



Update on Sustainable Investment and Divestment Petitions

Conference Forum 2016



General Board

Pension and Health Benefits

Agenda

- “Sustainable Investing” Defined
- GBPHB’s Legislation
- Divestment Petitions
- GBPHB’s Response to Divestment Petitions



Defining 'Sustainable'

...“Meet the needs of the present without compromising the ability of future generations to meet their own needs” ...

1987 United Nations World Commission
on Environment and Development “Bruntland Commission”

Sustainable Investment

Broad Integration of 'ESG'



E Environmental
S Social
G Governance

- Shifting the market
- Changing companies
- Promoting diversity
- Supporting those in need

General Conference 2016

General Board Petitions
Sustainable Investment



Sustainable Investments—¶717

Petition 60036—ADCA, Page 800

Current Approach	Proposed Change
<ul style="list-style-type: none">• Seek investments aligned with <i>Social Principles</i>• Seek to avoid investments associated with various human rights concerns• Continue historic exclusions• Consider shareholder advocacy and divestment	<ul style="list-style-type: none">• Seek investments aligned with <i>Social Principles</i>• Seek investments that:<ul style="list-style-type: none">— Promote human rights— Avoid human suffering— Preserve the planet• Continue historic exclusions• Engage, hold accountable; consider exclusion if the company fails to act responsibly

Investment Ethics—Resolution 4071

Petition 60038—ADCA, Page 732

- Introduction and preamble describe fiduciary obligations and stewardship emphasizing:
 - Sustainable, socially responsible investment
 - Conformity to local and national laws
 - Consistency with *Social Principles*
- Heightened emphasis on support for:
 - Protection and promotion of human rights and fair labor practices
 - Investments that mitigate and/or adapt to climate change

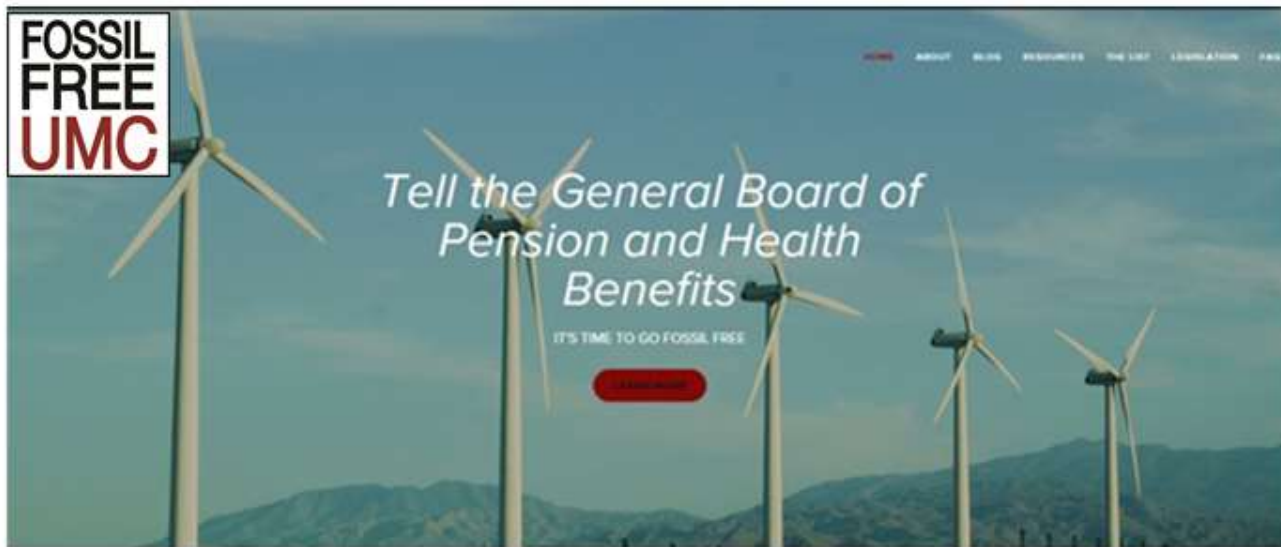
General Conference 2016

Divestment Petitions



General Conference 2016

Fossil Fuels Petitions



We are United Methodists who believe it is wrong to profit from wrecking God's creation.

Petition #1: Create Fossil Fuel Investment Screen

“General Conference *directs*... (GBPHB) ...
to adopt (a policy)...

“Investments shall not knowingly
be made in any company or entity
whose core business activity involves
the production of petroleum, coal, or natural gas...”

Petition 60759—ADCA, Page 729

Petition #2: ***Amend Book of Discipline, ¶717***

Add:

“production of
petroleum, coal, natural gas”
to list of excluded industries

Petition 60200—ADCA, Page 801

Petition #3: Amend *Book of Resolutions* 4071

Add:

Socially Responsible Investing Strategies

Based on long-standing United Methodist values, the Church does not invest in companies deriving significant revenue (usually 10 percent or more) from the production of coal, oil or natural gas

Petition 60175—ADCA, Page 735

Petition #4: ***Amend Book of Discipline Social Principles***

Add:

“...call all general boards and agencies...
annual conferences, foundations, and
local churches...to exclude coal, petroleum,
and natural gas from their financial investments,
and to reinvest in sustainable energy...”

