

Quadrennial
Benefits
Conference

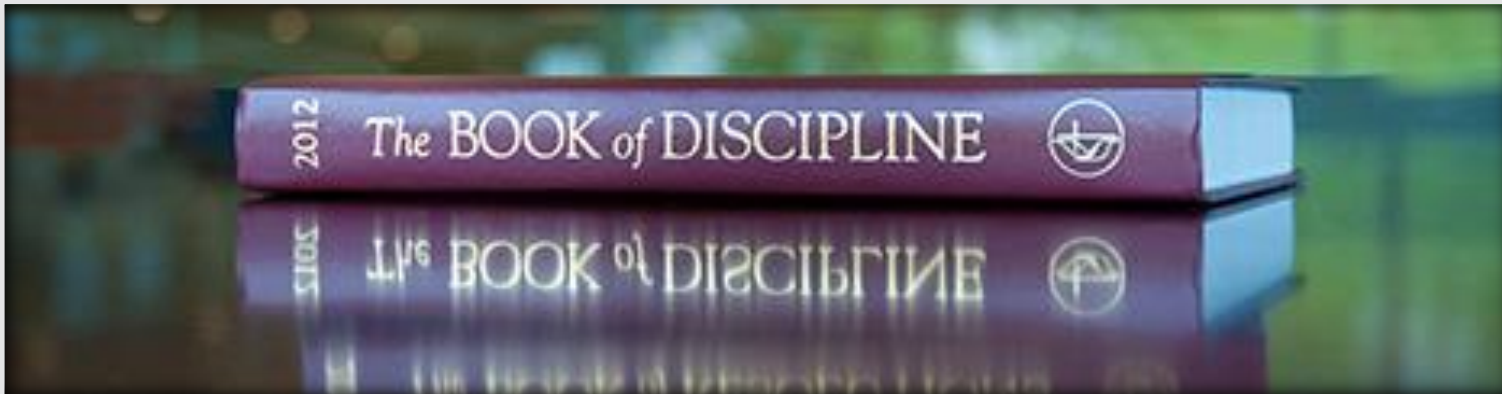


Sustainable and Socially Responsible Investment



Wespath
BENEFITS | INVESTMENTS

Sustainable and Socially Responsible Investment Directives



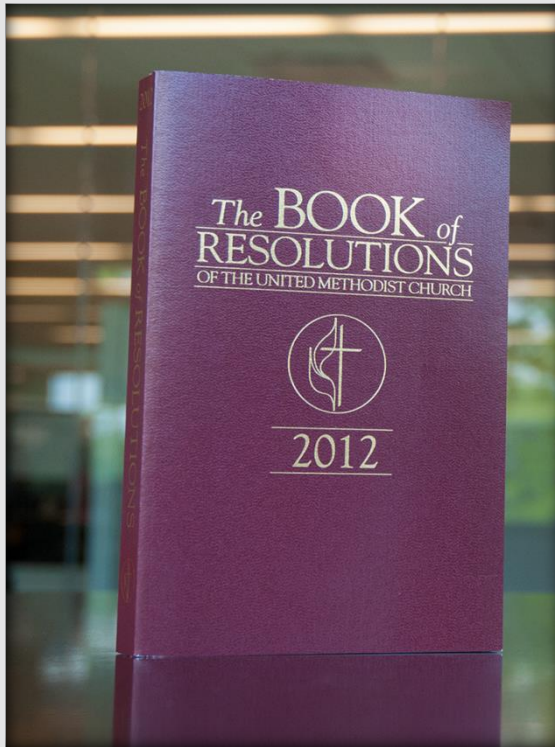
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“...discharge its fiduciary duties... solely in the interest of the participants and beneficiaries... with care, skill, prudence and diligence...”

¶717

“...make a conscious effort to invest...with the goals outlined in the Social Principles”

Resolution 4071: Investment Ethics



“...invest in a sustainable and socially responsible manner, which is an investment discipline that integrates environmental, social and governance (ESG) factors to achieve suitable financial returns and positive social and environmental impact...”

