

The General Board of Pension and Health Benefits of The United Methodist Church and the United Nations’ Principles for Responsible Investment

In 2005, the General Board of Pension and Health Benefits of The United Methodist Church (General Board) was invited by the United Nations Secretary-General, Kofi Annan, to join a group of 20 institutional investors representing 12 countries to develop the Principles for Responsible Investment.

The Principles are a framework developed to encourage investors to consider environmental, social and governance (ESG) issues in their investment decision-making processes. Supporters of the Principles believe that applying them will improve long-term financial returns while simultaneously aligning the goals of institutional investors with those of society at large.

The General Board was one of the original 25 signatories to the Principles. Since their launch in 2006, support for the Principles has expanded and now includes asset owners and managers worldwide. Becoming a signatory is voluntary, yet demonstrates a clear commitment to the Principles and their implementation. Every year, signatories are required to complete a survey tracking how they are applying the Principles. Below are the six Principles and the ways in which the General Board is implementing them.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

The General Board's [investment policy](#) describes how it integrates ESG issues into its investment decision-making and ownership practices. The General Board strives to invest all of its equity, fixed-income and real estate assets in a socially responsible manner consistent with the values of the Church. When the General Board meets with external investment managers, it asks how they are integrating ESG analyses into their investment strategies.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

The General Board demonstrates its active ownership of investments by voting the proxy ballot of each company it owns. The General Board's [proxy voting guidelines](#) provide clear indications of how it votes on various ESG issues that are frequently addressed at corporate annual meetings. A [record](#) of the General Board's votes is posted on the "[SRI & Funds](#)" section of its Web site.

The General Board communicates directly with many of the companies in which it invests by writing letters, meeting with senior management and filing shareholder proposals. In 2008, the General Board filed 21 proposals, covering such issues as public sustainability reporting, climate change risk, human rights, labor standards, food safety, protection of water, HIV/AIDS and governance policies.

As a result of its activities, the General Board has witnessed changes in company policies, improved corporate disclosure, the establishment of new programs and initiatives and a greater willingness by companies to work with investors and other stakeholders.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

In its communications with companies, the General Board regularly encourages the disclosure of relevant ESG information, believing that increased transparency facilitates responsible corporate behavior and improves investment decision-making processes. In 2008, the General Board engaged in dialogues with American Airlines, Centex, Comcast, Kellogg and Sara Lee—all of these companies subsequently agreed to publish a corporate sustainability report:

The General Board recommends that companies review various frameworks and international standards to guide their actions and disclosures. These include the Global Reporting Initiative, the International Labour Code, the United Nations Global Compact and the Universal Declaration of Human Rights.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

The General Board routinely discusses ESG issues with its investment managers and at conferences attended by other investors. In its relationships with managers, peer organizations and others, the General Board encourages the adoption and implementation of the Principles.

In 2008, the General Board invited 14 of its investment managers to adopt the Principles. It also regularly encourages members of the Church Benefits Association, a coalition of approximately 50 church pension boards, religious orders and denominational benefit programs for clergy and church professionals, to adopt the Principles. This request will be expanded in 2009 to include all General Board investment managers.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

The General Board works collaboratively with a number of organizations and through a number of venues to promote a better understanding of ESG issues, coordinate activities and encourage the development of new research and tools. The General Board actively participates in the Interfaith Center on Corporate Responsibility, Ceres, the Investor Network on Climate Risk, the Social Investment Forum and the Carbon Disclosure Project.

In 2008, the General Board, in cooperation with the Sustainable Investment Research Analyst Network and KLD, Inc., produced a report analyzing corporate sustainability reporting by S&P 100 companies.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Six times a year, the General Board publishes [SRI Connection](#), an e-newsletter that discusses how ESG issues are integrated into investment practices. The General Board's [proxy voting record](#) is publicly available, along with a [list of companies](#) that have failed to meet the agency's investment criteria and are barred from purchase. A [list of companies the General Board has engaged](#), including those at which shareholder proposals have been filed, is also available online.