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*Suggested Title:* Investment Ethics

*Resolution Number:* 213

*Financial Implications:* None

*Agency Name:* General Board of Pension and Health Benefits

Amend Resolution 213 as follows:

**The United Methodist Church believes that social justice and social usefulness 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. When we take account of both fiduciary obligations (including financial returns) and denominational values (including social returns), we are investing in a socially responsible manner.**

**The Church's investment philosophy is based on the biblical concept that all resources are God-given and can be used to promote the reign of God on earth.**

### **Economic Witness in the Wesleyan Tradition**

~~The United Methodist Church and its predecessor denominations~~ **Churches in the Wesleyan tradition** have a long history of witness for justice in the economic order.

John Wesley and early Methodists, for ~~instance~~ **example**, were ~~staunchly~~ **firmly** opposed to the slave trade, to smuggling and to **what we today call** conspicuous consumption. ~~In fact, John Wesley refused to drink tea because of its relationship to the slave trade.~~

**Beginning in 1908**, ~~s~~social creeds adopted by our predecessor churches; ~~beginning in 1908~~, stressed social justice in the economic world, with special attention to ~~the~~ exploitation of child labor and inhumanely long working hours.

Throughout **the 20<sup>th</sup> and into the 21<sup>st</sup>** ~~this~~-century, ~~our~~ ~~the~~ eChurch has promoted decent working conditions and the right to organize and bargain collectively, and it has opposed discrimination in the workplace on the basis of race, ethnic background, gender, age, or disability. Historically our tradition has opposed church investments in companies manufacturing liquor or tobacco products or promoting gambling.

Since the 1960s, our denomination and its predecessors have built a solid record ~~expressing~~ **based on our ethics in our investment decisions** **belief that every financial investment has ethical dimensions with consequences that are both fiscal and social.** United Methodist agencies and conferences fought against the manufacture of napalm and were involved in the social-justice issues raised by religious shareholders. In the mid-1970s, the General Council on Finance and Administration (GCFA) ~~began~~ **issued** official social responsibility guidelines for general eChurch investments.

**Historically,** ~~While the issue of economic sanction against apartheid in South Africa was~~ **the major issue for many church-related investors, but** ~~engaged us more than any other,~~ United Methodist agencies, affiliated institutions, conferences, congregations, and individual members have brought the eChurch's Christian witness to business on numerous issues, including employment discrimination, environmental preservation, militarism, nuclear weapons production, reevaluation of infant formula use and ~~addressing~~ the HIV/AIDS pandemic. The eChurch also continues to advocate on such issues as:

international fair labor practice;  
domestic and global human rights;  
lending practices or policies for lesser developed communities and nations;  
~~and issues of violence to persons;~~  
firearms sales **and**, gun policies;  
best corporate governance practices;  
~~, unethical corporate practices, environmental reporting;~~  
~~, public disclosure on financial risks of global warming and climate change;~~  
genetically modified organisms; and  
food safety.

### **Socially Responsible Investing Strategies**

~~We affirm that all financial resources of the church and its members are God-given resources, to be held in trust for use or investment in ways that promote the reign of God on earth.~~

~~Further, we recognize that every investment has ethical dimensions. Financial investments have consequences that are both fiscal and social. We believe social justice and social usefulness must be given consideration together with financial security and financial yield in the investment of funds by United Methodist Church agencies and affiliated institutions, and by congregations as well as individual United Methodists.~~

~~Socially responsible investing by Christian institutions and individuals must take account of both sets of considerations.~~

~~Our~~ **The Church's** witness through investments ~~has~~ **takes** ~~n~~ four forms, each of which may be employed with the others. They are:

1. ~~Avoidance by Divestment~~ **Portfolio screening**

~~Because some companies and This policy prohibits investment in enterprises, such as those manufacturing alcoholic beverages and tobacco-related products, and manufacturing, selling or distributing pornography and gambling opportunities, violate basic church teaching, they are that have policies or practices that are so morally reprehensible that investment in these companies is not tolerated by the church. Our denomination traditionally has avoided investments in liquor, tobacco, and gambling. Historically excluded from investment. In addition, many church investors have refused to invest in major military contractors or; companies with nuclear weapons contracts. Historically, many investors refused to invest in or companies when they were doing business in South Africa under during the apartheid era. In some cases, they have divested of such companies, making public their action as a moral statement.~~

2. ~~Affirmative Choice~~ **Social Impact Investing**

**The members of The United Methodist Church expect all Church-related investments to make a positive contribution toward the goals outlined in the Social Principles and *The Book of Resolutions*. Investment This strategy, therefore, is to choose intentionally enterprises for investment based on careful consideration of **not only financial returns, but also of social returns across a wide range of issues and concerns, both in social values and in social justice, as well as financial security and monetary profit. For United Methodist investors, the Social Principles and The Book of Resolutions delineate the social goals to which we expect all our investments to make a positive contribution. But with certain affirmative investments we may seek a Some investments, however, are undertaken to achieve very specific social outcomes, such as the construction of affordable housing, the renewal of a particular neighborhood, or the expansion of business ownership to among those traditionally excluded from such ownership.****

