



# ADDRESSING CLIMATE CHANGE THROUGH UUA INVESTMENTS

Reporter: Tim Brennan, Treasurer

Respondents:

Lucia Santini Field, Chair, Investment  
Committee

David Stewart, Chair, SRI Committee



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## Second report to the GA on the 2014 Business Resolution

*“The President and the Treasurer of the UUA shall report to each General Assembly from 2015 through 2019 on our Association’s progress on the above resolutions”*





# Agenda

1. Framing and context
2. Big picture: progress addressing climate change
3. Portfolio analysis
4. Shareholder advocacy
5. Climate solutions investments
6. Carbon footprint analysis
7. Your questions





# The UUA and Socially Responsible Investing (SRI)

- UUA's long-standing commitment to SRI
- History – Eastman Kodak, GA resolutions, formation of SRI Committee
- Three strategies:
  1. Advocacy – using the rights of ownership to influence companies
  2. Security selection – negative screening, positive selection, manager selection
  3. Impact – community investments, micro finance, market rate impact investments
- Amplified by your support of APF





“The UUA is farther along in integrating socially responsible investing into their investment program than nearly all of the other major religious institutions.”

*Matt Patsky, President  
Trillium Asset Management*



# The Paris Agreements: Christiana Figueres





## Christiana Figueres

Awarded the Joan Bavaria Award for Building Sustainability into the Capital Markets – awarded by Ceres and Trillium Asset Management

*“I could not have done this work without the support of organizations, like Ceres, that played a major role in mobilizing businesses, investors and civil society at large to support the Paris Agreement. It was truly a global effort.” – Christiana Figueres*





## Investor Summit on Climate Risk

Ban Ki Moon speaking with Michael Bloomberg looking on



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March 15, 2016 10:17 pm

## Climate battle bears early fruit as global energy emissions stall

Pilita Clark, Environment Correspondent

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Renewable sources, like wind, are backed by governments

Carbon pollution levels stayed flat for the second year in a row last year new data show, even though the global economy kept growing, in a sign that efforts to tackle climate change may be bearing fruit faster than thought.

March 15, 2016

# Climate battle bears early fruit as global energy emissions stall

Carbon pollution levels stayed flat for the second year in a row last year new data show, even though the global economy kept growing, in a sign that efforts to tackle climate change may be bearing fruit faster than thought.

**A surge in renewable power around the world was the main reason energy-related emissions stalled, the International Energy Agency has found**, reflecting rising levels of clean power investment that last year reached a record \$328.9bn globally.

Over 90 per cent of new electricity generated last year came from renewable sources, the highest level seen since 1974, with half the growth coming from wind farms alone, according to the Paris-based monitoring organisation.

“This is unprecedented. This is huge,” Fatih Birol, IEA executive director, told the Financial Times. “This affects not only climate change but also fuel mix expectations globally.”



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## More progress

- Encyclical *Laudato si'* – Pope Francis
- Bloomberg New Energy Finance study:
  - Wind and solar price competitive with FF sources in many areas NOW
  - Wind and solar become the lowest cost source of energy in the 2020s
  - By 2040 0-emission energy will be 60% of installed capacity





## Context of the resolution

- 2014 Business Resolution specifically addresses the UU Common Endowment Fund
- Focus on specific companies – Carbon Tracker 200
- Calls for ramped-up shareholder advocacy
- Moving capital to climate solutions
- Commitment to fiduciary duty





## Portfolio context

- UUCEF portfolio holds two kinds of assets:
  1. 26% Directly held securities – US equities, some international equities, some bonds
  2. 74% Co-mingled funds – mutual funds, private pooled funds
- No control over holdings in co-mingled funds





## Portfolio analysis

<b>CT200 Holdings</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
As % of total portfolio	2.00%	2.50%	2.90%





## Directly held securities

*“Cease purchasing securities of CT200 companies”*

→ Done – instructions to managers

*“Divest its UUCEF holdings of **directly-held securities** of CT200 companies”*

<b>CT200 Holdings</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
As % of direct holdings	1.91%	2.65%	2.71%





## Co-mingled (pooled) funds

*“Work with its current and prospective pooled-asset managers for the purpose of creating more fossil fuel-free investment opportunities”*

<b>CT200 Holdings</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Co-mingled funds	2.20%	2.94%	3.06%





## Shareholder advocacy

*“Retain investments in CT200 companies in which it is engaged in shareholder activism”*





# Key investor partnerships



**Walden Asset Management**  
*Advancing sustainable business practices since 1975*





## UUA shareholder advocacy

- Active in activist investor coalitions
  - Interfaith Center on Corporate Responsibility
  - Investor Network on Climate Risk
  - Carbon Asset Risk group
  - Ceres
  - Ad hoc lobbying disclosure group including ALEC campaign
- Filing/co-filing resolutions
- High level meetings with company management
- Investor statements and letters
- Proxy voting





