

Socially Responsible Investing



Why is it important for The United Methodist Church to invest in a socially responsible manner?

The United Methodist Church has a long history of social involvement. John Wesley, Methodism's founder, proclaimed, "the gospel of Christ knows of no religion, but social; no holiness but social holiness." Wesley believed and expected that "the people called Methodists" would be actively involved in their communities – feeding the hungry, tending the sick, visiting prisons and helping the poor.

The Book of Discipline (¶1716) clearly instructs all investing entities of the Church 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" and to "endeavor to avoid investments that appear likely, directly or indirectly, to support racial discrimination, violation of human rights, sweatshop or forced labor, gambling, or the production of nuclear armaments, alcoholic beverages or tobacco, or companies dealing in pornography."

This call for socially responsible investing has its roots in the Social Principles, which recognize that "all creation is the Lord's, and we are responsible for the ways in which we use and abuse it." More specifically, the Principles declare that "corporations are responsible not only to their stockholders, but also to other stakeholders: their workers, suppliers, vendors, customers, the communities in which they do business, and for the earth, which supports them."

Resolution 4071, *Investment Ethics*, further clarifies the United Methodist position: "every financial investment has ethical dimensions with consequences that are both fiscal and social." Within our church tradition, socially responsible investing is an acknowledgement that how we make and spend our money has serious implications not only to ourselves, but to our communities and to the world in which we live. By being socially responsible in our investments, we recognize that we are stewards of all we possess and that it is within our hands to make the financial decisions that lead to a better, more equitable and more hopeful world for all.

How does socially responsible investing make a difference?

For many, socially responsible investing is less about results and more about principles, but for others, socially responsible investing is an essential ingredient in a well-rounded investment strategy with important results that are both financial and social.





Through a variety of means (most notably, proxy voting, filing shareholder resolutions and engaging corporations in dialogue), socially responsible investors are able to encourage – and in many cases, convince – companies to improve their business practices. Such improved practices may include:

- ☛ adopting governance structures and policies that are transparent, responsive to shareholders, representative of the diversity of our society and committed to director independence,
- ☛ embracing sustainability, the just, responsible and realistic use of resources to achieve both short-and long-range goals, and
- ☛ adopting and monitoring labor and human rights standards throughout the supply chain.

These improved business practices usually result in better financial performance and an increase in shareholder value. A recent report by the international law firm of Freshfields Bruckhaus Deringer and published by the United Nations Environmental Program’s Finance Initiative, states, “... the links between ESG [environmental, social and governance] factors and financial performance are increasingly being recognized.”

Other socially responsible investing is directed specifically at community improvement and includes affordable housing, community development and microfinance lending. Designed to help low- and moderate-income individuals and families, these loans can have a tremendous influence on the quality of life in disadvantaged communities. Since 1990, the General Board of Pension and Health Benefits has financed approximately \$1.5 billion affordable housing and community development projects. These investments have helped construct or renovate more than 30,000 affordable multifamily, senior and special-needs housing units across the U.S.

Far from being on the “fringe,” socially responsible investing has become increasingly main-stream as investors realize that values play an important role in investment decisions. According to the *2007 Report on Socially Responsible Investing Trends in the United States*, there are “\$2.71 trillion in total assets under management using...socially responsible investing strategies-screening, shareholder advocacy and community investing.” “About one out of every nine dollars under professional management in the United States today is involved in socially responsible investing...”

How has the Foundation’s decision to invest in a socially responsible manner impacted the Virginia Conference?

By investing in a socially responsible manner, the Virginia conference are assured that their resources, while earning competitive financial returns, are being used to

- ☛ uphold Church values,
- ☛ encourage sustainable and more responsible business practices among companies, and
- ☛ help low- and moderate-income individuals and families in the communities in which they live.

Conference members can be proud that such investing honors the Social Principles of the Church while making a positive difference in the world.

Learn more about these services by contacting The Virginia United Methodist Foundation in Glen Allen, VA at 804-521-1121 or 1-800-768-6040, ext.121, or email foundation@vaumc.org. We are available to visit with local church committees, to present seminars on endowment and planned giving and/or to consult with donors in creating a comprehensive estate design with charitable intent.