### 3. Shareholder Advocacy

~~The practices of corporations in which the church invests may~~ **Companies may meet the broad investing guidelines of the Church but still** fall short of the ~~moral~~ standards expressed in the Social Principles and *The Book of Resolutions*. Responsible Christian investing includes seeking to change company policies and practices **to match more closely articulated Church values for the better. As shareholders of corporations,** ~~cChurch investors may have, as shareholders of corporations, engaged corporate~~

management in a ~~great~~ variety of ways – from gentle persuasion to public pressure, from dialogue to voting proxies, ~~from~~ to filing shareholder resolutions ~~to,~~ and building coalitions. In many cases, **such advocacy has resulted in important corporate policy ies** ~~have changed as at the corporate level result.~~

#### 4. Strategic Partnerships

~~. This is the practice of w~~ Working in collaboration with others **strengthens the socially responsible witness and allows the** ~~to utilize~~ synergy of strategies **more forcefully to** ~~and resources to~~ engage corporations on issues of governance, and environmental and social importance. ~~Such~~ **Strategic** partnerships may include United Methodist boards, agencies, foundations ~~and~~ universities, **other faith-based investors, domestic and global non-governmental organizations and other** concerned socially responsible investors., ~~domestic and global faith-based and non-governmental organizations.~~

~~Policy and Implementation of~~ **Investment Policy**

The policy goals of the General Conference of The United Methodist Church, its general agencies, and **the** entities under its control shall be:

1. to invest as ~~much as possible~~ in **corporations, companies, institutions or funds** that are making a positive contribution to **the realization of the goals outlined in the Social Principles and *The Book of Resolutions*, especially those pursuing such specific targeted social goals as** ~~The communities, societies, and world on which they have impact and to the realization of the goals outlined in the Social Principles and The Book of Resolutions of our church;~~

**recycling and the use of recycled products;**

**working within legally imposed discharge limits for toxic chemicals, noise, and water temperature;**

**the refusal to sell chemicals that would be banned in the company's country of origin;**

**the use of power supplies from renewable resources that do not have undue adverse environmental, socioeconomic and human rights impacts upon indigenous peoples;**

**the reduction of greenhouse gas emissions in order to minimize impact on climate change;**

**the provision of low-income housing, affordable housing and community**

**development projects in urban and rural areas;**

**the hiring and promoting of women and racial and ethnic persons;**

**programs, benefits and wages that assure quality of life for employees and their**

**families;**

**policies and practices that preclude predatory or harmful lending practices; and**

**maintaining a commitment to sustainability so that current business practices do**

**not detract from future viable business operations.**

2. ~~to employ this combination of socially responsible approaches that contribute to economic justice and corporate responsibility;~~ **to exclude from investment** ~~Avoidance by nonpurchase or divestment of holdings in companies that:~~

~~a. manufacture produce tobacco products or alcoholic beverages~~ **or tobacco-related products;**

~~or manage or own gambling enterprises;~~

~~or have as their primary business the produce tion, distribute tion, or sell ale of,~~ **as their primary business, pornographic material;**

~~b. rank among the top 100 Department of Defense (DOD) contractors (those receiving the largest volume of prime contract awards) for the past three years; and have DOD contracts larger than 10 percent of sales~~ **unless such contractors are supplying health care or humanitarian relief** ~~for voting securities and 5 percent of sales for nonvoting~~

~~securities~~; (the **General Council on Finance and Administration [GCFA]** shall publish

the listing of the top 100 DOD contractors annually);

~~;~~ ~~provided, however, health care providers and humanitarian relief providers are not~~

~~intended to be excluded even if they rank in the top 100 DOD contractors.~~ ~~make e.~~

components for nuclear explosive devices;

~~d.~~ manufacture chemical or biological warfare materials;

~~e.~~ make components for anti-personnel weapons;

~~f.~~ have as their primary business the production, distribution or sale of handguns and assault-type weapons or ammunition for such weapons; or

~~g.~~ manufacture, or purchase through subcontracting, a significant ~~amount~~ number of products made with sweatshop, ~~or~~ forced **or child** labor.