## UUA advocacy efforts

- Filed 11 resolutions
- Resolutions at fossil fuel companies:
  - Public policy: Devon, Occidental
  - Carbon asset risk: Marathon, Chevron
  - Moral obligation: Exxon
  - Exec comp & climate: Conoco
- Meetings/engagements: Apache, Occidental, Exxon, Conoco
- Carbon Asset Risk disclosure campaign (Ceres): largest oil & gas companies





## Ceres Carbon Asset Risk Initiative

The Carbon Asset Risk Initiative (CAR) aims to prevent these fossil fuel companies from wasting investor capital by demonstrating how carbon risk poses an existential threat to their business models, accrues increasing levels of stranded assets, and puts trillions of capital expenditures at risk.





## UUA advocacy efforts

- Exxon (Dominican Sisters): moral responsibility to act 18.5%
- Chevron (Tri-Cri): 7%
- Devon (UUA): 21%
- Occidental (Needmor): carbon asset risk 27%
- Spectra (UUA): political/lobbying disclosure 30%
- Marathon Oil (UUA): carbon asset risk SETTLED
- Conoco (UUA): exec comp 6.9%



**THE WALL STREET JOURNAL.**

**March 11, 2016**

# **Key Formula for Oil Executives’ Pay: Drill Baby Drill**

Bonuses at many energy companies based on higher oil production, reserves; shareholders seek change

By **RYAN DEZEMBER**, **NICOLE FRIEDMAN** and **ERIN AILWORTH**

Markets have been waiting for U.S. energy producers to slash output during a period of depressed crude prices. But these companies have been paying their top executives to keep the oil flowing.



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## Climate solutions investments

*“Invest an appropriate share of UUCEF holdings in securities that will support a swift transition to a clean energy economy”*

- Concept of impact – leveraging capital to spur energy transition
- International energy agency - \$44T needed by 2050
- Clean Trillion campaign - \$1T/year. Currently about \$280 billion/year





# Clean Trillion: clean energy investment gap

## THE CLEAN ENERGY INVESTMENT GAP

### Annual Investments in Clean Energy to Reach 2°C Goal:





## Recent Investment Committee actions

- Added Wellington SMID cap – PRI signatory, ESG manager
- Baxter Street – developed international SMID cap; PRI signatory, ESG manager
- Eliminated large allocation to Bridgewater risk parity fund
- Cevian – one year ago; activist investor pushing improved corporate governance in Europe





## Actions by UUA Investment Committee

- Allocating up to 10% to private capital
- \$5 million commitment to Brockton Capital Management – commercial real estate conversion to high energy efficiency standards
- 50% of core fixed income to Breckenridge – sustainable strategy that includes green bonds, infrastructure bonds
- Investment consultant charged with seeking out new opportunities for impact investments





## UUA's investment consultant: NEPC

- Seeking opportunities in climate solutions in public equities
- Seeking opportunities in private capital for impact investments and clean energy
- UUCEF looking for opportunities in private equity and private credit
- Seeking managers that integrate ESG into process





# Carbon footprinting

- Emerging trend among institutional investors
- Shifts focus to demand side vs. supply side
- Potential to drive capital towards a lower carbon economy



# MSCI analysis of UUCEF portfolio

## Carbon Portfolio Analytics

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Prepared for:	Unitarian Universalist Association
Portfolio Name:	Consolidated Equity Holdings
Benchmarked Market Index:	MSCI ACWI
Benchmarked ESG Index:	MSCI ACWI Low Carbon Target
Report Date:	June 8, 2016





