



Wespath

BENEFITS | INVESTMENTS



2015-2016 SUSTAINABLE INVESTMENT REPORT

Global Investor— Sustainable Investor (an excerpt)

Message from the General Secretary and Chief Executive

Global Investor—Sustainable Investor

Wespath Benefits and Investments is responsible for securing the retirement futures of over 100,000 United Methodist Church (UMC) pension and benefit plan participants around the world. We also manage the assets entrusted to us on behalf of 117 institutional investors. In total, we are the stewards of approximately \$21 billion in assets, making us the world's largest reporting denominational investor and among the top 100 pension funds in the United States.

We must act as prudent stewards of the assets entrusted to us by our benefit plan participants and UMC-affiliated institutional clients. As a non-profit agency of the UMC, our structure ensures that the returns from our investment programs flow directly to those we serve. By focusing on attaining excellent and sustainable investment performance, we aim to support the clergy, lay and UMC-affiliated organizations that carry out the work of the Church every day.

Our *core investment beliefs* require that we take a long-term view in investing, which we must do given the long-term nature of our obligations and the perpetual nature of the missions of our institutional clients. Our *active ownership strategy* focuses on identifying and engaging companies with unsustainable business policies and practices that present a risk to the value of the securities we hold on behalf of our plan participants and institutional investors. Wespath believes that our *constructive engagement approach* on environmental, social and governance (ESG) issues—taking advantage of our privileged position as a significant global investor—is the most powerful tool for effecting corporate change.

We fundamentally believe that we cannot ignore analyzing and understanding long-term global trends. These indisputable trends include significant increases in the world's population—particularly a growing middle class—which is placing more and more pressure on the resources on which we all depend: food, water, land, energy. The transition to a low-carbon future—in response to the reality of a changing climate, an uneven distribution of wealth and dramatic technological innovations—are all transforming the world as we know it.

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Active ownership strategy—

We identify and engage companies with unsustainable business policies and practices

Constructive engagement approach—

We take advantage of our privileged position as a significant global investor to effect corporate change

Reflection—Past Two Years' Progress

Over the past two years, as this report illustrates, we have made considerable progress in our sustainable investment approach. We celebrated the 25th anniversary of our pioneering Positive Social Purpose Lending Program, which has now provided over \$2 billion dollars in loans toward affordable housing and community development across the United States, and microfinance opportunities in developing countries. We made new investments in companies that we believe will support the transition to a low-carbon economy while providing diversification to our funds. We intensified our shareholder engagement on critical ESG issues with companies in which we invest—and we successfully created positive change. We forged new partnerships with like-minded investors around the world to scale our impact and support more sustainable and

Positive Social Purpose Lending Program

Celebrated **25th** anniversary

Over **\$2 billion** in loans across the U.S., and microfinance opportunities in developing countries



Barbara Boigegrain
General Secretary
and Chief Executive

responsible corporate and investment practices. External organizations—recognized for their leadership in promoting sustainable investing—positively assessed our activities. Most notably, the Principles for Responsible Investment (PRI), which benchmarks global investor performance and provides feedback to drive continuous improvement, rated our efforts “A+” for *strategy and governance*.

In 2016, General Conference (the Church’s primary governing body), held its quadrennial meeting. General Conference addressed multiple petitions calling on Wespeth to divest from certain companies in the fossil fuel industry and those targeted for the use of their products by the Israeli Defense Forces in the Palestinian territories. We opposed these petitions, stressing the effectiveness of keeping “our seat at the table” with international and domestic corporations, engaging them and urging them to adopt more sustainable practices. While General Conference overwhelmingly supported Wespeth’s approach, we recognize that we have

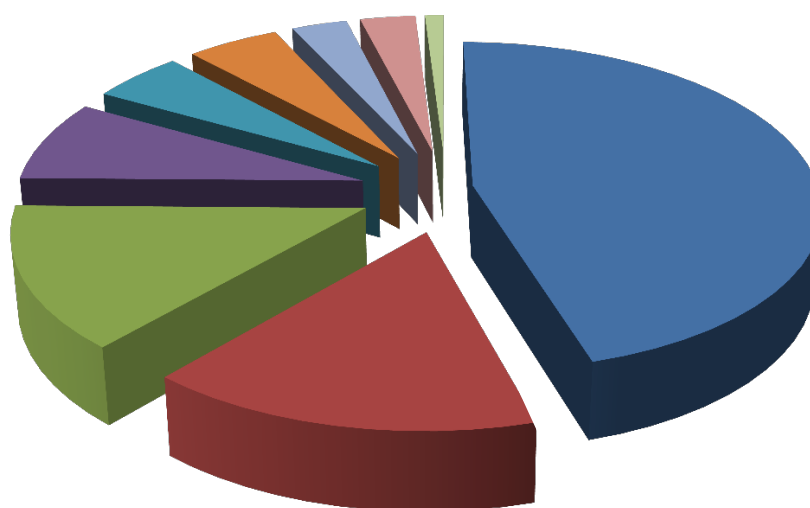
more to do in achieving a shared vision for a sustainable future that emphasizes the values of the UMC.

Looking Ahead

Just as those we serve have little respite from their mission’s ministry, we have an obligation to continually evolve as we care for their benefits and investments. We will continue to use our leverage as a pension fund administrator, largest denominational investor and thought-leader, to make a difference on behalf of our participants, our clients and the wider world around us. It is our intent—reflected in our long-term strategic vision—to listen, actively participate in and lead global sustainable investing efforts. We will set the bar ever higher for ourselves and for the companies in which we invest, on behalf of those whose financial futures depend on us.

Barbara A. Boigegrain
General Secretary and Chief Executive

Fund Asset Allocation as of December 31, 2016



■ Listed Equity	46%	■ Fixed Income Other	8%	■ Non-Listed Property	3%
■ Fixed Income Government	16%	■ Other	5%	■ Private Equity	2%
■ Fixed Income Corporate	14%	■ Positive Social Purpose	5%	■ Commodities	1%