

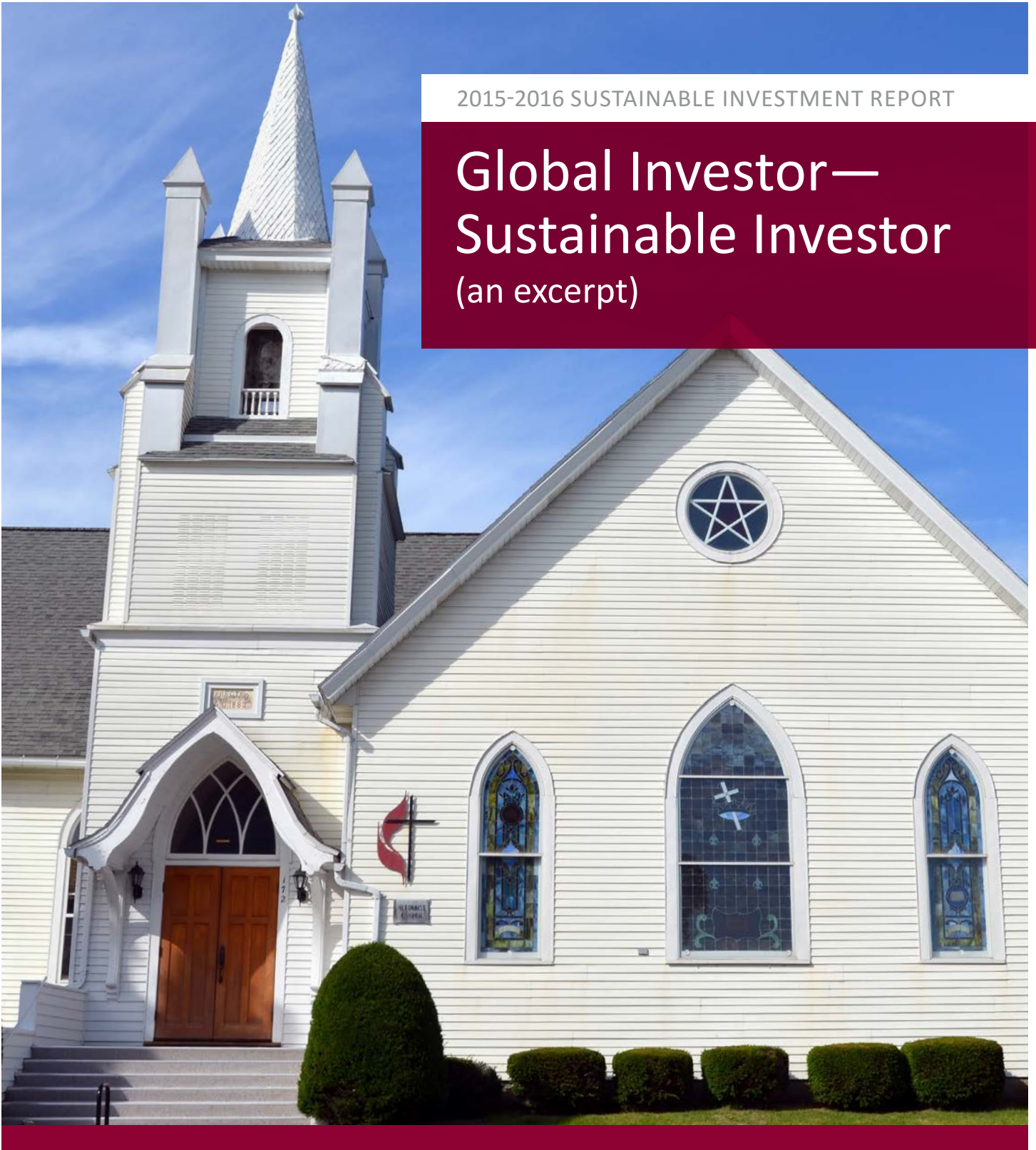


**Wespath**

BENEFITS | INVESTMENTS

2015-2016 SUSTAINABLE INVESTMENT REPORT

# Global Investor— Sustainable Investor (an excerpt)



# Ethical Exclusions

*Since 1908, Wespath has aspired to reflect the values of the UMC in achieving our investment objectives. Our ethical exclusions policies guide us in avoiding investments in any company or entity whose core business activity involves the production and/or assembly, direct sale, distribution and/or marketing of alcoholic beverages, tobacco products, adult entertainment, weapons, gambling and privately-operated correctional facilities.*

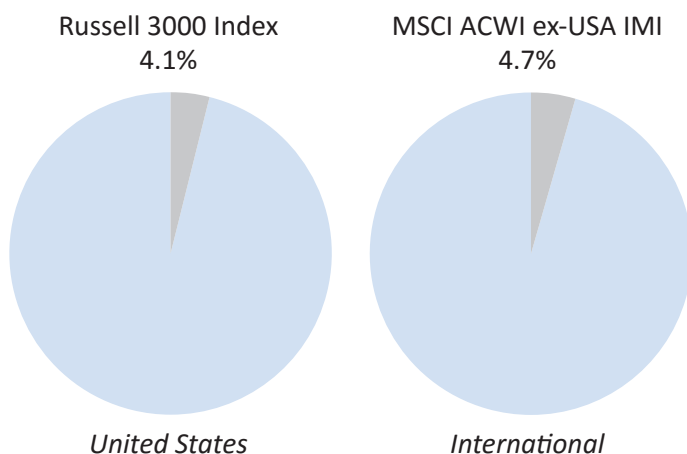
Generally, a “core business” is one that accounts for 10% or more of a company’s revenue derived from the excluded products and/or services, and discontinuation of the activity is likely to materially impact the company’s operations. Additional thresholds apply for restaurants and suppliers of key components to the products and services excluded under our policies.

In 2015, we hired a new external ESG research partner, Sustainalytics, to help us better implement our ethical exclusions policies. With their help, we regularly evaluate the more than 5,000 companies in our investment funds to ensure that we properly identify companies ineligible for purchase. While many exclusion decisions are self-evident, others are more challenging and benefit from in-depth analysis and debate to ensure that we reach the most appropriate conclusions.

In 2015, we strengthened our ethical exclusions process by clarifying how our core business thresholds apply, refining our definition of controversial weapons excluded from investments and creating efficiencies in our process.

These changes have allowed us to more faithfully implement our ethical exclusions policies. We continuously monitor the impact that these exclusions have on the performance of our funds. While they can create some short-term impacts, over longer-time periods, there has been marginal impact on performance.

## Percentage of Assets Excluded from the Broader Stock Market Indexes



*“The Board shall endeavor to exclude from investment the securities of companies that produce products and/or provide services that are not aligned with United Methodist values as described in the Social Principles, ¶1717 of The Book of Discipline 2012 and Resolution 4071 (“Investment Ethics”) of The Book of Resolutions 2012 provided that to do so does not abrogate the Board’s fiduciary responsibility as described in ¶1504.14.”*

*Wespath’s Statement of Administrative Investment Policy, [www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)*