the fund due to flows and movement in market values, making it comparable year on year. This would suggest that the carbon intensity of the portfolio under this methodology has decreased by 0.3% over the last year and has decreased by 1.3% p.a. over the last ten years.

	CFB total emissions (tCO <sub>2</sub> -e)	CFB units in issue	Emissions per unit (kg per unit)
2009	175,960	26,559,227	6.63
2010	142,982	24,976,490	5.72
2011	149,212	22,182,723	6.73
2012	112,914	20,749,796	5.44
2013	115,598	21,066,622	5.48
2014	127,192	19,406,209	6.55
2015	123,819	20,027,588	6.18
2016	114,243	21,096,008	5.42
2017	94,630	19,921,015	4.75
2018	96,317	19,909,197	4.84
2019	123,434	21,338,299	5.78
2020	107,201	18,615,847	5.76



## CLIMATE RELATED ENGAGEMENT

JACEI reviewed and debated a wide range of additional CFB climate-related work and additional material. The CFB:

- Co-filed a shareholder resolution with ShareAction at **Barclays** 2020 AGM. The resolution asked the bank to phase out finance for fossil fuels and utility companies that are not aligned with the Paris climate goals. Barclays proposed a resolution of its own which included a net zero emissions by 2050 ambition along with a commitment to transition its activities to align with the Paris Agreement. While the management commitment is a welcome step, it does not commit to any targets to phase out lending to fossil fuel industries. The board's own resolution on its net zero ambition received 99.93% shareholder support. The ShareAction resolution attracted the support of 24% of shareholders.



- Co-lead on engagement with **Anglo American** on behalf of the Climate Action 100+ investor coalition. At its most recent AGM, Anglo American announced it was working towards a possible demerger of its thermal coal business in the next two or three years. It announced a commitment to be carbon neutral across its operations (Scopes 1 & 2) before 2040. The company also released Scope 3 estimates and outlined its approach to these emissions, which it cannot control. These are welcome commitments by the company in response to CA100+ questions.



- Through IIGCC, and along with other investors, wrote to the **Audit Committee Chair of 36 European companies** calling for Paris-aligned Accounts;
- Supported letters to the **European leaders and the UK Prime Minister** highlighting the need to ensure the economic response to the COVID-19 pandemic delivers a sustainable recovery;
- Signed up to the **Powering Past Coal Alliance Financial Principles** which works to advance the just transition away from unabated coal power generation;
- Discussed mitigating actions regarding the climate emergency with a number of **portfolio companies** including those in the IT, housebuilding, and food sectors;
- Attended responsible investor days for **Royal Dutch Shell, and Anglo American** amongst others;



- Remained a signatory member of the **Institutional Investors Group on Climate Change** (IIGCC)

and attended events and seminars hosted by the Group;



- Maintained its involvement in the **CA100+ initiative** which has united over 540 global investors and \$54 trillion in assets under management in calls for companies to align their strategies with the Paris Agreement.



- Remained abreast of updates from the **Transition Pathway Initiative**, of which the CFB was a founding member;



- Voted against companies that were laggards in reducing carbon emissions;
- Participated in a wide range of industry-led seminars, webinars and meetings to keep abreast of current pan-sector thinking.

## CLIMATE STEWARDSHIP FUND

Epworth Investment Management Ltd launched the Epworth Climate Stewardship Fund for Charities in late May 2020. The Fund applies all of the CFB's existing ethical policies and also excludes companies that extract or refine fossil fuels; have a material involvement in supplying the fossil fuel industry; and minimises exposure to companies that are responsible for high levels of GHG emissions. It also looks to invest in companies that positively contribute to the transition to a low carbon economy and is designed for those who want to disinvest from fossil fuels. More information on this fund is available on the Epworth website.

