**Human Rights Guideline Implementation**

Westpath Investment Management

http://www.wespath.com/investment\_philosophy/human-rights-guideline-implementation/

Wespath Benefits and Investments (Wespath) and our Wespath Investment Management division are committed to protecting human rights and safeguarding funds held on behalf of participants and institutional investors through our comprehensive sustainable investment strategy. In 2015, we implemented a leading-edge human rights investment guideline that provides direction for corporate engagement actions and highlights human rights-related risks that could potentially affect the value of investment assets.

**Putting Our Human Rights Guideline into Action**

Wespath’s Human Rights guideline reflects The United Methodist Church’s call for all general boards and agencies to “…make a conscious effort to invest in institutions, companies, corporations, or funds whose practices are consistent with the goals outlined in the Social Principles.” (¶ 717) We are a global investor, and we actively influence the promotion and protection of human rights through constructive engagement by using our voice as shareholders to change company practices. We believe that engagement is the most effective strategy for us, and like-minded investors, to effect corporate change and improve human rights protections.

There are specific times, however, when we must recognize that a company is very unlikely–or unable–to discontinue activities in certain parts of the world that we have classified as **“high-risk.”** When activities in high-risk countries or areas represent a significant or integral part of a company’s business, we will avoid investing until the company changes its business practices or until there is a change in its operating environment. Avoiding such investments supports our commitment to sustainable investing, which we believe ultimately improves the performance of our investment funds.

We implement our Human Rights guideline by:

**1. Identifying “high-risk” countries and areas where there is a prolonged and systematic pattern of human rights abuses, where conflict exists and where human rights abuses have been widely documented and/or significant breaches of international law occur**

High-risk countries and areas are identified based on an assessment of:

— [**Freedom House**](https://www.freedomhouse.org/)’s annual “worst of the worst” list of countries with the lowest-possible ratings for both political rights and civil liberties. We selected Freedom House—an organization focused on expanding freedom and democracy through analysis, advocacy and action—after conducting a thorough due diligence process evaluating reputable organizations that provide thoughtful, objective analysis on countries’ human rights performance.

*Countries currently identified include:*

|  |  |  |
| --- | --- | --- |
| • Central African Republic• Eritrea• Equatorial Guinea• North Korea | • Saudi Arabia• Somalia• Sudan• South Sudan | • Syria• Turkmenistan• Uzbekistan |

— Conflict-affected areas where significant human rights violations are widely documented. These include countries and/or regions where a specific economic sector is recognized as prolonging conflict and areas where a United Nations Security Council resolution or an advisory opinion by the International Court of Justice has identified significant breaches of international law.

*Areas currently identified include:*

* Israeli-occupied Palestinian Territories (specifically the Israeli settlements located in the West Bank east of the “Green Line”)
* Moroccan-occupied Western Sahara
* Turkish-occupied Northern Cyprus

These definitions of international justice align with the United Methodist Church’s Social Principles, which state “…we endorse the United Nations, its related bodies, the International Court of Justice and the International Criminal Court as the best instruments now in existence to achieve a world of justice and law.” (¶ 165.D)

**2. Relying on an objective and respected external environmental, social and governance (ESG) research provider to help us identify companies at risk**

In 2015, Wespath Investment Management, Wespath’s investments division, contracted [**Sustainalytics**](http://www.sustainalytics.com/) (a global ESG research provider) to identify and assess the management policies and practices of companies with significant exposure to the countries and areas identified as high-risk.

We chose Sustainalytics after conducting a search for an ESG research provider that could help us implement our Human Rights and Climate Change guidelines. The firm works with more than 300 clients worldwide, including pension funds, mutual funds and asset managers.

**3. Evaluating companies in our investment funds that pose excessive human rights risks**

We have identified [**39 companies**](http://www.wespath.org/assets/1/7/hr-excluded-12-15.pdf) with significant operations in 11 high-risk countries and three specific areas.

Factors we considered include:
— percentage of revenue linked to the high-risk area
— nature of the company’s relationship to the conflict/region
— mitigating factors relating to the company’s management of human rights risk found in publicly available documents

Of the 39 companies, 32 appear on our list of ineligible companies, preventing purchase in the future unless circumstances change. We have taken action to remove from investment the securities of the seven remaining companies. We have also added these seven companies to our ineligible list. We will continue to monitor and update the list of high-risk countries and areas, as well as companies affected by the guideline, as warranted.