

CSRI Business Meeting
October 4, 2004

Present: Joan Cudhea (Chair); Tim Blackwood; Audra Friend (staff liaison assistant, Office of Cong. Advocacy & Witness) Jerry Gabert (UUA Treasurer & ex officio member); Nancy Gladyszak (UUA Endowment Funds Mgr, non-member); Jim Gunning (ICCR liaison); Susan Leslie (Dir. Cong. Advocacy & Witness & staff liaison); Stephanie R Leighton; Rev Sydney Morris (Ministers SRI Group liaison).

Absent: Eva Marx, newly appointed Board liaison member (had prior commitment); Larry Ladd, Financial Advisor ex-officio.

The meeting began with a reading and personal check-in.

A. Membership Issues:

- Pam Allen Thompson resigned in July as Board liaison . New Board Liaison is Eva Marx
- Lucia Santini-Field resigned as Investment Committee liaison to the CSRI for reasons of health.

New Investment Committee Liaison needs to be appointed.

[Note: Our lunch guest was Craig Scholl, whose appointment as Chair of Investment Committee is pending with Committee on Committees. Joan reminded Craig of CSRI need for liaison member from Investment Committee at that time.]

Tasks: Create a new member packet – Joan, Susan, and Tim.
Update roster & website with Sydney’s new info. – Audra [Note: done]

B. Staff Reports:

1. Endowment Manager Report, Nancy Gladyszak,

- Endowment Manager has created a new General Investment Fund (GIF) report that will go on the web – show holdings, financials etc.
- Jerry noted that there is a new section of Audited Financial Statements for the GIF, not yet released, but anticipated to be presented at mid-October Board meeting. [Post Meeting Note: Copies were distributed and explained to the Board on. Oct. 16 by Larry Ladd. Copies were then collected. As of 10/28 the report was released.]
- Task: Link report to SRI Website. – Susan & Nancy

2. Staff Liaison’s Report, Susan Leslie

- Introduced new assistant Audra Friend, and invited Audra to tell of her background. [Enthusiasm expressed by all.] Susan is pleased that Audra's position is now full-time and at a professional level. Audra will manage Equality Principles project.
- SRI-News went out first week of August, followed by reminders for Oct. 2nd, sent in mid-September. Need new material for next issue(s)

Task: Susan & CSRI develop content for next issue(s).

- New place on the internal web to log shareholder activism .

Task: Susan will send out link.

- Looking at where SRI fits into Social Justice Empowerment workshop and JUUST Change Consultancy. The SJ training could have an ethics segment along with service, education, advocacy, community organizing & public witness.

Task: Susan will send info to interested committee members. Joan wants, and suggests incorporation into Advocacy and Witness workshop slot at GA 2005.

- Lorna sent out a second round of letters to those corporations which had not responded to the June first letter re Equality Principles (approximately 150).

Task: Next step is follow-up phone calls. Audra will organize.

3. UUA Treasurer Report , Jerry Gabert

- Working to foster relationship between Investment Committee and CSRI.
- Stephanie and Joan reported that they had met with Investment Committee at its September meeting and gave them a draft SR Investment Policy Appendix A and the adopted stock selection screens with the suggested supplemental language, proposed as Appendix B, to replace the former Do Not Invest Appendix B (last updated in 2001). Joan and Stephanie made it clear that neither of these documents had yet been adopted by the CSRI, and that we would welcome their feedback before our meeting. The Investment Committee was advised that as of March , 15% of the portfolio failed Calvert's screens.
- The new investment managers (excepting Lazard-Frere) had not received the Board-adopted screens.

History: NE Pension Funds hired through RFP process as UUA Investment Consultant gave the investment managers the UUA investment guidelines that did not include newest screens.

Problem: Alliance Bernstein Investment advisors asked for a list of what to buy and not to buy. They're asking for the specific definitions. Problem is are they asking CSRI to do their work?

Discussion from report:

- CSRI needs to develop and publicize “no buy” sectors, a “Top Ten” (or “Bottom Ten”) red flag no-buy companies, as well as the screening guidelines based on GA resolutions and our Principles & Purposes. Should bring these out at the same time that we disclose holdings – when portfolio goes on the web. The “Top Ten” no-buy companies list need not be adopted by Board (just the concept), and should be updated annually by CSRI.
- Does UUA/CSRI/Investment Committee need a conflict of interest policy? Concern was expressed that Investment Committee liaison member of CSRI not serve on Advise UUA Working Group.

