



# CLIMATE TRANSPARENCY REPORT 2019

Wespath Investment Management (General Board of Pension and Health  
Benefits of the United Methodist Church)

## About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here ([https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-9995D521-2614-4253-A94E-DF97ABD96186/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-9995D521-2614-4253-A94E-DF97ABD96186/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/)). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

## TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-	Public				
SG 13.5 CC	-	Public				
SG 13.6 CC	-	Public				
SG 13.7 CC	-	Public				
SG 13.8 CC	-	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	-	Public				
SG 14.5	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Wespath Investment Management (General Board of Pension and Health Benefits of the United Methodist Church)
<b>Signatory Category</b>	Non-corporate pension or superannuation or retirement or provident fund or plan
<b>Signatory Type</b>	Asset Owner
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2006
<b>Region</b>	North America
<b>Country</b>	United States
<b>Disclosure of Voluntary Indicators</b>	100% from 38 Voluntary indicators

# Wespath Investment Management (General Board of Pension and Health Benefits of the United Methodist Church)

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

Wespath's overarching "Investment Beliefs" document describes our commitment to sustainability and reflects the PRI's six Principles: <https://www.wespath.org/assets/1/7/5060>.

Specifically, the Investment Beliefs state that "investment decisions and activities must support the financial well-being of our participants and mission of our institutional investors." The beliefs explain that Wespath has an optimistic worldview, a long-term perspective and a preference for active management. With regard to ESG, Wespath affirms that "the intentional integration of environmental, social and governance (ESG) factors in the selection and management of investments positively affects long-term performance."

Our beliefs also state that we have an "obligation to cooperate with other like-minded investors to mitigate systemic financial risk," which is demonstrated through our leadership and participation in many investor networks. As an active owner we understand that "engagement with corporations is a powerful process" and as described in the LEA section, we conduct substantive collaborative and individual engagement with many companies each year, both individually and collaboratively.

In 2017 Wespath amended our Investment Beliefs to acknowledge that a global transition to a low-carbon economy is underway and in 2018 we implemented this belief by launching the proprietary "Transition Readiness Strategy" which is detailed in SG 01.6.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Our Statement of Administrative Investment Policy outlines the governance of Wespath's investment program.

Wespath incorporates the consideration of ESG factors into investments across asset classes and in the selection of external asset managers. We believe these efforts support long-term value creation while having a positive impact on the environment and society. Key components of the policy include:

- **Ethical Exclusions:** Wespath shall endeavor to exclude from investment the securities of companies that produce products and/or provide services that are not aligned with United Methodist Church (UMC) values, provided that to do so does not abrogate Wespath's fiduciary responsibility
- **Active Ownership:** Wespath shall actively influence company performance and public policy relating to material ESG issues and manage excessive sustainability risk. This includes corporate and public policy engagement, as well as proxy voting.
- **Strategic Partnerships:** Wespath will partner with other sustainable investors and organizations dedicated to corporate accountability and sustainability.
- **Positive Impact Investments:** For more than a quarter century, Wespath has invested in loans that support affordable housing and community development for the most disadvantaged neighborhoods



in the United States, while also earning a market-rate return. Our Positive Social Purpose (PSP) Lending Program has financed real estate development in all 50 states, providing shelter, education and health services to low-income, underserved populations. We also invest in microfinance strategies in developing markets around the world, which facilitate loans to individuals who have little or no access to traditional financial services.

- **Management of Excessive Sustainability Risk (MESR) Policy:** Wespath's MESR policy provides direction for identifying and managing sustainability-related financial risks that could affect the value of assets held on behalf of benefit plans and institutional investment clients. To date, Wespath has approved an investment guideline for climate change, with a specific focus on thermal coal, and a guideline on human rights, with a focus on high-risk operating areas.
- **External Investment Manager ESG Integration:** As a founding signatory to the PRI, Wespath is dedicated to incorporating ESG issues into our investment analysis and decision-making processes as we believe it supports long-term value creation. This extends to our relationships with our external asset managers. Since 2014, we have been developing and refining a methodology that helps us evaluate and benchmark how our external investment managers integrate ESG issues into their decision-making processes. Our ESG integration process creates a framework that helps us provide practical feedback to our managers in order to encourage progress year-over-year. This is an element of the ongoing performance and retention assessment of our managers, and is also a part of all requests for proposals issued for new investment mandates.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General
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<b>SG 01.6 CC</b>	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.
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Wespath's investment belief on the low-carbon transition (one of ten investment beliefs that guides our investments) states:

"A global transition to a low-carbon economy is underway driven by the world's assessment of environmental risks. We believe public policies, emerging technologies and physical impacts associated with concerns about climate change are creating winners and losers across companies, industries and countries, impacting investment returns. As prudent fiduciaries, we must assess these global risks and opportunities in the management of our funds."

Prior to 2018, Wespath invested close to \$700 million in thematic low-carbon and resource optimization investments. In 2018, we invested an additional \$750 million across two 'Transition Ready' strategies (one U.S. and one international strategy), which Wespath developed alongside one of our external investment managers.

The new and innovative Transition Readiness methodology addresses the risks and opportunities associated with the transition to a low-carbon economy by seeking to identify a company's future preparedness for this transition. It draws on qualitative and quantitative analysis in order to identify and invest in companies supporting an orderly shift to an economy that is committed to achieving global emission reduction targets.

Wespath believes the low-carbon transition presents risks and opportunities through four channels:

- **Regulatory** (including carbon taxes and emissions trading schemes)
- **Technological** (including rapid price reductions and increases in efficiency across a range of industries, products and services)
- **Physical** (including more frequent and severe weather events)
- **Reputational** (including changing consumer preferences regarding the low-carbon transition)

The Transition Readiness strategies intend to exceed their performance benchmarks by minimizing potential risks and maximizing opportunities associated with the transition to a low-carbon economy while maintaining similar risk profiles to the benchmarks. The strategies are enhanced passive strategies that modestly overweight or underweight the securities within an index as a way to add long-term value in a risk-controlled manner. After launching the Transition Readiness framework, Wespath has now shifted approximately 6% of its total assets into low-carbon investment strategies.

**Thermal Coal Exclusions:** In response to an excessive level of regulatory, technological and reputational risk related to thermal coal, in 2014 Wespath began excluding certain mining and electric utility companies that are heavily reliant upon thermal coal. Our processes are reviewed annually and in 2018, seventeen companies were excluded.

<b>SG 01.7 CC</b>	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

<b>SG 01.8 CC</b>	Indicate the associated timescales linked to these risks and opportunities.
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Wespath believes the transition to a low-carbon economy is already underway and will continue and accelerate in the future. We believe the transition will create winners and losers across companies, industries, and countries, and ultimately impact long-term investment performance. As prudent fiduciaries and long-term investors, we believe investors should incorporate an understanding of the world's assessment of climate change-related risks and opportunities in their investment processes and portfolios.

We believe the transition to a low-carbon economy presents risks and opportunities through four primary channels:

- **Regulatory** (including carbon taxes and emissions trading schemes)
- **Technological** (including rapid price reductions and increases in efficiency across a range of industries, products and services)
- **Physical** (including more frequent and severe weather events)
- **Reputational** (including changing consumer preferences regarding the low-carbon transition)

Wespath has established a **Climate Action Plan** to help us identify, assess and manage climate-related risks. Additional details of the Climate Action Plan are provided in question SG 01.10CC.

As noted in SG 01.7, Wespath's thermal coal investment guideline was implemented in 2014 and remained in place throughout 2018.

No

<b>SG 01.9 CC</b>	Indicate whether the organisation publicly supports the TCFD?
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Yes

No

<b>SG 01.10 CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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Yes

Wespath has established a Climate Action Plan to help us identify, assess and manage climate-related risks.

