

Applying Christian values to a sizeable investment portfolio



Wespath's investment policy prioritises climate change action and the low carbon transition and avoids sectors such as tobacco, private prisons and adult entertainment which it deems to be in contradiction with its Methodist principles

How Wespath Institutional Investments applies its Methodist values to its investment portfolio

Wespath Institutional Investments is part of Wespath Benefits and Investments, a not-for-profit agency that has been serving the United Methodist Church – the largest mainline Protestant denomination in the United States – for more than a century.

Wespath manages than \$28 billion in assets and is the biggest reporting faith-based pension fund in the United States. It invests these funds on behalf of more than 100,000 participants and more 130 United Methodist-related institutions and other churches such as the Evangelical Lutheran Church in America.

As the investment arm of the United Methodist Church, Wespath's investment policy is governed by the Church's values. It takes a two-pronged approach to its investment responsibilities, focusing on fiduciary duty to its beneficiaries and making a significant effort to align its investments with the values of the Church.

Methodist values are and ensure that our investments align with the values. And we also have a committee on our board of directors that's responsible for ensuring that we are making a bone fide conscious effort to align with the values of the Church."

In all its investments, Wespath is working towards what it calls a "sustainable economy framework" which it defines as one that is built on "social cohesion, prosperity for all and environmental health".

Dave explains: "Clearly, these are aspirational, but we think that if we are able to attain the aims of a sustainable economy, that we would be able to achieve the investment return expectations of our participants and other stakeholders."

Financial decisions driven by beliefs

Wespath's decision-making process is driven by its set of investment beliefs. "We think it's a best practice for our organisation to define those investment beliefs and to get buy-in top to bottom of the organisation, including our board of directors," says Dave.

"And our number one belief is that we have to act in the best interests of our stakeholders. Anything that we do in terms of investing is going to be on behalf and for the benefit of our stakeholders."

Other key investment beliefs that align with the values of the Church are Wespath's commitments to sustainability and low carbon. As a result, climate change and the low carbon transition are two of Wespath's priority areas.

Wespath's investing policy is also guided by its 'Avoid, Engage, Invest' framework. For example, under the Avoid principle, United Methodist values require Wespath to avoid investing in companies that derive a significant amount of their revenue from alcohol, tobacco, adult entertainment, gambling, weapons and private prisons.

However, Avoid is only one part of their strategy: "Where we really make a difference is through the investment and the engagement elements," says Dave.

Engaging to persuade companies to change their values

"There are very few investment organisations, hardly any in the United States, that do what we do in terms of proactively investing in ways that make an impact and in engaging with companies to persuade them to align their values with the values of the Church."

This proactive stance is why other churches come to Wespath for their investment portfolios. Investing in line with your values is more than just avoiding certain funds, says Dave: "The mission of the United Methodist Church is to make disciples of Jesus Christ for the transformation of the world. Transformation of the world means to 'make the world a better place'.

"You don't make the world a better place by avoiding things. You make the world a better place by investing in a manner that aligns with values, in helping people, and by convincing companies to change their business practices, to be more compatible with what we need for a sustainable economy."