Treasurer recommends:

- institutionalize a policy statement;
- develop the guidelines;
- and interact with investment committee to enable professional investors to implement screens;
- then CSRI & Investment Committee can communicate those policies and practices to potential investors and UU community.

C. Budget

Joan reported that CSRI has received an increased authorization of \$5,000. She had requested an additional \$10,000 from the Staff Leadership Council. Total budget for committee is now \$15,000. \$1,000 is already committed to Ann Gary for moderating the Oct. 2 workshop. \$600 is already committed to Barbara Bates for facilitating the Retreat. This leaves \$3,400. If CSRI continues to pay the ICCR dues, there are NO funds for FY05 beyond “bare bones” committee expenses and GA workshop (without Power Point). Last year ICCR dues were 1/3 of the committee’s expenses last year. Joan proposed that ICCR dues be paid out of the General Investment Fund. The cost would add 4 basis points or less to the GIF expense ratio.

Jim Gunning stated that other members of ICCR pay their dues out of their endowments. Investment Committee UUA policy states that expenses of GIF shall be not exceed 1%.

Moved, seconded and voted: Request the Investment Committee to approve payment of ICCR dues from General Investment Fund.

Action/task: Request Treasurer to present request to Investment Committee by November meeting.

Stephanie noted that if the ICCR dues expense pushed expense ratio over the 1% Board policy limit, the investment managers could each be asked to reduce their fees slightly (each manager loss of revenue only around \$500-\$600 average).

[Note: Craig Scholl, at lunch, was given this request verbally. CSRI asked for an early decision so that we can plan, but pointed out that dues for ICCR were last paid on June 30, 2004 and would not need to be actually expensed again until June 30, 2005.]

Community Investments: The Community Investments (currently about \$1.5 million, including the Guarantee Reserve) are not administered or counted as part of the GIF. However, CSRI proposes to include the community investment policy as a new appendix, Appendix C, to the UUA Investment Policy.

Thus, it should be understood that the “Endowment Fund” has two components – GIF and Community Investing (as of June 1.1% of total) and other components, such as the small “shelf account” for stocks we hold in order to do shareholder activism.

Next the Committee moved into Working Group Sessions.

The Committee broke into two groups. Investment Policy draft group included Stephanie, Jim, Tim, and Sydney. Community Investment group included Joan, Susan, and Jerry.

Lunch - 12-1 pm. All members of the Investment Committee had been invited to join us. Craig Scholl attended.

In addition to discussions noted above, Joan gave Craig the IW Financial packet and told about her recent visit with Dan Porter in Portland, where she saw the technology demonstrated. She gave Jerry the business card, and told both that Dan Porter could demonstrate for them electronically, and that a referral to Westy Saltonstall at Eaton Vance was readily given.

IW Financial provides software that tailors a client’s social/environmental screens to information from the IRRC database. (Investor Responsibility Research Center). The fee is a negotiated percent of assets.

D. Shareholder Advocacy Working Group Report , Jim Gunning

- Work primarily with ICCR. We draw on the research and join efforts of their 8 – 9 working groups.
- Equality Project is another group we work with (bgl rights).
- Our primary task is to dialogue with corporations in our portfolio.
- We are keeping after Exxon to adopt sexual orientation non-discrimination policy.
- Want everyone on committee to participate in shareholder advocacy as willing and able.
- Our process is to start dialogue and then if we don’t get results we file a resolution.

- UUMA Rep. Sydney Morris can involve the SRI Ministers Committee.
- There's now a new ICCR database that is organized by issue (best to organize people that way since the dialogues can get technical) but there may be a local corporation that people want to engage.
- Use the ICCR database.

Task: Jim send out the link and password.

New initiatives this year:

- Global Warming – new SAI (Study Action Issue)
- Have a resolution that asks corporations for a report on their greenhouse gas omissions. We have shares in energy corporations (oil, gas, utilities, other) – we could co-file on. Not totally new – we did filings on greenhouse gas emissions a few years ago).
- Co-filing is not a time consuming practice. (No more than two hours each of Jerry's time).
- However after co-filing we can engage in dialogue or attend the annual meeting.
- Working Group needs to develop a network of advocate and volunteers.
- Primarily filing is a much bigger deal. Then we have to make the contact, do the dialogue etc.
- We want to continue to co-file on Global AIDS/HIV – Chevron-Texaco
- Coca-Cola has now voluntarily issued a report on HIV/AIDS business risk.