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*“It looks to invest in companies that positively contribute to the transition to a low carbon economy”*

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# Other ethical investment issues

*JACEI has considered a number of other ethical investment matters, as well as its focus on the climate emergency.*

## EXTRACTIVE INDUSTRIES

JACEI discusses issues as they relate to extractives industries regularly and noted a number of initiatives and meetings taken place over the year:

- With the events of the tailings dam disaster near Brumadinho in 2019 still centred in the mind of investors, the CFB continued to be engaged with the Investor Mining and Tailings Safety Initiative. The initiative called for a Global Industry Standard on Tailings management to be created and in August 2020, the Standard was launched thereby establishing a global standard on management for existing and future tailings facilities. The Standard has been developed through the Global Tailings Review, which was co-convened in March 2019 by the United Nations Environment Programme (UNEP), Principles for Responsible Investment (PRI), and International Council on Mining and Metals (ICMM).
- In May 2020, Rio Tinto detonated an area in Western Australia which was deemed

to have high significance to the native people of the region. The area of interest was land belonging to the Puutu Kuntji, Kurrama and Pinikura People (PKKP) within the Juukan Gorge. Although Rio Tinto had obtained the legal permissions and engaged with the PKKP peoples throughout a multi-year process, new information on the heritage of the site, which came to light prior to the blast, could not cause the blast to be halted or postponed due to safety concerns. Rio Tinto has apologised for this failure, which appears systemic in nature, and the CEO and other senior executives have stepped down. The Chair of Rio Tinto also decided not to seek re-election at the next AGM as he took ultimate responsibility for the failings leading to the event. The CFB wrote to Rio Tinto to understand the long term changes undertaken to ensure that an incident of this nature does not happen again, and to learn more about the Company's approach to cultural heritage management and relations with the Traditional Owners. The CFB received a comprehensive

response, which noted changes ahead. The company has also committed, among other things, to reassess any activity that has the potential to impact heritage sites, with an immediate focus on locations that could be impacted over the next 18-24 months.

- Along with other investors, the CFB also wrote to other mining companies regarding the incident at the Juukan Gorge, asking for: assurance of their policies and procedures on their approach to relationships with Traditional Owners; information regarding the governance frameworks and Board oversight of the issues; specific action or actions that each company has taken to identify and manage the risks across its business; and how the company intends to disclose in relation to these issues.
- The CFB has continued to represent the Methodist Church on the steering committee of the Mining & Faith Reflections Initiative, which brings together mining executives and church leaders to discuss mining and the common good.

## HEALTH, WELLBEING, AND FARM ANIMAL WELFARE

In line with the policy on ethical issues related to health and nutrition within the food and beverage industry recommended to the CFB by JACEI, the CFB continued to be a supporting investor of the Access to Nutrition Index (ATNI). ATNI ranks food producers, processors and retailers for their approaches to nutrition.

In July 2020, the CFB became signatories to the ATNI's Investor Expectations on Diets, Nutrition and Health. The report outlines four expectations related to corporate governance, strategy, lobbying, and transparency for food and beverage manufacturers and retailers.

As part of the Healthy Markets initiative, which the CFB support through ShareAction and Access to Nutrition, the CFB attended a briefing on Supermarkets and the role that they play in tackling obesity. The CFB engaged with Tesco and Ocado on the topic of childhood obesity, requesting further information about their promotions, strategy, and targets. Both companies responded to our engagement, outlining the steps they are taking to respond to the issue. Tesco noted its reformulation strategy of own brand products, and its commitment to increasing positive nutrients such as fibre, fruit, and vegetables, alongside reducing nutrients of concern e.g., fat, salt, and sugar.

Further to this, the CFB through Epworth co-filed a shareholder resolution at Tesco, calling for targets to increase the proportion of healthy products in its sales. Using Access to Nutrition Initiative research, it was found that Tesco lags its peers on reporting and encouraging healthy diets. Tesco has a 27% market share in the UK grocery market, and therefore has a key role to play in shaping the nation's diets.



The Access to Medicine Index (ATMI) continued to engage with 19 listed pharmaceutical companies on both access to medicine and the third Sustainable Development Goal, which focuses on healthy lives and promoting wellbeing for all ages.

The CFB continued to be a supporter of FAIRR (Farm Animal Investment Risk & Return) in 2020. Following the release of a report entitled "An Industry Infected", the CFB attended a webinar to hear insights on the animal protein supply chain and the impact of COVID-19 on manufacturers. The webinar discussed the potential spreading of disease from animals to humans, and the need for healthy environments for all.

Following on from news articles and previous engagement, the CFB wrote to five food producing companies, asking about their policies and processes when responding to any possible outbreak of COVID-19 in food manufacturing plants, as well as in regard to sick leave and pay for staff who have to self-isolate due to the Coronavirus. There was a particularly impressive response from Hilton Food Group.

