Sustainable Investing

UNITED METHODIST WOMEN THROUGH WESPATH ENSURES ITS INVESTMENTS FURTHER ITS MISSION.

by ANITA GREEN

Wespath Benefits and Investments, an agency of The United Methodist Church tasked with helping secure the retirement futures of over 100,000 participants and managing the assets of nearly 120 United Methodist-affiliated institutions, aims to invest in a way that promotes long-term value while upholding United Methodist values.

One of the key ways Wespath accomplishes this is through the sustainable investment strategies program carried out by its investment division, Wespath Investment Management. This work is rooted in the long history of The United Methodist Church.

John Wesley’s well-known sermon “The Use of Money” reminds us that there are ethical considerations to every financial transaction. In his sermon, Wesley stated, “When the Possessor of heaven and earth brought you into being, and placed you in this world, he placed you here not as a proprietor, but a steward: As such he entrusted you, for a season, with goods of various kinds; but the sole property of these still rests in him, nor can be alienated from him. As you yourself are not your own, but his, such is, likewise, all that you enjoy.”

Wind turbines from the Smoky Hills Wind Farm spin behind Excelsior Lutheran Church at dusk in December 2014 near Wilson, Kansas. Through its corporate engagement efforts, Wespath urges companies to prepare for a world more dependent on cleaner sources of energy, like power generated from wind turbines.
Anita Green, manager of sustainable investment strategies at Wespath Investment Management.

Below, Sung-ok Lee, United Methodist Women assistant general secretary, holds a lantern during a May 12 climate vigil outside the 2016 United Methodist General Conference in Portland, Oregon. The lanterns were lit with a small solar light that following the vigil were sent to community groups in the Philippines, the Democratic Republic of the Congo and the United States.

United Methodist Women was founded in 1869, at a time when women and children had limited financial rights and the women’s suffrage movement was in its early stages. Harriet Beecher Stowe, an abolitionist and author who also campaigned for expanded rights for married women, wrote the same year in *Hearth and Home* that a married woman “passes out of legal existence.” She added, “She can make no contract and hold no property; whatever she inherits or earns becomes at that moment the property of her husband. ... Though he acquired a fortune through her, or though she earn a fortune through her talents, he is the sole master of it, and she cannot draw a penny.”

Women’s economic power has since grown with every generation. American women control more than 51 percent of personal wealth, according to a 2015 BMO Wealth Institute Report. In addition, due to a combination of their elevated roles in the workforce and the shift in economic power from baby boomers to the next generation, women are projected to be the primary recipients of the largest transfer of wealth in the country’s history.

John Wesley’s call to stewardship in the use of money is now also the responsibility of women.

**Honoring United Methodist values**

The United Methodist Social Principles also discuss economic stewardship, stating that United Methodists “claim all economic systems to be under the judgment of God” and that “private and public economic enterprises are responsible for the social costs of doing business, such as employment and environmental pollution” (§163).
A pertinent question, therefore, is: How can United Methodist Women members align their finances with their values?

At the individual level, each person has her or his own sphere of influence, shaped by choices about where to shop, what to buy and how to manage personal finances. Local United Methodist Women units add another dimension by funding mission outreach that focuses on women, children and youth. At the national level, United Methodist Women’s agency investments are managed by Wespath.

Overall, Wespath manages $22 billion in assets and incorporates sustainability into its investments, thereby striving to create long-term value for its participants and clients while honoring the values, mission and traditions of the church. Wespath’s wide-ranging sustainable investment activities are described as “avoid, engage, invest.”

**Avoid: Upholding the church’s ethical exclusions**

Based on long-standing United Methodist social concerns, Wespath avoids investing in certain companies related to one of the six ethical exclusions set by the denomination. Specifically, Wespath avoids investments in any company 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.

**Engage: Using our voice to create positive change**

Engagement is the heart of Wespath’s sustainable investment activities. It is an opportunity to enter into constructive and persuasive dialogue with companies and policymakers on sustainability issues. Each year, Wespath engages dozens of companies on issues linked to corporate performance and value, such as climate change, human rights and board diversity. Most engagement efforts occur behind the scenes through in-person meetings (or conference calls) with company executives. Other efforts are more public, like letters to public policymakers or filing shareholder resolutions on which investors vote at companies’ annual general meetings.

Shareholder engagement influences behavior and company activities—and as a steward of $22 billion in assets, Wespath has a unique opportunity to bring the United Methodist voice to the table in support of positive change for people and the planet, including on climate change, indigenous rights and women’s representation on corporate boards.