UUA holds small amounts in 8-10 stocks for purposes of shareholder activism (held in separate “shelf” account from socially screened GIF).

- New York City Employee Retirement System (NYCERS) has developed resolutions on non-discrimination based on sexual orientation and gender identity and includes provision for this non-discrimination in the allocation of employee benefits.
- If the SEC does not disapprove the proposed NYCERS resolution, we could do primary filing at company and/or cofile with others.
- We could co-file with Merck on prescription drugs.
- NYCers has a giant portfolio and an active shareholder advocacy program. They can file more resolutions if they don't have to pay expenses. We recruit people to go to the annual meeting from local congregations where the corporation's annual meeting is being held.

[Historic note. example of primary filing. Jerry called Home Depot as a primary filer. Within 20 minutes he got a call from someone inside saying there were 60 employees who were in favor of the resolution. Dialogue started. Home Depot agreed to comply, including offering bglt friendly training, and the resolution was withdrawn.]

Equality Letter Project: Oct. 14th – Susan Leslie will represent UUA on bglt rights during a shareholder advocacy coalition call.

- Gender ID resolution (UUA interested in being a primary filer with late filings deadlines.). We are interested in going after the corporations that have resisted bgl equality efforts.
- Ask Advocates to help with the phone calling.
- Committee folks will help do the calls. (Sydney, Tim)
- Send electronically database, talking points, letter and follow-up letter.
- Susan and Audra will set up procedure.

Divesture from Israel:

- Presbyterians passed a resolution at their General Assembly to study this issue.
- ICCR is studying this issue. ICCR is looking to establishing a forum on this issue.

E. Community Investing

Moved, seconded and voted: to request the Treasurer to invest \$50,000 in a Shared Interest note for a term of 5 years at 2%, and to add to the current \$25,000 investment in the Institute of Community Economics (ICE) with another \$25,000.

Jerry suggested that we could create more demand for matching funds from congregations by suggesting to CDFI (Community Development Financial Institutions) that they initiate contacts with our congregations. Joan gave an example: University Bank which serves Minneapolis/St. Paul. We could ask them to coordinate a meeting and give them an invite list.

We can try to better publicize. Do a piece in the congregational mailing. (One page would cost \$200. A two-sided page costs \$350.)

- UUA still has \$300,000 authorized and available for community investing.

GA Proposals – Committee has 1 slot.

- Could do basics and/or a piece of the new day long training
- We could promote it as sign up to bring this workshop to your district.
- CSRI asks if A&W will sponsor an SRI workshop on community investing or SRI as it relates to SJ Empowerment.

Action/Task: Susan will draft CSRI workshop language and submit for an A&W slot. [Follow-up to meeting: Jerry will speak with Investment Committee about including section in their workshop on GIF. Susan will write to Charlie Clements about UUSC sponsoring a shareholder advocacy workshop.]

F. Advise UUA Working Group Report:

UUA Investment Policies & Guidelines will include “power analysis” of relationships and decision-making power between Board of Trustees, Investment Committee, and CSRI.

- Appendix A:
- Top Ten “red flag”
- “no buy” sectors
- Best of worst
- Appendix B Screening criteria

The Working Group presented a proposal for new screens.

Moved, seconded and voted: to request UUA Board to add a new screen:

- Avoid: Zero Tolerance Nuclear Weapons (zero percent of revenue-related)

Action/Task: This working group needs to submit proposal to Treasurer for adoption of this screen. Treasurer will take to the Investment Committee.

Note: back up of relevant GA resolutions was provided.

Corporate Ethics Screen

- More study and discussion required.

Top ten – red flag list distributed.

CSRI votes for working group to come up with final list in one week.

G. Next Meeting February 16th. This date was chosen so that CSRI members can offer a workshop and individual consultations at the Large Church Conference, to be held in Boston beginning 2/17. [Note: confirmed since meeting!]

Meeting adjourned at 3 pm.

Respectfully submitted,

Susan Leslie, Staff Liaison to the CSRI and Joan Cudhea, Chair