**3.** ~~Affirmative investing in companies, banks, funds, or ventures that are seeing specific targeted social goals upon which the church places high value, such as those that:~~

~~a.~~ encourage recycling and use recycled products;

~~b.~~ work within legally imposed discharge limits for toxic chemicals, noise, and water temperature;

~~c.~~ do not sell chemicals that would be banned in the company's country of origin;

~~d.~~ obtain future power supplies from renewable resources that do not have undue adverse environmental, socioeconomic and human rights impacts upon indigenous peoples;

~~e.~~ invest in low income housing, affordable housing, and community development in urban and rural areas;

~~f. invest in companies that have positive records in hiring and promoting women and racial and ethnic persons;~~

~~g. are companies owned by women and by racial and ethnic persons;~~

~~h. have programs, benefits and wages that assure quality of life for employees and their families; and~~

~~i. have policies and practices that preclude predatory or harmful lending practices.~~

~~Shareholder advocacy through which the agency exercises its rights as shareholder to persuade corporations to **integrate responsible business practices on environmental, social and governance issues into their operations and to be transparent in documenting these endeavors in public reports** and irresponsible behavior or live up to high ethical standards by using any combination of the following **shareholder advocacy approaches activities:**~~

~~letters of inquiry or expression of its position **directed** to **company** management;~~

~~dialogue **or discussions** with **company** management;~~

~~voting proxies;~~

~~soliciting votes from other investors for a particular reason;~~

~~sponsoring resolutions ~~for votes~~ **for consideration** at stockholder meetings;~~

~~speaking at stockholder meetings;~~

~~legal action;~~

~~publicity **press releases;**~~

working in coalitions with other concerned shareholders; **and**

petitioning the **Securities and Exchange Commission**—SEC or Congress for changes in the proxy rules.

34. ~~To~~ seek opportunities to invest in companies, banks, funds, or ventures **owned by women and by racial and ethnic persons or** that invest or have operations in

**Native American communities;**

**African; and**

**Developing countries** ~~and other poor countries~~, provided that those countries respect human and labor rights and have a record of trying to raise **national** living standards ~~of their people and~~ **while working** to maintain ecological integrity.

45. ~~To~~ encourage companies to adopt, implement and **then** monitor for compliance a supplier code of conduct **that is** consistent with the International Labor Organization's core labor standards **and that will be designed to** prevent the manufacture, or purchase through subcontracting, of products made with sweatshop, ~~or~~ forced **or child** labor.

6. ~~To~~ seek opportunities to commend corporations publicly for ~~greater~~ transparency, ~~and~~ disclosure, socially responsible behavior, and ~~for endeavors~~ **efforts** to raise industry standards on **environmental**, social **and governance** issues that are **of major concerns to** ~~of~~ The United Methodist Church.

7. ~~to~~ consider using investment-portfolio managers and funds that specialize in corporate social responsibility screening **or are owned by women and persons of color.**

a. ~~The General Council on Finance and Administration is assigned responsibility by The Book of Discipline~~ **The GCFA is responsible** for preparing and distributing the **socially responsible investment guidelines** that ~~must be~~ **are to be** used by all general agencies receiving general Church funds, ~~including social responsibility guidelines.~~ The council ~~shall periodically~~ **shall** review and update these guidelines **periodically** ~~as needed,~~ inviting the **input of the** ~~counsel of the~~ agencies and other interested sectors of the Church. ~~The council~~ **GCFA** encourages **investing agencies to be** ~~the~~ actively involved ~~ment of investing agencies in the overview of socially responsible investing~~ **as** described in this policy.

b. ~~Each~~ **All** general agencies receiving general Church funds shall ~~file~~ **provide GCFA** **with** a copy of ~~their~~ **its** investment policy ~~with the General Council on Finance and Administration.~~ **The policy** ~~it~~ shall be **made** available upon request to any interested member of the Church.

e. ~~These policy goals~~ **investing guidelines** are strongly recommended to all ~~the~~ ~~institutions~~ **organizations** affiliated with The United Methodist Church, **including** ~~and~~ ~~any of their entities, and to the annual conferences and local churches and any funds of~~

~~foundations~~ **the foundations** related to them. **The General Board of Pension and Health Benefits has traditionally served as a resource to denominational investors on socially responsible investing strategies.** It is ~~also~~ **strongly** recommended that a copy of ~~the their social responsibility~~ investment guidelines **of any** ~~be available upon request by any United Methodist-related organization be available upon request.~~  
~~Church member.~~

~~d.~~ Where financial considerations preclude immediate divestment of securities held in violation of the above policies ~~y goals~~, **the affected** boards, agencies, and institutions of The United Methodist Church shall develop a plan for ~~meeting~~ **complying with the guidelines** criteria that will bring into compliance no later than the ~~2008-2012~~ General Conference.

**All United Methodist investors and users of financial services, whether institutional or individual,** ~~e. These policy goals are also strongly recommended to all individual encouraged to use these guidelines~~ United Methodist investors and users of financial services.

ADOPTED 1992, AMENDED AND READOPTED 2000, AMENDED AND READOPTED 2004

See Social Principles, ¶ 163D.

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