

## Policy Statement - Epworth Screening, Exclusions and Engagement

### 1. Our mission

Epworth Investment Management, along with its owner, the Central Finance Board of the Methodist Church (CFB) has defined its mission as: seeking practical solutions which combine Christian ethics and investment returns.

Our aim is to:

- provide a high quality investment service seeking above average returns
- follow a discipline in which the ethical dimension is an integral part of all investment decisions
- construct investment portfolios consistent with the moral stance and teachings of the Christian faith
- encourage strategic thinking on the ethics of investment
- be a Christian witness in the investment community

### 2. Our ethical investment approach

Epworth invests with Christian ethics. We aim to construct and manage investment portfolios which reflect this approach. We integrate ethical considerations into our investment process, evaluating ethical, environmental, social, and governance (ESG) risks and concerns in the businesses in which our portfolios invest.

We are advised on our ethical approach by the Methodist Church's Joint Advisory Committee on the Ethics of Investment (JACEI).

When analysing a potential investment in a company, we are concerned with what a company does and how significant and serious is any exposure to issues of ethical concern. We also examine how a company is run.

Epworth ethical policies enable the identification of companies which are not consistent with our Christian ethical investment approach, as advised by JACEI. Epworth operates proprietary ethical exclusion lists derived from these policies and advice on securities in global markets.

Our ethical investment policies and quarterly Ethical Investment Reviews can be found at <https://www.epworthinvestment.co.uk/news-and-library/ethical-hub>.

### 3. Screening/exclusions

Screening is applied both to equity and fixed income securities.

Screening for exclusions is derived from our unique ethical investment approach, as described above. We use a number of screening tools to assist us, but the criteria are determined by Epworth and reflect its policies and approach.

We apply ethical exclusions to avoid investment in companies with material or significant exposure to the following areas of business activity:

- Alcohol and tobacco production
- Military products and services (including defensive systems and components, platforms and weapons)
- Gambling and gaming
- Pornographic and violent material
- High-interest 'door step' lending

Companies in the extractives sector are excluded from investment until being 'positively' screened as acceptable for investment, usually following a period of engagement.

Under our climate change policies companies are excluded where they have a significant exposure to carbon intensive fuels such as coal and oil sands, or where they are 'wholly or mainly' committed to fossil fuel exploration.

Other ad hoc exclusions are applied from time to time, for instance where there may be human rights concerns. This will normally follow a period of close engagement and dialogue.

## 4. Engagement

The principal means by which we exercise ethical stewardship is through engagement with investee companies. This is sometimes known as 'active ownership'. Engagement is applied both to stock exchange and fixed interest securities. The way we approach Stewardship is set out as part of our annual Statement under the UK Stewardship Code, to which we are a Tier I signatory.

We encourage high standards of ethical business practice and will seek to engage where we:

- require information or seek understanding of a company's approach to specific ethical issues
- identify material risks where disclosure is absent or inadequate
- seek to respond to an ethical controversy that has impacted the company

Engagement is carried out by all members of the investment team, including senior management, via written correspondence (letters and email), telephone conference calls, or face to face meetings.

We may choose to engage with investee companies collaboratively. We are involved in a number of collaborative investor initiatives in which effort is pooled.

The principal, but not sole, means of exercising such engagement is through the CFB's membership of the ecumenical Church Investors Group (CIG), <https://churchinvestorsgroup.org.uk/> where the CFB leads or supports various engagement strands. One of the core strategic goals of the CIG has been defined as:

- to increase the emphasis on engagement and the scale of the engagement work we [the CIG] undertake

Other collaborative engagements are conducted through our memberships of the IIGCC (Institutional Investors Group on Climate Change), PRI (Principles of Responsible Investment), BBFAW (Business Benchmark on Farm Animal Welfare), and FAIRR (Farm Animal Investment Risk & Return). We use other investor tools and benchmarks such as the Access to Medicines Index and Access to Nutrition Index, in order to conduct engagement.

We routinely engage with investee companies itself on a range of material ethical and ESG issues, which have recently included:

- The Living Wage
- Executive remuneration
- Climate change

- Plastics use
- Corporate lobbying
- Modern Slavery and Human Trafficking
- Health & safety in the extractives sector
- Reported human rights violations
- Fairtrade
- Farm animal welfare and antibiotic use
- Breast milk substitutes
- Tax justice

Responses are evaluated to determine whether further intervention is required, or whether the engagement may be deemed satisfactory and therefore closed. Where a company fails to respond after a reasonable period of time, a follow up approach is made, either to the same recipient or (wherever possible) to an alternative named individual.

Company preparedness in response to climate change and board diversity have been integrated into our corporate governance voting policy, which may result in oppose votes being registered against the re-election of individual directors, or against the adoption of the Annual Report & Accounts.

Engagement is normally targeted at senior management, specifically:

- Corporate Governance: Chairman, Senior Independent NED or Company Secretary
- All other ethical and corporate responsibility issues: Chief Executive, Head of Sustainability or Corporate Social Responsibility or Head of Investor Relations.

Meetings are typically held with sustainability or corporate responsibility professionals or with the senior leadership team.

From time to time we are invited to consult on corporate remuneration proposals, and it is our policy to respond constructively to these consultations.

We may respond to, or participate in, public policy consultations on either corporate governance, corporate reporting or wider stewardship reviews, where these are of material interest. We may also engage with other public bodies such as regulators, government or supra-national bodies such as the OECD or EU on specific matters pertinent to ethical investment stewardship.

## 5. Reporting and communication

Our engagement activity is published quarterly in our Responsible Investment Review for clients and online at <http://www.epworthinvestment.co.uk>. More information on engagement activity is published in the annual JACEI Report to Conference of the Methodist Church, which is also available online.