- **Climate Action Plan:** Wespath conducted a comprehensive review of best-practice investment strategies and solutions to better understand potential responses to the risks and opportunities associated with climate change. The review process included an assessment of domestic and international public policies aimed at facilitating the transition to a low-carbon economy, including the recommendations provided by the Task Force on Climate-related Financial Disclosure (TCFD). Wespath discussed all findings and potential solutions internally, resulting in a Climate Action Plan that provides our overall framework for our climate-related investment activities. This includes Wespath's **Low-Carbon Transition Investment Belief**, established in 2017 with the full support of our board of directors. The belief is one of Wespath's ten publicly available investment beliefs and guides us in incorporating the risks and opportunities associated with the transition to a low-carbon economy into the management of our funds.
- **Transition Ready Portfolio:** In 2018, Wespath invested \$750 million to further align our investments with the transition to a low-carbon economy. The mandate follows the request for information (RFI) issued in 2017 to vendors, index providers, and asset managers in order to better understand available investment strategies and analytical tools associated with the transition. Wespath selected an asset manager as its partner and collectively built a new investment methodology that seeks to reflect a company's future preparedness for the transition. The strategy draws on qualitative and quantitative analysis in order to optimally position a portfolio to benefit from companies supporting an orderly transition to an economy committed to achieving global emission reduction targets.
- **External Manager Selection and Monitoring:** Wespath uses its annual ESG Appraisal to evaluate and benchmark our external asset managers on ESG integration, asking specific questions related to the management of risks and opportunities associated with climate change. The ESG Appraisals helps ensure adequate climate competencies for all new and existing investment strategies.
- **Global Engagement Strategy:** As an active owner, Wespath believes it is our responsibility to engage our portfolio companies to promote sustainable business policies and practices as the world transitions to a low-carbon economy. For over 20 years, we - in partnership with other sustainable investors and sustainable investment initiatives - have persuaded companies to adopt reasonable, cost-effective, climate-related strategies.
- **Management of Excessive Sustainability Risk (MESR) Policy:** Wespath's MESR policy provides direction for identifying and managing sustainability-related financial risks that could affect the value of assets held on behalf of benefit plans and institutional investment clients. In 2018, we updated our MESR guideline to exclude 17 companies under the Climate Change (Thermal Coal) guideline.
- **Thematic Investment Opportunities:** Wespath believes companies positioned to benefit from the transition to a low-carbon economy are attractive long-term investments. We currently have over \$1.3 billion invested in companies providing low-carbon solutions, including: renewable energy, energy efficiency, water and waste management solutions.

No

<b>SG 1.12 CC</b>	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

	specify
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Sustainable Investment Report

<b>SG 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

	URL/Attachment
--	----------------

- URL

	URL
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{hyperlink:[http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

- Attachment (will be made public)

- Formalised guidelines on environmental factors

	URL/Attachment
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- URL

	URL
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{hyperlink:<http://www.wespath.org/climatechange/>}

- Attachment (will be made public)

- Formalised guidelines on social factors

	URL/Attachment
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- URL

URL

{[hyperlink:http://www.wespath.org/humanrights/](http://www.wespath.org/humanrights/)}

- Attachment (will be made public)
- Formalised guidelines on corporate governance factors

URL/Attachment

- URL

URL

{[hyperlink:https://www.wespath.org/sri/active-ownership/](https://www.wespath.org/sri/active-ownership/)}

- Attachment (will be made public)
- Fiduciary (or equivalent) duties

URL/Attachment

- URL

URL

{[hyperlink:http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

- Attachment (will be made public)
- Screening / exclusions policy

URL/Attachment

- URL

URL

{[hyperlink:http://www.wespath.org/sri/ethical-exclusions/](http://www.wespath.org/sri/ethical-exclusions/)}

- Attachment (will be made public)
- Engagement policy

URL/Attachment

- URL

URL

{[hyperlink:http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

- Attachment (will be made public)
- (Proxy) voting policy

URL/Attachment

URL

URL

{[hyperlink:https://www.wespath.org/assets/1/7/proxy\\_guide.pdf](https://www.wespath.org/assets/1/7/proxy_guide.pdf)}

Attachment (will be made public)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{[hyperlink:http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