The CFB remained a supporting signatory to the Business Benchmark on Farm Animal Welfare (BBFAW), which ranks companies in the food production, processing and hospitality sectors for their overall approach to managing farm animal related risks in the supply chain. The CFB were pleased to see Cranswick remain in Tier 1, the highest rank in the benchmark, and that Hilton Food Group improved from Tier 3 to Tier 2.

## ENVIRONMENT

The CFB continues to be a signatory to the Plastic Solutions Investor Alliance, which engaged with companies globally on their plastic usage during the year. The PSIA has co-filed shareholder resolutions at 10 US companies in 2021 and the CFB will be supporting these as much as possible.

During the year, the CFB attended CDP webinars on disclosure and remained abreast of the reports from CDP a variety of topics including deforestation.

## NESTLÉ & BREAST MILK SUBSTITUTES (BMS)

The CFB and representatives from JPIT met with Nestlé to discuss BMS and other material sustainability issues. Following the Call to Action from the United Nations agencies and eight civil society organisations to all manufacturers of BMS, Nestlé has released its response, noting it will unilaterally stop promotion of infant formula for babies ages 0-6 months in all countries, with particular relevance to the USA, Canada, and Japan, where no regulations currently exist. JACEI has a longstanding history in engaging with Nestlé in relation to BMS and is pleased to see fruition of this engagement. The meeting provided the opportunity to discuss internal training at Nestlé on BMS, as well as the process for accreditation through ATNI and FTSE4Good. Also discussed in the meeting was Nestlé's climate targets, farm animal welfare, and Fairtrade. In line with JACEI advice, the CFB will continue to discuss these important issues with Nestlé following the meeting.

## EMPLOYMENT & LABOUR

As part of its work with ShareAction, the CFB continued to engage with companies to encourage them to become Living Wage accredited. The CFB received a response from its engagement with DS Smith, noting its reasons for not accrediting at this time. The CFB also signed onto letters to Bunzl, Persimmon, Tesco, Ocado, Vodafone, and United Utilities during the year.

ShareAction started a new work stream in the year related to Living Hours, which will require organisations to pay the real Living Wage and commit to provide workers with at least four weeks' notice of shift changes, a contract that accurately reflects hours worked, and a contract with a guaranteed minimum of 16 hours a week (unless the worker requests otherwise). This is aimed to ensure greater control for workers over the hours they have to work. The

CFB supported letters to Reckitt Benckiser, Unilever, and Lloyds Bank on the matter. The CFB were pleased to see Aviva become accredited.

According to the NHS, one in four people in the world will be affected by mental or neurological disorders at some point in their lives. The impact of social isolation, uncertain employment, or bereavement due to coronavirus, could have mental health consequences for many. JACEI noted that the CFB co-signed a letter to FTSE 100 constituent companies encouraging them to protect the mental health of their workforces during this extraordinary time. The letter called for an action plan specific to mental health during COVID-19 to be introduced at each workplace, which may include training for managers on how to spot warning signs and clear provision of details on how to access support. So far, comprehensive responses have been received from companies including AB Foods, Experian and Halma.



## ISRAEL PALESTINE

Israel Palestine related investment issues remained on the agenda for JACEI during the year under review. JACEI recognises the worsening conditions in the Occupied Territories and made the decision to exclude Heidelberg Cement (which was sold for investment reasons in 2019), and to reopen engagement with holdings that had previously been deemed acceptable for investment. Methodist Council has responded to a memorial at Methodist Conference in 2020 with a request to JACEI to ask the CFB to review its policy with regard to investment in Israel Palestine and to provide a timeframe for it to report back to Conference. This was considered at the JACEI meeting in March 2021 and a framework for that policy review has been agreed with a commitment to approve a revised policy by the time of the 2022 Methodist Conference.

## HSBC

HSBC is a major provider of banking services to the Methodist Church and the CFB. It is also a substantial holding in the Epworth UK Equity & Climate Stewardship Funds. JACEI noted that during the year the CFB had written to HSBC regarding its stance on the new Hong Kong national security laws. In a letter signed by both the Director of Finance and Resources of the Methodist Church, and the CFB CEO David Palmer, the letter expresses concern for the banks continued support for the new security laws. A response was received from HSBC on the matter and the engagement was discussed at JACEI meetings during the year

The CFB also noted the co-filing of a shareholder resolution at HSBC regarding the climate emergency. The resolution calls on HSBC to publish a strategy and timeline targets to reduce its exposure to fossil fuel assets, starting with coal, on a timeline consistent with the Paris climate goals. HSBC have since proposed its own special resolution on climate change and the co-filers have decided to withdraw their shareholder resolution in order to support HSBC's.