Defining 'Sustainable'



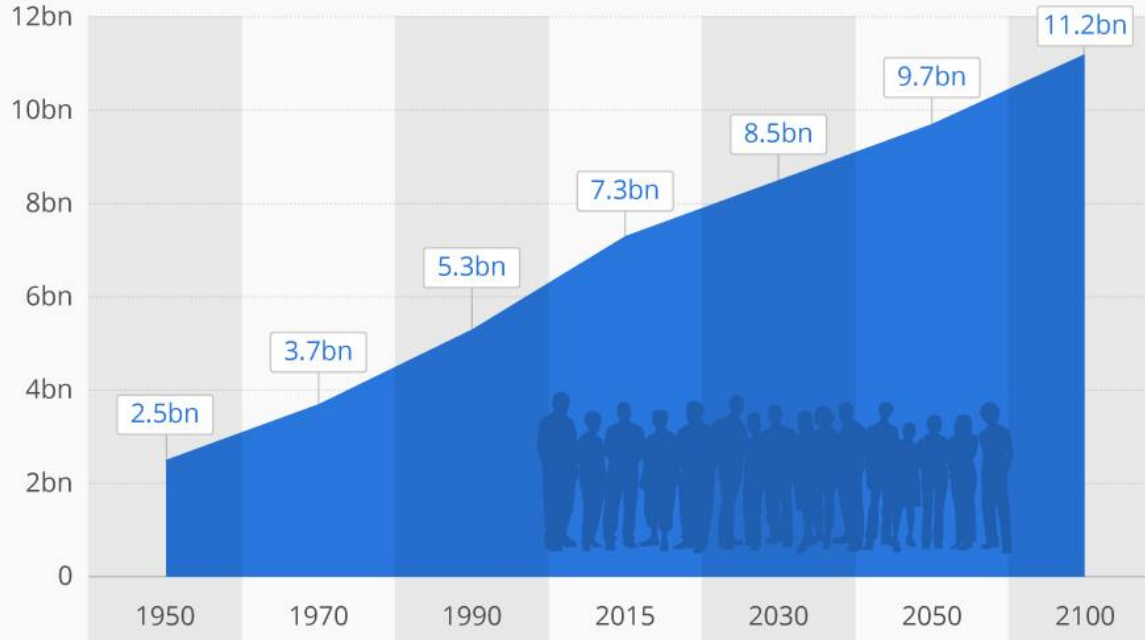
...“Meet the needs of the present without compromising the ability of future generations to meet their own needs” ...

**1987 United Nations World Commission
on Environment and Development
“Bruntland Commission”**

Increasingly Crowded World

The World's Population Is Set To Reach 11 Billion By 2100

Global population growth with forecast up to 2100



@StatistaCharts

Source: United Nations

statista

Sustainable Investment Goals



- Strengthen the long-term viability of Wespath plans and funds
- Promote long-term sustainable business practices and value
- Expand global sustainable investment community

Sustainable Investment Team

Sustainable Investment Strategies



Open
Position
*Sustainable
Investment
Specialist*

Positive Social Purpose Lending



Three Main Strategies: Avoid—Engage—Invest



AVOID

- Ethical exclusions
- Financial risk exclusions

ENGAGE

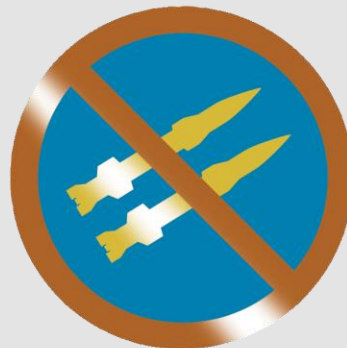
- Proxy voting
- Shareholder resolutions
- Corporations
- Policymakers

INVEST

- External manager benchmarking
- Positive Social Purpose Lending Program
- Low-carbon energy solutions

Ethical Exclusions— Reflecting UMC Values

AVOID



Financial Risk Exclusions— Managing Excessive Sustainability Risk

AVOID



**Climate Change
(Thermal Coal)**



Human Rights

Two guidelines adopted in December 2014

Engagement—Using Our ‘Seat at the Table’ to Improve Performance

ENGAGE



- Proxy voting
- Shareholder resolutions
- Corporate engagement
- Public policy engagement

Proxy Voting—5,000 Company AGMs

ENGAGE



Proxy Voting—Hot Topics

ENGAGE



Say-on-Pay



Proxy Access

Engagement—‘ESG’ Priorities

ENGAGE



Environment—Climate Risk

Engagement—‘ESG’ Priorities

ENGAGE



Social—Human Rights

Engagement—‘ESG’ Priorities

ENGAGE



“We want a woman to join the board and we all agree you’re our man, Ms Adams.”