## Results of analysis

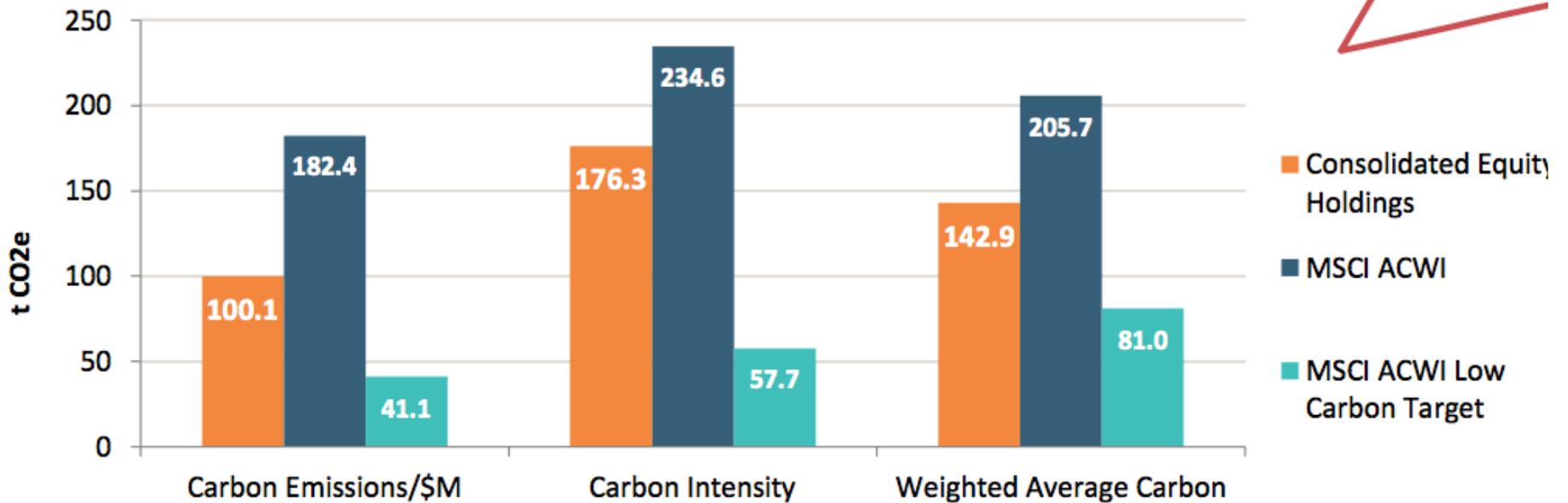
	Carbon emissions	Carbon intensity
UUA Portfolio	100.1	176.3
MSCI ACWI	182.4	234.6
MSCI Low Carbon target	41.1	57.7





Based on investment of \$1,000,000

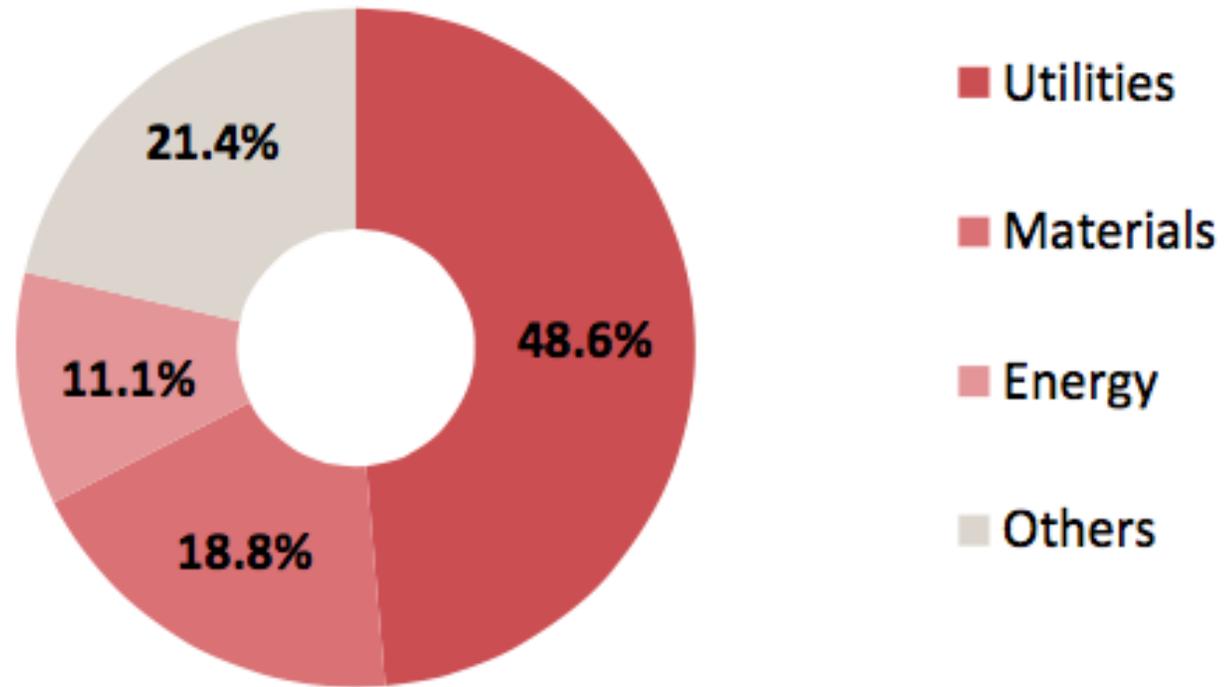
**The Consolidated Equity Holdings portfolio Carbon Emissions are 45.1% lower than the MSCI ACWI, Carbon Intensity is 24.9% lower, and Weighted Average Carbon Intensity is 30.5% lower. (Pages 3, 5 and 6)**





# Utilities half of portfolio emissions

## Contribution to Carbon Emissions





## Uses of new footprinting tool

1. More sophisticated security screening
2. Targeting sectors and companies for engagement
3. To come: assessment of individual managers
4. Assessment of effectiveness of SRI screening
5. Guidance for portfolio construction





## Your questions

For questions that cannot be asked today, contact:  
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