## HUMAN RIGHTS

The CFB continues to work as part of the Find It, Fix It, Prevent It programme with others to tackle Modern Slavery. This engagement asks companies "Have you found modern slavery in your operations or supply chain this year?". The CFB will continue the dialogue from that point, engaging with two companies in the hospitality sector at present: Compass Group and InterContinental Hotels Group.

The CFB supported a letter to the Chief Executive of Compass Group to answer critical questions regarding the food parcels that families may receive in lieu of free school meals that had been provided by Compass Group subsidiary Chartwells. After social media and news coverage noted the inconsistent, meagre food portions, investors were mobilised to seek reassurance that changes were being implemented at the company. Chartwells issued an apology and outlined steps it would be taking to rectify the situation.

## TAX JUSTICE

Tax justice has been on the agenda for JACEI over several years leading to its recommending of a policy which the CFB approved in 2018. JACEI agreed that engagement by the CFB should be focused on good practice and tax transparency and commends the CFB for its extensive engagement undertaken during the year.

Epworth Investment Management become the first fund manager in the UK to be accredited by the Fair Tax Mark. 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. The focus for the organisation to date has been with UK companies. The CFB promotes the Fair Tax Mark when engaging with companies.

The CFB engaged with MJ Gleeson, a UK housebuilder held in its portfolios to encourage them to become accredited and it has become the first company in its sector to do so.

The CFB undertook a round of engagement with companies held in its UK portfolios to highlight the Fair Tax Mark, and to encourage companies to become accredited. This engagement highlighted the complexity and cost of attaining the Fair Tax Mark accreditation, particularly in the difficult environment of the COVID pandemic, and the CFB therefore expects this engagement to be over the longer term.

Following our engagement with Ten Entertainment, a listed ten-pin bowling company, the company now publishes its tax policy online. The CFB has also raised this with a number of other companies that it has met during 2020 and tax justice will continue to be on the agenda for company meetings in 2021.

## CFB VOTING & EXECUTIVE REMUNERATION

The CFB's quarterly voting summaries are reviewed at JACEI meetings. These summary reports are available on the CFB website, with the full voting report available on request.

Voting is carried out at all UK and global company meetings, in which the CFB invests, in line with a collaborative CIG voting policy which JACEI reviews annually. The voting template is implemented by the CIG's service provider, ISS (Institutional Shareholder Services). The 2021 policy for voting can be found on the CFB websites.

During the year, and due to the COVID-19 pandemic the CFB, along with its CIG voting partners, took the decision to abstain (rather than vote against) on votes on the Chair of the Board and executive directors. This was done in order to ensure continuity for companies during the pandemic. This policy still continues for those in the aviation and retail sectors.

The CFB Epworth voting policy focuses on two key areas: director election issues, and remuneration. The CFB will vote against the re-election of a committee chair, however where there are multiple issues or repeated issues over several years, this may be extended to an entire board committee.

In 2020 the CFB UK funds voted at 76 meetings, comprising 1,365 resolutions. The CFB & Epworth opposed or abstained at 233 or 17% of proposals.

The CFB continues to be rigorous in opposing excessive executive remuneration. During calendar year 2020, out of 101 UK remuneration reports and policies voted, the CFB opposed 66, or 65%. Remuneration structures should incentivise the generation of sustainable, long-term, shareholder value.



The CFB also opposed or voted to abstain on the re-election of 90 directors, accounting for 15% of votes. Negatives votes may be applied to the nomination committee where the CFB & Epworth do not consider there is enough progress in efforts to increase the diversity of company boards and senior management in terms of both gender and ethnicity.

The CFB engaged with Brooks Macdonald and MJ Gleeson on remuneration, giving feedback where it voted against the remuneration report in line with the voting policy. The CFB also engaged with Ten Entertainment on its new policy.

In 2020, the CFB voted on 1,982 resolutions at 76 European meetings; 15% of these were opposed or abstained by the CFB. Of 745 director appointments for re-election, the CFB opposed 59 or 8%.