Petition 60710—ADCA, Page 190

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Israel-Palestine Petitions



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Four Petitions Regarding Israel/Palestine Investments

1. Divest from Caterpillar for rejecting UN Guiding Principles and supplying weapons to Israel
Petition 60856—ADCA, Page 739
2. Divest from Caterpillar, Motorola Solutions and Hewlett Packard after years of corporate engagement
Petition 60857—ADCA, Page 730
3. Establish a screen to remove and avoid investments in illegal settlements on occupied land
Petition 60855—ADCA, Page 730
4. Remove from UM investments companies producing goods or services in illegal settlements on occupied land
Petition 60858—ADCA, Page 730

Climate Change and Investment

“...there comes a time when failure to take immediate and decisive action represents an existential threat to our well-being and that of future generations. That time is now, and the issue is climate change.”

David H. Zellner
Chief Investment Officer
Wespath Investment Management,
General Board of Pension and Health Benefits

Climate Change Actions

Avoid

Protect pensions from excessive climate-related risks

Engage

Promote environmental and financial stewardship

Invest

Seek companies offering low-carbon solutions

'Avoid'—New Investment Guideline

Adopted in December 2014



Climate Change (Thermal Coal)

'Engage'—Policy Makers

Influencing policy with other large investors

- Global climate deal at COP 21 in Paris
- EPA Clean Power Plan
- Action by G7 ministers



'Engage'—Companies

Ensuring companies hear UMC voice

- 81 leading companies make climate pledges
- 6 major oil companies call for global carbon pricing
- 31 U.S. shareholder resolutions on carbon asset risk

**AMERICAN BUSINESSES
ARE TAKING BIG STEPS TO
COMBAT CLIMATE CHANGE**

81 companies with more than 9 million employees in all 50 states are making at least \$160 billion in new low-carbon investments.

It's time to #ActOnClimate.



PROUD U.S. BUSINESS
for **CLIMATE ACTION**

'Invest'—Low Carbon Energy Solutions

- Current investments:
Tesla, Vestas Wind, First Solar
- Investment in new low-carbon fund
in Q1 2016



Human Rights and Investment

“We actively help secure the financial future of our participants while striving to improve the lives of those affected by human rights abuses around the world.”

Wespath Investment Management
General Board of Pension and Health Benefits

Human Rights Actions

Avoid

Protect pensions from excessive human rights-related risks

Engage

Promote human rights and financial stewardship

Invest

Finance organizations helping underserved communities

'Avoid'—New Investment Guideline

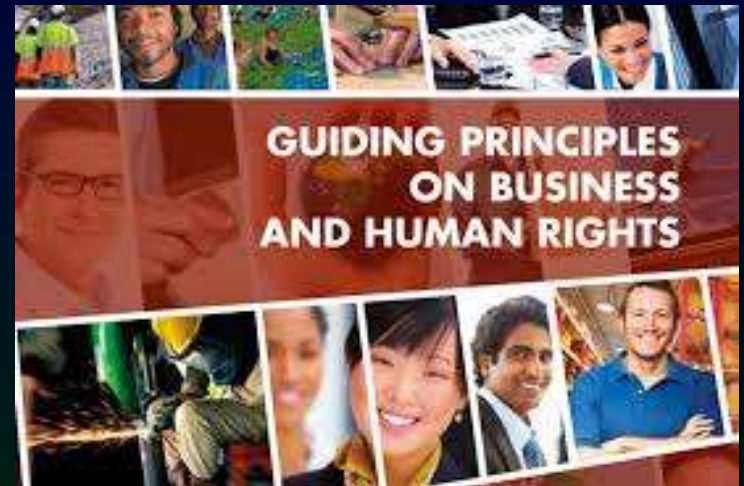
Adopted in December 2014



Human Rights (high-risk areas)

'Engage'—Companies

- Regional visits build knowledge
 - E.g., Peru, Israel/Palestinian Territories
- UN Guiding Principles provide engagement framework
- Results
 - Avoidance of conflict minerals
 - Improved factory labor standards
 - Sourcing of fair trade cocoa





Problems Are Real, But Divestment Is Not Practical

- Engaging companies creates positive change
- Divestment silences our voice and risks security of pension benefits
- Investment decisions should only be made by those that can be held accountable for such decisions

A photograph of a blue flower in the foreground, with a building in the background. The flower is a single, light blue, daisy-like flower with many thin petals. It is on a green stem with several unopened buds above it. The background is a blurred scene of a grassy field with several trees and a large, multi-story building with many windows. The sky is blue and clear.

Questions?



General Board

Pension and Health Benefits

