

## The General Board of Pension and Health Benefits and the United Nations' Principles for Responsible Investment

Wespath Investment Management (Wespath) became the name of the General Board's well-established institutional investment services in 2011.

In 2005, Kofi Annan, then-United Nations Secretary-General, invited the General Board of Pension and Health Benefits of The United Methodist Church (General Board) to join 20 institutional investors in creating the United Nations Principles for Responsible Investment (UNPRI). The resulting Principles were officially introduced in April 2006, and represent the collaborative vision of institutional investors from 12 countries.

The Principles encourage investors to consider environmental, social and governance (ESG) issues in investment decision-making processes. They "are in essence a set of global best practices for responsible investment," according to Ban Ki-moon, United Nations Secretary-General. Signatories believe embracing the Principles will improve long-term financial returns while simultaneously aligning the goals of institutional investors with those of society at large. Becoming a signatory is voluntary and demonstrates a clear commitment to the Principles.

The General Board was one of the original signatories to the Principles in 2006; since then, the number of signatories has grown to more than 900 asset owners, investment managers and service providers worldwide. Below are the six Principles and the ways in which the General Board applies them through its Wespath investment management division.



Wespath Chief Investment Officer Dave Zellner (right) shakes hands with UN Secretary-General Kofi Annan (left) after signing the UN Principles for Responsible Investment in April 2006.

## Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Wespath strives to invest all of its equity, fixed-income and real estate assets in a socially responsible manner consistent with the values of The United Methodist Church.

Our **investment policy** describes how investment managers are held accountable for reporting on ESG issue integration into investment decision-making and ownership practices. This policy is documented in our:

- Statement of Administrative Investment Policy,
- Investment Manager Due Diligence Questionnaire,
- Investment Manager Mandates, and
- Alternative Investment Annual Information Request.

These documents were revised to communicate our expectations regarding ESG issues. We question external investment managers to ascertain how they are integrating ESG analyses into their investment strategies.

## Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Wespath communicates directly with many companies in its investment portfolio by writing letters, meeting with senior management and filing shareholder resolutions. In 2010–11, we filed seven resolutions and held dialogues with more than 30 companies on such issues as public sustainability reporting, climate change risk, human rights, labor standards, food safety, protection of water, affordable drugs for HIV/AIDS and governance policies. Several resolutions were withdrawn when the companies agreed to take action in response to the resolutions.

We demonstrate active ownership by voting the proxy ballot for each company in which we invest. Our **proxy voting guidelines** provide clear indications of voting policies regarding the various ESG issues that are addressed at company annual meetings. Our **proxy voting record** is posted on the “**Socially Responsible Investing & Funds**” section of the General Board website. Whenever possible, proxy votes are disclosed in advance of each annual meeting.

In order to stay abreast of ESG issues and research, our staff members regularly participate in educational and training events, such as those offered by the UNPRI, the Interfaith Center on Corporate Responsibility (ICCR), Ceres, US SIF (formerly Social Investment Forum) and other organizations interested in socially responsible investing.

In collaboration with other socially responsible investors, we have influenced changes in company policies, improved corporate disclosure, persuaded companies to establish new programs and initiatives, and convinced companies to work with investors and other stakeholders.

### Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Wespath regularly encourages companies to disclose relevant ESG information, due to the belief that increased transparency facilitates responsible corporate behavior and improves investment decision-making. In 2010–11, we provided input to the following companies regarding their corporate sustainability reports:

- Allstate
- Archer-Daniels-Midland
- Best Buy
- Ford Motors
- Hormel Foods
- IBM
- Nike
- Sprint Nextel
- State Street Corp.
- Sunoco
- Tenet Healthcare
- Tyson Foods
- Wal-Mart

We urge companies to review international frameworks and standards to guide their actions and disclosures. These frameworks include the Global Reporting Initiative, the International Labour Code, the Carbon Disclosure Project, the Carbon Disclosure Project-Water, the United Nations Global Compact, the Universal Declaration of Human Rights and the Corporate Responsibility to Respect Human Rights.

All General Board investment managers must report periodically on ways ESG criteria are integrated into their investment analysis and fiduciary decision-making processes.

### Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.

Wespath routinely discusses ESG issues with its investment managers and other investors. Additionally, we encourage our managers, peer organizations and others to adopt and implement the Principles.

We have encouraged all of our investment managers to become PRI signatories. Currently, nearly half of all General Board investment managers are signatories.

We also have invited members of the Church Benefits Association (CBA) to adopt the Principles and become signatories. The CBA is a coalition of approximately 50 church pension boards, religious orders and denominational benefit programs for clergy and lay employees.

We have collaborated with other investors to encourage proxy research providers to consider favorable vote recommendations for shareholder resolutions on ESG issues. In 2010, for example, we participated in a Glass, Lewis Proxy Talk Forum and held conference calls with analysts of Risk Metrics and Proxy Governance. During these sessions, we presented the business case for requesting Tyson Foods to enhance its sustainability report by including additional ESG information.

## Principle 5

### We will work together to enhance our effectiveness in implementing the Principles.

In addition to the UNPRI, Wespath is active in a number of organizations that promote a better understanding of ESG issues, including the Interfaith Center on Corporate Responsibility, Ceres, the Investor Network on Climate Risk, US SIF, the Council of Institutional Investors and the Carbon Disclosure Project. These organizations help coordinate activities and encourage the development of new socially responsible investing research and tools.

We collaborate with other investors on PRI Clearinghouse corporate engagement initiatives and use the Clearinghouse to solicit partners for engagement activities.

We provide comments on proposed Securities and Exchange Commission (SEC) rules—some of which relate to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Most recently, Wespath wrote to the SEC to encourage more transparent reporting of political spending.

## Principle 6

### We will each report on our activities and progress toward implementing the Principles.

Wespath produces two publications that bring attention to socially responsible investing: **SRI Connection** and **On Your Behalf**. *SRI Connection* is a bi-monthly e-newsletter that focuses on socially responsible investing news items and our socially responsible investing activities. A bi-monthly Internet column, *On Your Behalf* highlights a specific socially responsible investing issue. When appropriate, these publications contain updates about our implementation of the six Principles.

Our **portfolio screening guidelines**, **proxy voting guidelines**, **proxy voting record** and **list of ineligible companies** (companies we do not invest in based on our screening guidelines) are posted on the website at [www.gbophb.org](http://www.gbophb.org). Additionally, a **list of companies we are in dialogue with**, including those where shareholder proposals have been filed, also is available on the Internet.

The General Board's booklet, **Socially Responsible Investing for a Sustainable Future**, provides interested stakeholders with information on our efforts to influence corporate behavior on ESG issues.

In addition to the efforts previously detailed, General Board/Wespath staff members continue to make presentations at conferences, workshops and other events to highlight how we are implementing the Principles.



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