

## GC 2020 Legislation—Church Investment Ethics

Proposed edits to *Book of Discipline* ¶717 (Sustainable and Socially Responsible Investments) [Petition 20266 on page 656 of the [Advanced Daily Christian Advocate \(ADCA\)](#)—Volume 2, Section 2]:

- [Petition](#)
- [Rationale](#)

### **Q1: What changes does Wespath propose to *The Book of Discipline* paragraph on Sustainable and Socially Responsible Investments (¶717)?**

**A1:** *Discipline* paragraph 717 (¶717) would be amended to clarify that the same provisions on sustainable and socially responsible investing in institutions, companies and corporations are also applied to investing in government-issued securities. If approved, Wespath’s petition would guide UMC investors that hold government-issued securities to *engage* government bodies and policymakers in supporting sustainability and social responsibility. This petition supports *engagement* (instead of divestment) as a means to create positive change related to human rights issues, climate risk and other issues.

### **Q2: Is engagement an effective means to encourage positive social and environmental changes?**

**A2:** We believe engagement gives Wespath a “voice at the table” with corporations and government policymakers. Engagement can be an effective tool to encourage positive changes related to human rights issues, climate-risk issues and other concerns. As a global investor with more than \$24 billion in assets under management (U.S. dollars), Wespath is in the privileged position of bringing the Methodist perspective to dialogues on environmental, social and governance (ESG) matters.

### **Q3: What successes has Wespath had with engaging government bodies and policymakers?**

**A3:** Recent examples of Wespath’s effective engagement with governmental policymakers include:

- **2019:** Wespath collaborated with institutional investors to encourage the Hong Kong Exchange to strengthen environmental, social and governance (ESG) reporting listing requirements. The suggestions were positively received; investors now are waiting to see what actions the Hong Kong Exchange will take.
- **2018:** Wespath collaborated with institutional investors to encourage the Japanese Ministry of Justice to revised Japan’s Companies Act. The government agreed to revise the Act, and will require public companies to have at least one outside board director.
- **2016:** Wespath collaborated with other institutional investors to encourage the Securities Exchange Commission of the Philippines to create a Code of Corporate Governance for publicly listed companies. The Philippines’ code strengthens corporate governmental standards to a level on par with its regional and global counterparts.
- **2016-2020 Quadrennium:** Wespath has actively participated in dialogues to address ongoing efforts toward a just and lasting peace in the Middle East. These dialogues included other United Methodist agencies (Church and Society, Global Ministries, etc.), and leaders representing varied faiths.

### **Q4: What successes has Wespath had with engaging companies?**

**A4:** Over the past two decades, Wespath has used engagement to influence positive changes related to human rights and climate with such organizations as Caterpillar, Chevron, Occidental Petroleum and other companies. Examples of successful shareholder engagements are provided [here](#).

**Q5: Why doesn't Wespath simply divest its investments in certain areas where there is conflict or prolonged military occupation?**

**A5:** As an investor guided by the UMC's Social Principles, we believe engagement gives us a "voice at the table" to promote positive change. Divestment, on the other hand, eliminates our opportunity to have a voice for influencing change.

**Q6: Are Wespath's investments guided by *The Book of Discipline* or *The Book of Resolutions*?**

**A6:** Yes. Both *The Book of Discipline* and *The Book of Resolutions* serve as the foundation for Wespath's investment approach, including Wespath's ethical exclusions policy. *Discipline* ¶717 ("Sustainable and Socially Responsible Investments") and *Resolution 4017* ("Investment Ethics") instruct all UMC entities—including Wespath—to make a "conscious effort" to invest in alignment with the Social Principles.

- Our *human rights investment guideline* examines high-risk areas across the globe, including conflict zones and areas where breaches of international law occur. As a result, the guideline may exclude investment in certain companies because of their operations in the Palestinian territories. Our analysis of high-risk areas includes research from an independent and objective third-party expert in evaluating human rights risks across a company's entire operations.
  - Read more [here](#).
- Our *climate change exclusion guideline* aims to minimize investment in the thermal coal industry. Specifically, the guideline *excludes* investment in companies based on this criteria:
  - In developed countries: companies that derive 50% or more of revenues from extraction/mining of thermal coal, and electric utilities that derive 75% or more of their overall fuel mix from thermal coal.
  - In developing countries: companies that derive approximately 50% of revenues from extracting/mining thermal coal.
  - Read more [here](#).

**Q7: Would the [mediated protocol to reorganize the UMC](#) affect Wespath's ability to serve its institutional investors?**

**A7:** No. Under federal and church law, Wespath can and will continue to serve its institutional investor clients. Wespath, through its subsidiary Wespath Institutional Investments LLC (WII), can serve a broad range of investors that share common bonds and convictions with or are related to the UMC. Under the mediated protocol (or other restructure proposals), a new expression of Methodism would share Wesleyan/Methodist roots, and likely would share close ecumenical and missional relationships with the UMC. Wespath and WII can continue to offer an array of professional services and support to organizations, clergy and lay employees that are affiliated with the UMC or new expression.

**Wespath's General Conference webpage:** [www.wespath.org/gc2020](http://www.wespath.org/gc2020)

- Links to most of our petitions and rationales
- Links to support materials