



Wespath

BENEFITS | INVESTMENTS



Wespath

Investment Management



Human Rights

JANUARY 2016

**Addressing Human
Rights—Israel
and the Palestinian
Territories**

Wespath Benefits and Investments...

Actively helps secure the financial future of our participants while striving to improve the lives of those affected by human rights abuses around the world.

- **We share the desire of fellow United Methodists for a just and lasting peace in the Middle East.**

In 2012 and 2015, our General Secretary and Chief Investment Officer sought to expand their understanding of the situation by traveling to Israel and the Palestinian territories to meet with government and banking/investment leaders. We track events in the region closely and are in ongoing dialogue with experts representing a variety of viewpoints on the issues in the region.

- **We apply a leading-edge Human Rights guideline to all of our investments to help identify companies doing business in high-risk operating areas where human rights violations are prevalent.**

The guideline provides direction for corporate engagement actions and highlights human rights-related risks that could potentially affect the value of investment assets. The Human Rights guideline clarifies whether the financial risk of holding identified securities is significant enough to merit exclusion from our funds. The guideline examines high-risk areas across the globe, including conflict zones and areas where breaches of international law occur. As a result, in 2015 we excluded from investment 39 companies because of the financial risk they pose to the funds we manage on behalf of our participants. This included seven companies with significant involvement in the Israeli settlements in the Palestinian territories. Our analysis includes research from an independent and unbiased third-party expert in evaluating human rights-related risks. Please refer to our *Management of Excessive Sustainability Risk Policy* and our *Human Rights* guideline at www.wespath.org/humanrights.

- **We launched the Equity Social Values Plus Fund (ESVPF)* in December 2014.**

This fund was created to provide an investment option with enhanced human rights and environmental criteria, primarily based on an index of companies determined by MSCI, a third-party expert.

- **We are actively seeking investment opportunities that have a positive impact in the Palestinian territories.**

Our investments team is consulting with a number of investment firms and evaluating a wide range of possible investment opportunities. In late 2014, two team members



traveled to the Palestinian territories to conduct due diligence on investment projects under consideration.

- **We can play an influential role, as a leading global investor, in promoting and protecting human rights as they are affected by the businesses in which we invest.**

We believe engaging companies on the issue of human rights can influence constructive change, particularly when other investors may not be as persistent in raising human rights concerns. The UN Guiding Principles on Business and Human Rights provide the foundation for our human rights engagement activities across the investments we manage. We actively encourage the companies that represent our largest holdings to amend or create robust human rights policies to incorporate the UN Guiding Principles.

We engage major companies regarding their operations in Israel and the Palestinian territories, including Caterpillar, Hewlett-Packard (HP), Microsoft and Intel. We continue to probe their human rights policies and inquire how these policies influence business operations and decisions related to marketing and selling products. For companies with operations in the region, we seek information on adherence to fair employment practices and ask for verifiable data to support the responses we receive. While our engagement actions support continual improvement, we have seen meaningful progress, including HP's human rights policy referencing the UN Guiding Principles, and Caterpillar elevating "Sustainability" as one of its five corporate core values and publishing a human rights policy.

* On April 7, 2018, ESVPF became the Social Values Choice Equity Fund (SVCEF)

Maintains that a forced and automatic exclusion of companies as a result of their operations in Israel and the Palestinian territories is not appropriate or effective.

- **We recognize that prudent investment analysis and decision-making relies on multiple factors.**

A company's operations in Israel and the Palestinian territories is the only criterion used by divestment campaigners in identifying companies from which to divest. *We make investment decisions—and will continue to—based on a comprehensive, balanced review of a company's complete operations and its overall financial and human rights-related performance.*

- **We believe the complex and long-standing political situation in the Middle East will not be resolved by the mandated exclusion of certain companies from our portfolios.**

In order to understand the key issues and keep abreast of current developments, we engage in ongoing dialogue with diverse stakeholders from both the Palestinian and Israeli

communities. We are acutely aware that the barriers to a just and lasting peace in the Middle East are complicated and influenced by a long history of mistrust and violence in the region. *It is unrealistic to expect that divestment from selected companies will influence the Israeli and Palestinian governments or move them to take actions toward peace.*

- **We serve participants and institutional clients that hold diverse views regarding the Israeli-Palestinian situation.**

Some of the participants we serve encourage us to act on behalf of Palestinians; others express strong support for Israel. Our years of experience in sustainable investing demonstrates that effective strategies to reduce corporate operational risk include the protection of human rights. This is a key reason why we engage companies on human rights issues—we strive to create a positive change for communities affected by human rights violations, which will ultimately lead to reduced financial risk for the companies operating in these communities.



Wespath Benefits and Investments...

Is committed to sustainable investment—fulfilling our fiduciary duty while striving to align with United Methodist Church (UMC) values.

- **Wespath Benefits and Investments (Wespath) is a “fiduciary.” This means we are required by law to act exclusively in the financial best interests of the 92,000 active and retired clergy and lay employees of the UMC and its affiliates.**

The Book of Discipline reflects this mandate in ¶1504, directing Wespath “to discharge its fiduciary duties...solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries...” The term “sustainable investment” highlights our expectations for the performance of our funds, as well as the positive impact that we intend our global investments will have on the environment and on society.

- **Wespath recognizes the responsibility and the opportunity to protect and promote human rights because they are affected by companies in which we invest.**

The Book of Discipline ¶1717 directs us to “make a conscious effort to invest in institutions, companies, corporations, or funds whose practices are consistent with the goals outlined in the *Social Principles*.”



Strongly believes that responding to the calls for forced and automatic divestment is incompatible with our fiduciary duty under federal and state law.

We are currently the focus of two divestment campaigns—one related to companies operating in Israel and the Palestinian territories and another related to fossil fuel companies. As social and other justice issues continue to arise, there is the possibility that we will be asked to divest from companies impacting other issues that are understandably important to United Methodists—workplace safety, privacy and obesity, to name a few. We are grateful for all those who speak out on issues that touch our human character and moral center, and affirm the Church's social witness responsibility as outlined in the UMC Social Principles. We exist to fulfill a unique fiduciary role and responsibility on behalf of the UMC that strives to align with the Social Principles. Multiple divestment requests can place us on a slippery slope and only impede our ability to sufficiently diversify our investments and maximize returns for over 100,000 active and retired clergy and lay employees of the UMC and its affiliates that we serve.

Aligns activities with General Conference 2012 statements on human rights.

Specifically, this includes #6111, *Opposition to Israeli Settlements in Palestinian Land*; #6112, *United Nations Resolutions on the Israel-Palestine Conflict*; and #6113, *Saying No to Violence in Middle East Conflict and Aligning UMC Investments with Resolutions on Israel-Palestine*. We believe faithfulness to these resolutions includes following our human rights investment guidelines for engaging and excluding companies, remaining invested and engaging with other companies, and continuing to explore opportunities for investing in the Palestinian territories and supporting economic development in the region.