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The people of The United Methodist Church®

Book of Resolutions: Investment Ethics

Churches in the Wesleyan tradition have a long history of witness for justice in the economic order. John Wesley and the early Methodists, for example, were firmly opposed to the slave trade, to smuggling and to conspicuous consumption. Beginning in 1908, social creeds adopted by our predecessor churches focused attention especially on working conditions and child labor.

For decades, the Church has promoted safe and humane working conditions and the right to organize and bargain collectively. It has opposed discrimination in the workplace based on race, ethnic background, gender, age, or disability as well as investing in companies whose products and services violate United Methodist values. Recently, the Church has promoted sustainable and socially responsible corporate environmental practices and heightened stewardship of the natural world.

Because every financial investment has ethical dimensions with consequences that are both fiscal and social, The United Methodist Church believes that social justice concerns must be given consideration together with financial security and financial yield in the investment of funds by individuals, churches, agencies, and institutions in the United Methodist family.

Consequently, General Conference has instructed all Church-related investors to “make a conscious effort to invest in institutions, companies, corporations, or funds whose practices are consistent with the goals outlined in the Social Principles. . . .” This values-aligned investment philosophy is based soundly on the biblical concept that all resources are God-given and may be used to promote the reign of God on earth both now and into the future.

In recent years, leaders across The United Methodist Church have identified four areas of focus to continue and deepen the transforming work of Methodism in the world (Engaging in Ministry with the Poor, Improving Global Health, Developing Principled Christian Leaders, Creating New and Renewed Congregations). Investors in the Church community are well-positioned to promote the Church’s ministry in two of the focus areas: Engaging in Ministry with the Poor and Improving Global Health

Preamble

The United Methodist Church strongly urges all of its member institutions to invest in a sustainable and socially responsible manner, which is an investment discipline that integrates environmental, social, and corporate governance (ESG) factors to achieve suitable financial returns and positive societal and environmental impact. Investing sustainably demands that United Methodist investors consider the moral and ethical dimensions, as specified in the Social Principles, of the policies and practices of the institutions in which they invest. They must also be cognizant of their fiduciary obligations as stipulated in the *Book of Discipline*.

Trustees, individuals, and committees responsible for the oversight of United Methodist assets are first legally bound to execute their responsibilities in a prudent manner. This responsibility is broadly referred to as “fiduciary duty.” The *Book of Discipline* is consistently clear in its directive to local churches, boards, and agencies at all levels of the denomination that these entities must discharge their fiduciary duties in conformity with the laws of the country, state, or like political unit in which they are located.

However, fiduciaries must also be mindful of ¶ 717 of the *Book of Discipline* that states it shall be the policy of The United Methodist Church that these same denominational entities “make a **conscious effort** (emphasis added) to invest in institutions, companies, corporations, or funds whose practices are consistent with the goals outlined in the Social Principles. . . .” This two-tier directive presents both unique challenges and opportunities to those responsible for investing United Methodist assets.

Socially Responsible Investment Policy Goals for The United Methodist Church’s Investment Community

The United Methodist Church aspires to have members of its investment community pursue the following investment policy goals, reflecting Church values and financial responsibilities:

1. avoid investments in companies whose products and/or services are not aligned with the Social Principles of The United Methodist Church;
2. seek investments in corporations, companies, institutions, funds, or ventures making a positive contribution to the realization of the goals outlined in the Social Principles and the *Book of Resolutions*;
3. promote sustainable and socially responsible investment practices by integrating environmental, social, and governance (ESG) factors into the investment decision-making process;
4. influence corporations to manage ESG issues in their operations and to be transparent in monitoring and documenting these practices in public reports;
5. seek investments in corporations, companies, institutions, funds, or ventures whose policies and practices help protect the natural world by, among other things, recycling, eliminating toxic chemicals and materials, and reducing greenhouse gas emissions; and pursue investments in companies that provide products, technology, and services that seek to increase energy efficiency and mitigate and/or adapt to climate change.
6. pursue investments in corporations, companies, institutions, funds, or ventures with positive records in hiring and promoting women and persons of color and/or that are owned by women, racial and ethnic persons, or other underrepresented segments of society;
7. pursue investments in financial institutions, non-gambling-related economic enterprises and development projects that support and/or are owned by Native American and indigenous communities;
8. pursue investments in underserved communities through affordable housing and community development projects;
9. seek investments in corporations, companies, institutions, funds, or ventures that respect international human rights and labor standards by avoiding the manufacture, or purchase through subcontracting, of products made with sweatshop, forced, or child labor and adhering to business practices detailed in the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights (also known as the Ruggie Principles), and the International Labour Organization's core labor standards; and encourage companies that have not adopted the foregoing standards to do so;
10. encourage companies to promote the responsible use of their products and encourage them to raise concerns with the customers who knowingly use their products in a manner not aligned with United Methodist values;
11. seek investments in companies that publish and enforce supplier codes of conduct and hold suppliers accountable for any breaches of conduct;
12. seek investments in corporations, companies, institutions, funds, or ventures located in or dedicated to alleviating poverty in developing countries, provided that those countries respect human and labor rights and have a record of pursuing improvements in national living standards while working to maintain ecological integrity;
13. pursue opportunities to encourage companies to work in partnerships to address major health challenges, including treatment for HIV/AIDS, tuberculosis, and malaria and to promote access to medicines and global health care;
14. endeavor to commend corporations for their transparency, disclosure, sustainable and socially responsible business practices, and efforts to raise industry standards on ESG issues that are of major concern to The United Methodist Church; and
15. actively evaluate external consultants, investment advisors, and funds regarding their commitment to sustainable and socially responsible investment practices and diversity within their workforce and governance structure.