{[hyperlink:https://www.wespath.com/assets/1/7/5066.pdf](https://www.wespath.com/assets/1/7/5066.pdf)}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{[hyperlink:http://www.wespath.org/sri/active-ownership/](http://www.wespath.org/sri/active-ownership/)}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{[hyperlink:http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{[hyperlink:http://www.wespath.org/assets/1/7/investment\\_policy.pdf](http://www.wespath.org/assets/1/7/investment_policy.pdf)}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{[hyperlink:https://www.wespath.org/sri/active-ownership/](https://www.wespath.org/sri/active-ownership/)}

Attachment

Reporting

URL/Attachment

URL

URL

{[hyperlink:https://www.wespath.com/investment\\_philosophy/sustainable-investment-report/](https://www.wespath.com/investment_philosophy/sustainable-investment-report/)}

Attachment

Climate change

URL/Attachment

URL

URL

{[hyperlink:http://www.wespath.org/climatechange/](http://www.wespath.org/climatechange/)}

Attachment

Understanding and incorporating client / beneficiary sustainability preferences

URL/Attachment

URL

URL

{hyperlink:[https://www.wespath.org/assets/1/7/investment\\_policy.pdf](https://www.wespath.org/assets/1/7/investment_policy.pdf)}

Attachment

We do not publicly disclose any investment policy components

## Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Board members or trustees
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Other Chief-level staff or head of department
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Portfolio managers
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	Investment analysts
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues



	Dedicated responsible investment staff
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

	External managers or service providers
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

<b>SG 07.6</b> <b>CC</b>	For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.
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**Wespath's Board of Directors:**

**Wespath has two board committees that oversee sustainable investment and climate-related issues. The committees meet three times each year.**

**The UMC Principles Committee** is charged with overseeing Wespath's adherence to the values of The United Methodist church, including efforts to "seek investments in institutions, companies, corporations, or funds that promote racial and gender justice, protect human rights, prevent the use of sweatshop or forced labor, avoid human suffering, and preserve the natural world, including mitigating the effects of climate change." Annually, the committee approves Wespath's proxy voting guidelines and monitors voting activity. In addition, the committee reviews Wespath's engagement priorities and the disposition of all shareholder resolutions filed. On a quarterly basis, the committee receives a report detailing Wespath's corporate and public policy engagements, and an update on companies excluded under the Management of Excessive Risk-thermal coal policy.

**The Fiduciary Committee** is charged with overseeing Wespath's mandate to "discharge its fiduciary duties with respect to a benefit fund, plan, or program solely in the interest of the participants and beneficiaries."

Both committees, and the full Wespath board of directors, discussed and approved Wespath's Low-Carbon Transition Belief in 2017. In 2018, both committees and the full board also approved a new low-carbon transition equity mandate entitled the Transition Readiness strategy. The committees reviewed the strategy's methodology and received project updates at every meeting.

The Transition Ready strategy is an enhanced passive strategy designed to deliver long-term competitive financial returns relative to traditional benchmarks, and to further align Wespath's investments with the transition to a low-carbon economy. Enhanced passive strategies differ from pure passive strategies in that they modestly overweight or underweight the securities within an index as a way to add long-term value in a risk-controlled manner. The goal of the Transition Ready strategy is to exceed its performance benchmarks by minimizing potential risks and maximizing opportunities associated with the transition to a low-carbon economy, while maintaining a similar risk profile to the benchmarks.

Wespath's board of directors is also updated annually on Wespath's Management of Excessive Sustainability Risk (MESR) guideline and our Thermal Coal policy which currently excludes from investment a number of pure-play thermal coal companies and coal-dependent utilities.

Information may include;

- Process and frequency of which the board/committees are informed of climate-related issues
- How climate-related issues are considered when reviewing and guiding-decision making
- How the board/committees monitor and oversee progress on climate-related targets and goals

<b>SG 07.7</b> <b>CC</b>	For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.
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The Managing Director (MD) of Sustainable Investment Strategies (SIS) reports directly to the CIO and oversees all SIS activities, including the implementation of Wespath's:

- Climate Action Plan, including the implementation of the low-carbon Transition Ready investment strategy

- Management of Excessive Sustainability Risk (MESR) Thermal Coal Policy
- Corporate engagement and proxy voting strategies relating to climate change

On a quarterly basis, the MD SIS joins the CIO and other members of Wespath's Senior Leadership Team (SLT) to brief them on climate-related issues. The MD SIS and CIO are also responsible for reporting to the UMC Principles Committee and Fiduciary Committee of the board at least twice a year.