The Epworth Global Equity Fund for Charities voted at 234 meetings, which amounted to 3,382 resolutions. Remuneration accounted for the greatest quantity of against votes. The CIG voting policy has different rules for different jurisdictions and therefore not all companies globally are voted the same way.

Following the launch of the Epworth Climate Stewardship Fund for Charities at the end of May 2020 that Fund voted at 33 meetings, which amounted to 488 resolutions. Of the 206 votes on directors, the CFB opposed or abstained on 23%.

The CFB has a policy of not waiving its shareholder rights in markets that are share-blocked and which require investors to cease trading in order to exercise their ballots. Outlawed within the EU, the practice occurs mainly in Norway and Switzerland, and in 2020 the CFB did not vote at 15 meetings that were share-blocked.

## UK STEWARDSHIP CODE

The CFB has been a signatory to the UK Stewardship Code since its inception in 2012. The CFB continued to be rated a Tier I signatory, which JACEI commends. The CFB has undertaken significant work to submit for the 2020 Stewardship Code at the end of March 2021. The CFB awaits the outcome of the submission.

## PRINCIPLES OF RESPONSIBLE INVESTMENT (PRI)

The PRI is the largest global signatory organisation promoting responsible investment, with over 3,600 asset owner, asset manager, and service provider signatories, in 2020 representing over US\$100 trillion of assets under management. PRI facilitates the opportunity to collaborate with like-minded global investors and to participate in expert-led events on material issues, including the climate emergency.

The CFB & Epworth once again received an A+ score from PRI for Strategy and Governance, a mark attained for the last few years. The CFB & Epworth also received an A or higher across the Listed Equity modules.

## THE CHURCH INVESTORS GROUP (CIG)

The CFB closely collaborates with the ecumenical Church Investors Group, which works to promote ethical investment for the public benefit:

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

JACEI welcomes and commends the continued strengthening of

the ecumenical work through CIG. CIG represents many mainstream Church denomination and organisations, with 70 members representing combined assets of over £21bn. Its membership is drawn in the main from the UK and Irish churches, but is also increasingly international with a network of supporting international partners. CIG supports its members by hosting two meetings a year (including an international conference), and by leading strategic engagements on carbon, modern slavery and tax.

## COMMUNICATION

The CFB & Epworth's Position Papers and Policy Statements are published on each website. The CFB & Epworth's quarterly responsible investment reports, and summaries of UK and global voting reports are also published online.



## THE CFB ETHICAL REVIEW

As part of its regular oversight JACEI scrutinises:

- the CFB summary voting records (UK, Europe and Global);
- the list of ethically excluded UK, European and Global companies (approximately 15.5% of the FTSE All Share Index, and approx. 9.4% of the FTSE All World, respectively as at 31 January 2021); and
- minutes of the CFB Ethics Meetings (5) were all noted and reviewed.

The CFB and its wholly-owned subsidiary, Epworth Investment Management, are actively involved in a number of Responsible Investment initiatives and partnerships.

JACEI receives regular reports on the following:

- The CFB is a founder member of the Institutional Investors Group on Climate Change (IIGCC), (see page 7) which now has 275+ members from 16 countries representing €35 trillion in assets. The CFB is part of various initiatives run by IIGCC and participated in several expert briefings as well as attending the AGM.
- The CFB is a founding member of the Transition Pathway Initiative (TPI) (see page 7), a collaborative effort of 94 global investors with \$23.6 trillion in assets under management and advice. TPI evaluates and tracks the quality of company management of greenhouse gas emission (GHG) and of risks and opportunities related to a low-carbon transition, as well as evaluates how companies planned or future carbon performance

compares to the Paris Agreement;