**Historic shift in climate change engagement.** In May 2017, shareholders witnessed a historic moment in investor engagement. For the first time ever, the majority of shareholders at two major U.S. oil and gas companies—Occidental Petroleum and ExxonMobil—supported shareholder resolutions asking each company for a yearly evaluation of how global initiatives to tackle climate change will impact the companies’ business and resilience. These resolutions essentially say, “The world is moving to cleaner sources of energy. How are you preparing?”

Wespath led the resolution at Occidental—which passed with 67 percent investor support—and collaborated closely with colleagues at the financial arm of the Church of England regarding Exxon, which received 62 percent support. In the past, environmentally focused resolutions received approximately 20 percent support, so
the 2017 results at these two companies signal a very significant shift in investor concern about climate change. In announcing the vote, Occidental’s chairman spoke directly to Wespath and committed to responding to the concerns of its shareholders.

Supporting indigenous rights. As part of broader concerns about the rights of Native American communities, many across The United Methodist Church continue to monitor news relating to the Dakota Access Pipeline (DAPL) construction and operation and its impact on the treaty territory of the Standing Rock Sioux Tribe. In September 2016, Wespath wrote to Energy Transfer Partners, one of the partners in the pipeline, asking it to conduct meaningful consultation with affected groups and to address human rights-related risks aligned with the United Nations’ Guiding Principles on Business and Human Rights.

Wespath also engaged Enbridge, a Canadian energy delivery company and part-owner of DAPL. In this instance, Wespath co-filed a shareholder resolution asking Enbridge to provide a detailed report on its due diligence process for identifying and addressing social and environmental risks, including the rights of indigenous peoples, when reviewing acquisitions. The resolution was supported by a strong 30 percent of shareholders, and the company agreed to update its due diligence processes for assessing indigenous peoples’ rights.

Women on corporate boards. Wespath is proud of its success in positively influencing three S&P 500 companies to add women to their corporate boards of directors in 2016: Comcast, Equifax and Simon Property Group. Board diversity in the United States—specifically the inclusion of women on boards—is an important corporate governance-related area of focus for Wespath. In its report “Gender Diversity and Corporate Governance,” Credit Suisse showed that companies with diverse boards exhibit a stronger mix of leadership skills and improved understanding of consumer preferences. Both are linked to better stock market and financial performance. There is also a clear societal benefit in providing role models for future leaders.

Wespath spent four years engaging these companies on the issue of board diversity—writing letters, consistently voting at the companies’ annual general meetings and filing shareholder resolutions—before seeing results. Corporate engagement can span years, but it works!

Invest: Investing for financial and social impact

Wespath has a 25-year history of making investments that help provide returns and retirement security to the clergy and lay employees that it serves while demonstrating positive social impact. Its Positive Social Purpose Lending Program has invested over $2 billion in loans that support affordable housing and community development in all 50 states and entrepreneurship among underserved populations worldwide.

This program, as of December 2016, has invested: $1.93 billion in affordable housing across the United States, creating nearly 52,000 affordable housing units and 65,000 jobs; $59.3 million in community development, including 10 facilities for health care, substance abuse treatment centers and shelters for the homeless; and $83 million in microfinance investments helping more than 1 million people, many of whom live on less than $2 per day.

Perhaps the most innovative of Wespath’s positive impact investments helps address a major challenge for more than 2 billion people globally: intermittent or no access to electricity. For many around the world, energy access is vital to supporting a move out of poverty. The impact on women and girls can be significant, as they represent 70 percent of the 1.3 billion living in extreme poverty according to Project Concern International. As former United Nations Secretary-General Ban Ki-moon said, “Energy is the golden thread that connects economic growth, social equity and environmental sustainability.”

Wespath and its faith-based partner, the Episcopal Church Pension Fund, each recently invested $30 million to support companies providing solar lanterns and solar home systems to poorer, rural communities in countries as diverse as Mongolia, Kenya, India and Nicaragua. This investment allows residents who previously had no access to electricity to use renewable energy rather than dirty and dangerous kerosene lamps.

Wespath is one of the first pension funds to make this kind of investment and is playing a role in pioneering the way to affordable, sustainable energy for all.

United Methodist Women is an important partner in all of these activities. Working together, Wespath and United Methodist Women can amplify the United Methodist voice in pursuit of stewardship, justice and sustainable financial markets.

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