Information may include;

- Description of the associated organizational structure(s)
- Whether management reports to the board or a committee of the board
- Process by which management is informed about climate-related issues
- How management (through specific positions and/or management committees) monitors climate-related issues

<b>SG 07.8 CC</b>	Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.
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- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

## ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities
- No, not to assess future ESG/climate-related issues

<b>SG 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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<b>SG 14.1</b>	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

	other description (1)
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Global power shifts (developed markets to emerging markets)

- Other, specify(2)
- None of the above

**SG 14.2** | Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		1	378	608	841
Currency	USD				
Assets in USD		1	378	608	841

Specify the framework or taxonomy used.

PRI's Impact Investing Market Map

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3** Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Water consumed and waste produced

- None of the above

**SG 14.5** Additional information [Optional]

Wespath's Transition Ready Portfolios (\$750 million invested) are based on thousands of climate-related data points, including the emissions metrics listed above and many others. Wespath's Transition Readiness methodology seeks to reflect a company's future preparedness for the transition to a low-carbon economy by considering a company's core business involvement in energy production and carbon efficient technology, as well as its capabilities relating to natural resource management in energy, water, and waste. The investment strategy draws on qualitative and quantitative insights gained by analysing i) data from multiple ESG and climate-related data providers and ii) over 500 academic and scientific reports in order to optimally position a portfolio to benefit from companies supporting an orderly transition to an economy committed to achieving global emission reduction targets.

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC** Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Inform investment decisions	tons CO2e / \$M revenue	sum of (security weight x security carbon intensity) / number securities in portfolio
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Inform investment decisions	tons CO2e	3rd party data provider
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Reporting	tons CO2e / \$M invested.	3rd party data provider
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Inform investment decisions	tons CO2e	3rd party data provider
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Inform investment decisions	tons CO2e / \$M revenue	3rd party data provider
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Inform investment decisions	\$M or % of portfolio value	3rd party data provider

**SG 14.8  
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

© Process for climate-related risks is integrated into overall risk management

Please describe

Wespath has established a Climate Action Plan to help us identify, assess and manage climate-related risks.

- Climate Action Plan:** Wespath conducted a comprehensive review of best-practice investment strategies and solutions to better understand potential responses to the risks and opportunities associated with climate change. The review process included an assessment of domestic and international public policies aimed at facilitating the transition to a low-carbon economy, including the recommendations provided by the Task Force on Climate-related Financial Disclosure (TCFD). Wespath discussed all findings and potential solutions internally, resulting in a Climate Action Plan

that provides our overall framework for our climate-related investment activities, including Wespath's Low-Carbon Transition Investment Belief, established in 2017 with the full support of our board of directors. The belief is one of Wespath's ten publicly available investment beliefs and guides us in incorporating the risks and opportunities associated with the transition to a low-carbon economy into the management of our funds.

