



Wespath

BENEFITS | INVESTMENTS



2015-2016 SUSTAINABLE INVESTMENT REPORT

Global Investor— Sustainable Investor (an excerpt)

2017—A Look Ahead

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2017 will be a year of transitions. The world is changing dramatically, both in economic terms—as our Chief Investment Officer, Dave Zellner, highlights in his introductory comments—and politically, as the United States and other countries experience leadership changes. In addition, The United Methodist Church (UMC) has entered a new quadrennium with many complex questions about its structure in the years ahead.

Sustainable Investment Strategies Balance Nimbleness with Steadiness

Our goal is to understand how change linked to environmental, social and governance (ESG) issues affects our investments, and how we can respond accordingly. However, we must also maintain our long-term investment horizon and our patient approach to engaging with companies.

Our internal framework of *Avoid—Engage—Invest* will guide our activities. We will continue to *avoid* investing in certain companies because their core business relates to one of our six ethical exclusions or because of the financial risks they face from specific sustainability-related issues. We will leverage our “seat at the table” with global companies and *engage* with them in order to create positive financial, environmental and social change. We will also aim to *invest* wisely by evaluating the competencies of our external managers in integrating ESG issues into investment decision-making, and by thematic investments dedicated to seeking market-rate returns and demonstrable social and environmental impact.

Partnerships across the UMC and with our fellow global investors will help us manage environmental risks and encourage good corporate governance practices. They will also assist us in supporting the promotion and protection of human rights, as clarified by the *United Nations Guiding Principles on Business and Human Rights*. Furthermore,

we hope they will offer us insights on how best to address emerging and increasingly important issues, like water scarcity and cyber security risk.

Increased Focus on Low-Carbon Transition

The transition to a low-carbon economy is underway and will require greater focus. As prudent fiduciaries, we need to evaluate the impact of the shift to cleaner sources of energy on our global investments. During 2017 and in the years ahead, we hope to gain a better understanding of how specific companies in high-carbon sectors are positioning themselves for a low-carbon future. This is one reason why, in 2016, we helped develop the Transition Pathway Initiative (TPI), a tool that assesses companies’ progress in transitioning to a low-carbon economy (see page 24). We intend to use this tool to better inform our engagement with companies in 2017 and beyond.

While we recognize that the new U.S. administration will likely shift domestic climate-related policy, a change in the U.S. political environment is unlikely to deter aggressive global action on climate change. We believe that there is significant momentum from the Paris Agreement to address climate risk, and concerted global efforts are focused on achieving carbon emissions reduction goals. We also believe emerging low-carbon technologies will increasingly present alternatives to “business as usual.” These factors provide us with increasing confidence to support investment in low-carbon technologies, energy efficiency and climate change adaptation.

We remain committed to caring for the participants and institutional investors we serve and are excited about the opportunities we have to promote more sustainable financial markets. The future is uncertain but we are approaching it with hope, enthusiasm and a deep desire to play a role in making it brighter for all!

Kirsty Jenkinson
Managing Director, Sustainable Investment Strategies



Video:
Sustainable Investment Strategies
(*Avoid—Engage—Invest*)