Governance—Diversity

Engagement Update—Climate Risk



Engagement Update—Human Rights



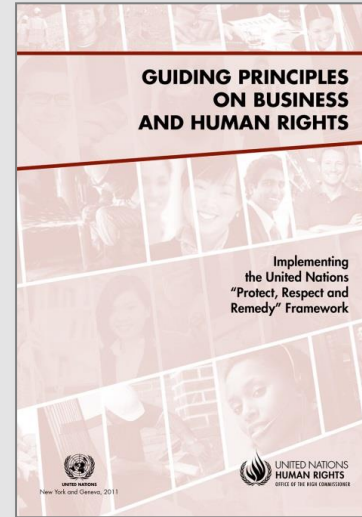
Engagement Update—Board Diversity



Engagement—Public Policy Makers



Climate Change



Human Rights



ESG Disclosure

Engagement—Strategic Partnerships



Global



Faith-Based



Corporate Governance



The Forum for Sustainable and Responsible Investment

Public Policy



Ceres

Environment

Invest—External Manager Benchmarking



Sampling of Managers

Invest—Positive Social Purpose (PSP) Lending Program

INVEST



- Internally managed investment strategy launched in 1990
- Market-rate investments in loans that support community development by providing capital for **affordable rental housing, community facilities and loans to aspiring entrepreneurs in developing countries**

PSP Lending Program Investment Types

INVEST



**Affordable
Multifamily Housing**



**Community
Facilities**



**International
Microfinance**

- We generally acquire a senior position in mortgage loans from intermediaries who underwrite, service and credit-enhance the loans
- PSP loans feature market interest rates and strong prepayment protections, while providing high-impact social benefits

Sutton Oaks II

San Antonio, TX

INVEST



- Loan amount: \$4.16 million
- Affordable multifamily rental
- 208 units

Dolores McCoy Villa

Los Angeles, California (Watts Neighborhood)

INVEST



Dolores McCoy Villa targets formerly homeless and/or incarcerated individuals, with a special focus on providing housing and support services to single mothers re-entering the community after incarceration.

- Loan amount: \$3 million
- Affordable multifamily rental
- 64 units

Rochester View Apartments

Henrietta, NY

INVEST



- 33 units designated for individuals involved with New York State's Office of Mental Health
- 28 units designated for income-eligible members of the deaf community

- Loan amount: \$5.4 million
- Affordable multifamily rental supportive housing
- 61 units

Shared Interest Sub-Saharan Africa

INVEST

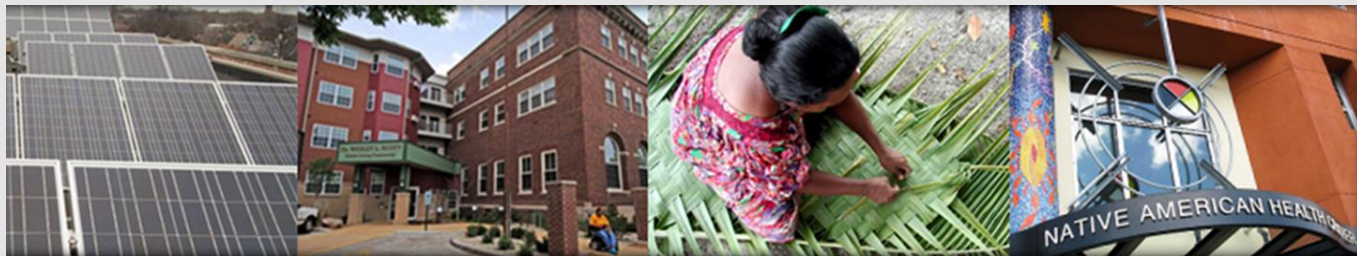


Investments are used to support small loans to low-income borrowers in South Africa and the surrounding region.