- **Transition Ready Portfolio:** In 2018, Wespath invested \$750 million to further align our investments with the transition to a low-carbon economy. The mandate follows the request for information (RFI) issued in 2017 to vendors, index providers, and asset managers in order to better understand available investment strategies and analytical tools associated with the transition. Wespath selected an asset manager as its partner and collectively built a new investment methodology that seeks to reflect a company's future preparedness for the transition. The strategy draws on qualitative and quantitative analysis in order to optimally position a portfolio to benefit from companies supporting an orderly transition to an economy committed to achieving global emission reduction targets.
- **External Manager Selection and Monitoring:** Wespath uses its annual ESG Appraisal to evaluate and benchmark our external asset managers on ESG integration, asking specific questions related to the management of risks and opportunities associated with climate change. The ESG Appraisals helps ensure adequate climate competencies for all new and existing investment strategies.
- **Global Engagement Strategy:** As an active owner, Wespath believes it is our responsibility to engage our portfolio companies to promote sustainable business policies and practices as the world transitions to a low-carbon economy. For over 20 years, we - in partnership with other sustainable investors and sustainable investment initiatives - have persuaded companies to adopt reasonable, cost-effective, climate-related strategies.
- **Management of Excessive Sustainability Risk (MESR) Policy:** Wespath's MESR policy provides direction for identifying and managing the excessive sustainability risk that could potentially affect the value of assets held on behalf of benefit plans and institutional investment clients. In 2018, we updated our MESR guideline to exclude: 10 companies under the Climate Change (Thermal Coal) guideline and 39 companies under the Human Rights guideline.
- **Thematic Investment Opportunities:** Wespath believes companies positioned to benefit from the transition to a low-carbon economy are attractive long-term investments. We deploy capital in support of low-carbon solutions with specific thematic mandates, and currently have over \$1.3 billion invested in companies providing low-carbon solutions, including: renewable energy, energy efficiency, water and waste management solutions.

Process for climate-related risks is not integrated into our overall risk management

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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Yes

Please describe
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Through leadership in the Climate Action 100+, Wespath is persuading the world's most systemic greenhouse gas emitters to adopt strong corporate governance, set greenhouse gas reduction goals and strengthen climate-related financial disclosure.

Wespath leads or co-leads engagement with four companies and is a supporting investor on eight additional companies. We co-lead the engagement team of a U.S. large oil and gas company that includes 25 investors across six countries. We conducted five in-person meetings with the company and communicated progress to the supporting investors. As a result of the engagement, the company published an enhanced climate assessment report that aligns with the TCFD framework, joined the Oil and Gas Climate Initiative and agreed to set a greenhouse gas emissions reduction goal.

No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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**SG 15.1** Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

Yes

**SG 15.2** Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

8.8

**SG 15.3** Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

Energy efficiency / Clean technology

Asset class invested

Listed equity

% of AUM

5.7

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

Brief description and measures of investment

Two actively managed public equity strategies and two enhanced-passive public equity strategies focus on the transition to a low-carbon economy, specifically investing in low-carbon technologies and solutions such as renewable energy, energy efficiency, and waste and water management.

- Renewable energy
- Green buildings
- Sustainable forestry

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Forestry

% of AUM

0.5

- Inclusive finance
- Cash

Brief description and measures of investment

Investment in acquisition and management of sustainable forests

- Sustainable agriculture

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity

% of AUM

0.1



- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

Brief description and measures of investment

Two private equity investment strategies that invest in upstream and midstream agribusiness operating companies and agriculture value chains.

Microfinance

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance

% of AUM

0.1

- Cash

Brief description and measures of investment

Positive social purpose lending, investing in qualified financial organizations providing non traditional financial services to low-income borrowers.

- SME financing
- Social enterprise / community investing

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

% of AUM

0.1

- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

Brief description and measures of investment

Positive social purpose lending, including loans for community development, such as health centers and homeless shelters.

- Affordable housing

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised

% of AUM

1.8

- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

Brief description and measures of investment

Positive social purpose lending, including loans for affordable housing.

Education

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

% of AUM

0.1

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

Brief description and measures of investment

Positive social purpose lending, including loans for charter schools serving low to moderate income students

- Global health
- Water
- Other area, specify

Wespath's Social Values Choice Equity Fund (SVCEF) invests in companies with highly rated sustainable policies and practices regarding environmental, social, and governance criteria.

Asset class invested

- Listed equity

% of AUM

0.3

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Forestry
- Inclusive finance
- Cash

#### Brief description and measures of investment

The Social Values Choice Equity Fund (SVCEF) seeks to earn long-term capital appreciation by investing in equities of U.S. and non-U.S. domiciled publicly owned companies with highly rated sustainable policies and practices regarding the environment, diversity, employee relations, human rights, product quality and safety. The fund is available to investors who wish to exclude companies with fossil fuel reserves used for energy purposes.

No