- The CFB maintained its involvement in the CA100+ (Climate Action 100+ see page 7) initiative which has united over 540 global investors and \$52 trillion in assets under management in calls for companies to improve climate governance, cutting emissions and strengthening climate related financial disclosures. The CFB participated CA100+ calls and investor engagements;
- The CFB is a founding signatory to CDP (formerly the Carbon Disclosure Project) and is also part of a wider coalition that encompasses sister projects on water and forestry. CDP combines its surveys on carbon, water and forestry to present a holistic view of company performance in these environmentally crucial areas;
- The CFB is signatory to the Access to Nutrition Index (ATNI), which is supported by 60 investors with over \$14 trillion of Assets Under Management (AUM) (see page 8);
- The CFB is a signatory to the Access to Medicines Index (ATMI) which is supported by 100 investors with \$14 trillion of AUM (see Page 9);
- The CFB is a supporting investor of the Business Benchmark on Farm Animal Welfare (BBFAW) (see Page 9) and signatory to the Global Investor Statement on Farm Animal Welfare. The Statement is supported by 33 investors with \$2.5 trillion of AUM.
- The CFB works with FAIRR (Farm Animal Investment Risk and Return) (see Page 9) which is supported by \$29 trillion of AUM, and signed

its investor statement on antibiotic resistance;

- The CFB is part of the Powering Past Coal Alliance (PPCA) and signed the Financial Principles. PPCA is a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy.
- The CFB supports the Plastic Solutions Investor Alliance (see Page 9), and signed the accompanying Investor Statement. This is now supported by 40 global investors;
- The CFB is a member of the Ecumenical Council for Corporate Responsibility (ECCR), where a Connexional team member sits on the Board;
- Epworth Investment Management is a member of UK Sustainable Investment & Finance (UKSIF).

The CFB use the specialist services of:

- Sustainalytics (ESG company research)
- ISS (Proxy voting)

JACEI commends and welcomes the valuable input on a variety of subjects made by the Methodist Connexional Team and the Joint Public Issues Team (JPIT). Team members attend every JACEI meeting. [www.jointpublicissues.org.uk](http://www.jointpublicissues.org.uk)

# Role and function of the committee

*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 to report annually to the Conference.*

## TERMS OF REFERENCE

The Joint Advisory Committee of the Ethics of Investment shall have a Chair appointed by the Methodist Council who should be able to represent Methodism at a senior ecumenical level. This position has to date always been filled by a District Chair

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 investment;
- To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, 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 Methodist 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;
- JACEI may comprise both executive and non-executive members, with the expectation that the CFB and Methodist Council may each nominate one executive officer to be a Member of JACEI;
- Each non-executive member appointed by either the CFB or by Methodist Council shall be eligible to stand for membership for up to two successive terms of three years, up to a maximum of six years in total;
- Members, on the completion of each three year term, may stand down, be asked to stand down, or be asked to give their assent to continue to serve up to the normal maximum of six years. Their re-appointment shall be recorded in the Minutes; executive members of JACEI representing the CFB and Methodist Council shall have no upper limit to their terms;
- The Committee, may agree to a non-executive member, including the Chair, serving for an additional period of up to three years at the completion of any six year term, to facilitate continuity of the Committee's business;
- A Minute shall be taken of any meeting of the Committee, approved by JACEI members, and signed as a true and fair record of proceedings by the Chair;
- The Committee shall appoint a Secretary to act on its behalf.

## STANDING ORDER

The following Standing Order relating to JACEI was approved by Methodist Conference (2019).

- (1) There shall be a Joint Advisory Committee on the Ethics of Investment, appointed annually in accordance with clause (2) below.
- (2) The committee shall consist of eleven persons and shall comprise:-
  - (i) a chair appointed by the Methodist Council;
  - (ii) five other persons appointed by the Methodist Council;
  - (iii) five persons appointed by the Central Finance Board;
- (3) The committee shall meet as frequently as need be, but in any event at least once a year.
- (4) The committee shall be responsible for advising the Central Finance Board on ethical aspects of investments, and proposed investments, and shall report annually to Conference.

## RESPONSIBLE INVESTMENT REPORTING REQUIREMENTS

The Task Force on Climate related Financial Disclosures was established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures that could enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financials systems exposures to climate-related risks. In November 2020, the UK government announced that it will be mandatory to report in line with TCFD recommendations across the UK economy by 2025, with some sectors required to report as soon as 2021.

The CFB is investment manager, through its subsidiary Epworth Investment Management Ltd., to large pension funds that use the JACEI Conference Report as part of their assessment of compliance with their ethical and responsible investment policies. The report should therefore enable trustee bodies to assess clearly whether the CFB, and its subsidiary, Epworth Investment Management Limited, have 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, and updates this annually. Its most recent Statement disclosure is available at [www.cfbmethodistchurch.org.uk](http://www.cfbmethodistchurch.org.uk).