- Loan amount: \$3 million
- Microfinance

A Legacy of Positive Social Impact

INVEST



\$2 Billion* invested since program inception

Affordable Housing / Community Development

- **\$2 billion** in investments across the U.S.
- Creation or preservation of **51,000+ units**
- Investment in community facilities serving low- and moderate-income individuals

Microfinance (Since 2005)

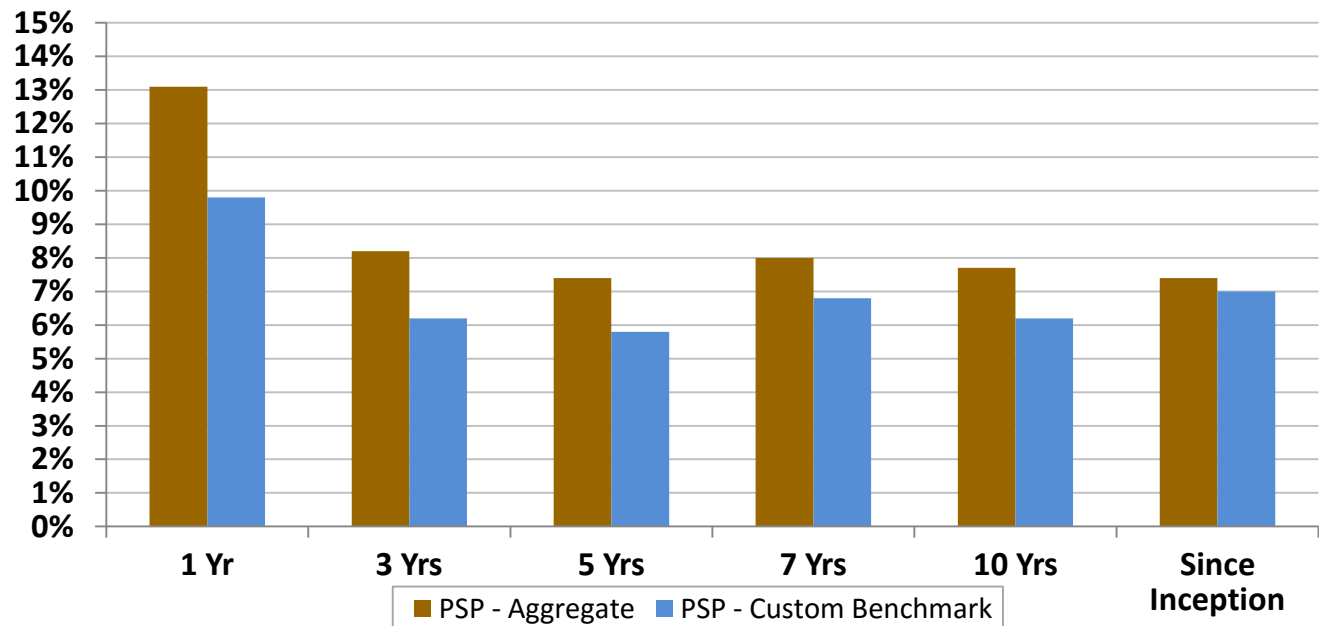
- **\$53 million** in microfinance investments in developing markets across Latin America, Eastern Europe, Southeast Asia and Africa

** Figure as of June 30, 2016*

A Long Track Record of Positive Financial Returns

INVEST

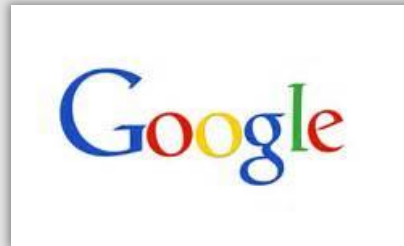
PSP Investment Performance—Aggregate Portfolio (As of June 30, 2016)



Performance figures are presented gross of fees and are as of June 30, 2016. Total return performance measures appreciation in value of loans and income received from coupon payments. Inception Date – 6/1/1990. PSP custom benchmark since 1/1/2016 is comprised of 50% Barclays Universal ex-MBS and 50% Barclays US Long Credit A.

Note: Historical returns are not indicative of future performance.

Invest—Climate Solutions



Invest—Low-Carbon Energy Solutions

INVEST



New \$250 million thematic investment

- Renewable energy
- Energy efficiency
- Waste and water management

Sustainable Investment Aligns Values and Value

- 88% of studies show that solid ESG practices result in better operational performance of firms
- 80% of studies show stock price performance of companies is positively influenced by good sustainability practices



University of Oxford

“From the Stockholder to the Stakeholder:
How Sustainability can Drive Financial Outperformance,”
March 2015



Wespath

BENEFITS | INVESTMENTS