Investment Strategies

The United Methodist Church's investment community is encouraged to use widely practiced sustainable and socially responsible investment strategies to fulfill its investment policy goals. These include:

1. *Avoidance* ("Screening" or "Ethical Exclusions")

Book of Discipline.

2. *Advocacy (“Engagement” or “Active Ownership”)*

The Social Principles (*Book of Discipline* ¶ 163I) recognize that “corporations are responsible not only to their stockholders, but also to other stakeholders: their workers, suppliers, vendors, customers, the communities in which they do business, and for the earth, which supports them.” Companies may meet the broad investing guidelines of the Church but still fall short of the goals outlined in the Social Principles and the *Book of Resolutions*.

United Methodist investors, therefore, should endeavor to be active owners, engaging the companies in which they invest to manage ESG issues and exhibit high standards of corporate responsibility.

Engagement with companies may take many forms, including written communications, dialogues (including face-to-face meetings), proxy voting, and the filing of shareholder resolutions.

Sustainable and socially responsible investment is also dependent on actions beyond engagement with individual corporations and may involve influencing public policy and regulatory bodies where the long-term sustainability of investment funds can be enhanced and priority ESG issues can be addressed.

3. *Positive Impact Investments*

Some investments may be designed to achieve specific positive outcomes, such as the construction of affordable housing, the renewal of neighborhoods or the provision of clean energy. United Methodist investors are encouraged to pursue such opportunities around the world.

4. *Strategic Partnerships*

Working in collaboration with like-minded partners strengthens and magnifies sustainable and socially responsible investment voice. Strategic partners may include United Methodist boards, agencies, foundations and universities, other faith-based investors, domestic and global nongovernmental organizations, and other global sustainable and socially responsible investors, such as signatories to the the United Nations Principles for Responsible Investment (PRI).

5. *Divestment*

Divestment is a strategy available to investors but it should be considered an investment strategy of last resort. Shareholder advocacy/engagement—though it takes time—generally is a more effective and constructive way to influence corporate decision-making.

Investing Guidelines for Program Agencies

The General Council on Finance and Administration (GCFA) is responsible for preparing and distributing the investment guidelines that are to be used by all general agencies receiving general Church funds. GCFA shall review and update these guidelines periodically, inviting the input of the agencies and other interested sectors of the Church. GCFA encourages investing agencies to be involved actively in the overview of sustainable and socially responsible investing as described in this policy.

Each general agency receiving general Church funds shall provide GCFA with a copy of its investment policy. The policy shall be made available upon request to any interested member of the Church.

All organizations affiliated with The United Methodist Church, including annual conferences, local churches, foundations, health-care systems, colleges, and universities, are strongly urged to follow these guidelines and to make public, either on the Internet or by request, their specific investing policies. Investing organizations may want to consider disclosing all of their sustainable and socially responsible investing activities on publicly accessible websites.

Where financial considerations preclude immediate exclusion of securities held in violation of the above policies, the affected boards, agencies, and institutions of The United Methodist Church shall develop a plan for complying with the guidelines no later than the 2020 General Conference.

All United Methodist investors and users of financial services, whether institutional or individual, are strongly encouraged to use these guidelines.

AMENDED AND READOPTED 2004, 2008, 2012, 2016

RESOLUTION #4071, 2008, 2012 *BOOK OF RESOLUTIONS*

RESOLUTION #213, 2004 *BOOK OF RESOLUTIONS*

RESOLUTION #202, 2000 *BOOK OF RESOLUTIONS*

See Social Principles, ¶ 163D.

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