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

- GBPHB is a “fiduciary.” This means we are required by U.S. 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, including annual conferences outside of the United States. The Book of Discipline ¶1504 directs the General Board "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.

- GBPHB recognizes the responsibility and the opportunity to address the impacts of climate change as part of our role in caring for God's creation. The Book of Discipline ¶717 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.”

Manages our participants’ retirement investments while also addressing pressing environmental issues, including climate change.

- We have implemented a leading-edge investment guideline to help us respond to the global need to address climate change. Climate change affects the world’s communities disproportionately. The World Bank estimates that 75% to 80% of the effects of climate change impact the least developed countries. Individuals in developing countries often do not have the resources to recover from climate change-related natural disasters—such as droughts and floods—which destroy subsistence crops and homes, causing food insecurity and displacement. The effects of climate change also affect the health of vulnerable populations by impacting
the availability of clean water and encouraging vector borne
diseases (e.g., malaria and dengue).

Mitigating the effects of climate change requires a commitment
to reducing carbon dioxide (CO₂) levels by adopting alternative
fuel sources and reducing our reliance on fossil fuels. Coal
is the most carbon-intensive fossil fuel. Our research shows that
developed nations are moving away from reliance on electricity
generated from coal (known as "thermal coal") to other fuel
sources. We believe coal will be heavily taxed or significantly
replaced in many markets by alternative fuel sources. We
therefore implemented a guideline that has resulted in the
exclusion of certain coal-mining and coal-producing companies,
as well as certain electric utilities in developed countries that are
heavily reliant on coal.

We recognize that access to reliable sources of electricity
is key to economic development. Accordingly, while we
hope sustainable energy will ultimately be available to all,
our guideline recognizes the current reality that thermal
coal plays an important role in lifting people out of poverty
in developing nations. Please refer to our Management of
Excessive Sustainability Risk Policy and our Climate Change
(thermal coal) Investment Guideline at: www.gbophb.org/
climatechange.

• We play a meaningful role in supporting the transition
to a low-carbon economy through the influence we have
as a leading global investor.

Shareholder engagement—We are actively engaged in
ongoing dialogue about climate change with the world’s
largest publicly-traded oil, gas and electric utility companies.
These discussions mean asking tough questions—and
demanding answers—about the long-term sustainability of
company business models. We are particularly focused on how
companies increase the energy efficiency of their products and
operations; the opportunities that new low-carbon products and
services can present; and the role that the industry can play in
supporting an economy-wide transformation. We frequently work
with like-minded global investors to increase the impact of our
activities relating to climate change—our international partners
represent more than $25 trillion in assets under management.
Together we are working through international climate change-
related investor coalitions with significant opportunities to
influence financially-sound and environmentally-positive change.

Engaging public policy makers—We are promoting "smart
polices" recognizing that climate change will only be
successfully addressed if the right incentives are established
to influence government, business and individual behaviors.
Our employees have attended two Environmental Protection
Agency (EPA) public hearings as the only investor voice in
the room, speaking in favor of fuel standards that would lower
automotive emissions—both standards were enacted.

We also joined our fellow UMC agencies, peer investors and
companies in which we are invested, in calling on the world’s
government leaders to support a global climate agreement
at the 21st Conference of the Parties to the United Nations
Framework Convention on Climate Change (COP21). COP21
resulted in an unprecedented agreement establishing a long-
term goal to limit warming to less than 2-degrees Celsius from
pre-industrial levels.

• We are continually seeking new ways to promote financial
and environmental stewardship.

Our funds already hold several low-carbon and renewable
energy investments and we continue to actively seek to
increase our exposure to companies that provide proactive
solutions to climate change.

• Our efforts to address climate change have achieved
international recognition.

In the Asset Owners Disclosure Project “2015 Global Climate
500 Index”—which evaluates how the world’s 500 largest
investors are managing climate risk—GBPWH was ranked tenth
worldwide and third in the United States.

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

This fund was created to provide an investment option with
enhanced environmental and human rights criteria, primarily
based on an index of companies determined by MSCI,
a third-party expert.
Believes that fossil fuel divestment is not effective in continuing our work of promoting financial and environmental stewardship.

We recognize that the fossil fuel divestment “movement” is becoming increasingly active both within and outside the UMC. We fully share the movement’s concern for the environment and the urgent need to act on climate change—however, we cannot and will not support its calls for GBPHB to divest from fossil fuel companies, specifically the “Top 200 fossil fuel companies.”