## JACEI PROCEDURES

The Committee has agreed it should:

- Hold at least four meetings a year;
- Have its own identity with a postal and electronic address located within the Connexional Team at Methodist Church House;
- Advise the CFB and its subsidiary Epworth Investment Management Ltd. in relation to Methodist Church policy in respect of ethical and responsible investment;
- Examine all aspects of a company's operations rather than focus on one particular issue;
- To act as an advocate, where appropriate, in respect of any ethical policy of the CFB, any investment decision taken on ethical grounds, and any other advice the Committee may provide on ethical matters relating to investment;
- Seek ways to make the advice provided by the Committee available to the wider Methodist Church.

## OBSERVERS

Observers, particularly those representing other church denominations and/or organisations may attend meetings of JACEI at the invitation and agreement of the Chair and Committee.

The Methodist Church in Ireland has permanent observer status to attend meetings of JACEI.

Observers may be invited to speak and participate in discussion, but may not vote.

## QUORUM

For the purpose of conducting meetings of JACEI, a quorum shall be deemed as being four members including the Chair. At least three members of any quorum including the chair should be non-executive representatives.

## CONDUCT OF BUSINESS

JACEI business may be conducted electronically before, between and following meetings. Any decisions arising from remote and electronic communication shall be noted by the Secretary and made available to all members.

## JACEI AGENDAS

JACEI receives at each meeting:

- the work-plan
- one or two major items for debate, usually Position Papers and Policy Statements either previously agreed by the Committee or requested by the CFB;
- other significant matters for discussion (including the climate emergency and extractives industries as standing items);
- CFB engagement, including company notes and briefings;
- a CFB ethical performance review including voting summary reports, ethical exclusions and a note of any disinvestment on ethical grounds;
- a note of any significant collaborative engagement work.

The Committee confirms it:

- held five meetings; in 2020/21 five meetings took place in June, September, December, March, with an additional meeting in April 2021 to finalise Conference reports;
- has its own identity with an address located at Methodist Church House;
- advised the CFB in relation to current Methodist Church policy;
- examined all aspects of a company's operations rather than simply focus on one particular issue;
- took responsibility, where appropriate, for making public any ethical policy of the CFB and in particular any investment decision taken on ethical grounds, and;
- sought ways to make the advice provided by the Committee available to the wider Methodist Church.

The Committee receives and reviews the CFB workplan at every meeting, which sets medium-term policy priorities.

# Committee membership

The Committee began the process agreed for appointing new members, in coordination with the CFB and Methodist Council. This will lead to a natural rotation of members appointed by both bodies over the period 2019-21.

## CHAIR

- The Revd Dr Stephen Wigley

He assumed the role of Chair on 1 July 2016.

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

## METHODIST COUNCIL APPOINTED MEMBERS

- Rev Dr Sheryl Anderson
- Ms Alison Jackson
- Ms Rachel Lampard
- Mr Jonathan Cape
- Rev Dr Mike Long

## CENTRAL FINANCE BOARD APPOINTED MEMBERS

- Dr Keith Aldred
- Mr Alan Emery
- Rev Anne Ellis
- Mr Terry Wynn
- Mr Stephen Beer (until January 2021)
- Rev Andrew Harper (from June 2021)

## OTHERS IN ATTENDANCE

- Ms Janice Curd (CFB minutes secretary)
- Mr David Palmer (CFB)
- Mr Miles Askew (CFB)
- Mr Harold Evans (CFB)
- Ms Sophie Forrest (CFB)
- Mr Steve Hucklesby (Joint Public Issues Team)
- Mr David Hopley (Trustees of the Methodist Church in Ireland representative)
- Ms Anna MacDonald (Church of England Ethical Investment Advisory Group)
- Mr Richard Nunn (Board member and past Chair of the United Reformed Church Ministers' Pension Trust Ltd)

## 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.

# Contact

*Enquiries about the Committee's  
work are encouraged*

## CONTACT JACEI

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## CONTACT THE CFB

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CFB ETHICAL INVESTMENT POLICIES AND  
POSITION STATEMENTS AVAILABLE AT  
[CFBMETHODISTCHURCH.ORG.UK/ETHICS](http://CFBMETHODISTCHURCH.ORG.UK/ETHICS)