UNITARIAN UNIVERSALIST ASSOCIATION OF CONGREGATIONS

Socially Responsible Investment Selection in the UU Common Endowment Fund

Q&A with Glenn Farley, Co-Chair, Committee on Socially Responsible Investing (CSRI)

Q: ***Glenn, are there certain kinds of companies the UU Common Endowment Fund (UUCEF) will never hold?***

A: Yes. In keeping with resolutions & policies passed by the UUA board, we do not directly invest in any companies that derive more than 5% of their revenue from the manufacture/sale of tobacco, firearms, or direct military weapons. Furthermore, as an anti-genocide measure, the UUA follows the recommendations of the Sudan Divestment Taskforce of the Genocide Intervention Network for targeted divestment from any companies whose operations support the government of Sudan. These policies only apply to direct investments. The UUA CEF also invests in many commingled funds, (in which investments are comingled with those of other investors). These comingled funds may not screen out all of the above-mentioned investments, but are necessary to give us exposure to certain asset classes and allow us to meet our return goals, given the relatively small size of the endowment.

Q**:** ***What about companies that are bad for workers or the environment?***

A: There are broad-based social and environmental screens in place in two areas of our endowment. First, the separately managed accounts where we directly hold US stocks exclude any company ranked in the lowest 10% of its peers by social research firm Sustainalytics, as well as companies facing severe social, environmental, or governance controversies. Secondly, some of the asset managers we employ, such as Boston Common Asset Management, are dedicated SRI firms that build their own social and environmental criteria into stock selection.

Q. ***Can you give some examples of companies we screen out?***

We have excluded Monsanto from our pool of potential investments because of its leading role in the genetic manipulation and privatization of seeds. Dow Chemical was excluded due to its history of serious environmental pollution, harmful products, and safety concerns.

Q. ***Are there any positive screens—companies we invest in because they're doing good?***

A. Some of our managers will choose companies because they think their positive social or environmental practices offer them a competitive advantage. Current managers who do this include Boston Common Asset Management and Rhumbline Advisors, which uses a quantitative model to tilt the index-based portfolio towards the best performing companies based on environmental, social, and governance criteria. In addition, the Committee on Socially Responsible Investing considers the social impact of our investments at a higher level when choosing the types of funds we invest in. For example, when we selected an emerging market debt fund, we chose one that invested in democratic countries with a rising middle class, where our investments can help to foster economic development.

Q. **How much of the UU Common Endowment Fund in subject to some kind of SRI screen?**

As of the first quarter of 2012, a little over half. Most of the investments that are not screened are in asset classes where few SRI managers exist, or asset classes where screening is not as relevant.

Q: **Why isn't the entire endowment screened?**

A: For some types of investments, it can be difficult to find managers who are willing and able to apply screens and also meet our requirements regarding fees and performance. And in some asset classes, screening is more important than in others. The UUA Board of Trustees, the Investment Committee, and the Committee on Socially Responsible Investing is continually seeking to expand and push investment managers towards more responsible investment practices.