Our position is based on the following important considerations:

• **Divestment from fossil fuel companies means walking away from the climate challenge.**

  When one investor divests or sells its shares in a company, another investor buys its shares; from the company’s perspective, it is a wash—no real impact is realized. Divestment does not have a direct impact on reducing greenhouse gas emissions and/or limiting global temperature increases to scientifically-based targets. The call for divestment relegates us to the sidelines in the dialogue addressing critical climate change issues and the impacts that they have on the communities the UMC serves.

• **Prudent investment analysis and decision-making relies on multiple factors.**

  A company’s fossil fuel reserves have become the only criterion of the fossil fuel divestment movement to identify 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 environmental performance.

• **The “Top 200 fossil fuel companies” divestment list is almost exclusively tilted toward companies that supply fossil fuels.**

  This list underrepresents the demand side of the equation. Coal-fired electric power plants—which we all currently depend on for our electricity—are the largest source of human-made carbon dioxide (CO₂) emissions in the United States. The list fails to properly account for this. And, in a “well-to-wheels” life cycle analysis (from extraction to end-use) of oil, 80% to 90% of CO₂ emissions originate from engine combustion—they occur when we drive our cars. Automobile manufacturers are absent from the list. Our sustainable investment approach is more balanced and comprehensive—we will continue to address climate change in sectors that both supply fossil fuels and create the demand for them.

• **The “Top 200 fossil fuel companies” divestment list is a blunt tool that treats all fossil fuel companies equally.**

  The list does not reflect each company’s contribution to climate change. For example, while coal contributes 870 grams of CO₂ equivalent per kilowatt hour of electricity generated, natural gas contributes 487 grams. We continue to take a more circumspect approach to understanding how climate change affects our investments as demonstrated by our Climate Change (thermal coal) Investment Guideline.

• **Reliance on carbon-based fuels is deeply embedded in our society.**

  Efforts to reduce CO₂ emissions require strategies that both mitigate the impacts of climate change and help adapt to them. It is illogical to rely on a fossil fuels-based infrastructure to enable our transportation and to light our buildings while advocating for the divestment of the companies that provide those services. We continue to channel our efforts to support the transition to a lower-carbon economy in the fastest and most effective way possible.

• **Fossil fuels play a critical role in providing access to energy for the world’s poorest citizens.**

  One in five people around the world continues to lack access to electricity—a major factor in perpetuating poverty, disproportionately affecting women and children. Tough decisions are needed regarding the ways in which people around the world can increase access to energy, including fossil fuels, in order to reduce poverty and address climate change. We remain sensitive to the needs of the poorest people in gaining access to energy, while aspiring to sustainable energy for all.
• **There are geo-political ramifications inherent in transitioning from an economy reliant on fossil fuels—we must be cognizant of and address them.**

Many countries rely heavily on the production of fossil fuels to generate revenue that funds the effective operation of their governments, including programs that serve the poor and needy. Adopting an approach that ignores these geo-political issues could have dramatic negative impacts on today’s world order. We play a global role in collaborating with governments, businesses and other major investors in identifying viable solutions to this challenge.

• **Fossil fuel companies must be part of the climate change solution.**

Fossil fuel companies spend billions of dollars on research and development every year, including the research and development of renewable energy sources, and have thousands of employees with years of in-depth technical knowledge about the energy markets. We continue to engage these companies and public policy makers to leverage their institutional and industry knowledge and scale lasting climate change solutions.

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

We are currently the focus of two divestment campaigns—one related to fossil fuel companies and another related to companies operating in Israel and the Palestinian territories. As social and other justice issues continue to arise, there is the possibility that we will be asked to divest from companies with unsatisfactory records on 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 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 the 92,000 active and retired clergy and lay employees of the UMC and its affiliates that we serve.

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**Aligns activities with General Conference 2012 statements on the environment.**

Specifically, this includes #1023, *Environmental Justice for a Sustainable Future*; #1031, *Resolution on Global Warming*; and #1026, *Environmental Stewardship*. We believe faithfulness to these resolutions includes following our climate change investment guidelines for engaging and excluding companies, remaining invested and engaging with other companies impacting climate change, and continuing to support and invest in the transition to a low-carbon economy.