



ADDRESSING CLIMATE CHANGE THROUGH UUA INVESTMENTS

Lucia Santini Field
Chair, Investment Committee

David Stewart
Chair, SRI Committee

Tim Brennan, Treasurer



From the 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 – Tim
2. Direct investments – David
3. Climate solutions investments – Lucia
4. Co-mingled funds – David
5. Shareholder advocacy – Tim
6. Fiduciary duty – Lucia
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
 3. Impact – community investments, micro finance, market rate impact investments
- Amplified by your support of APF



Context of the resolution

- 2014 Business Resolution specifically addresses the UU Common Endowment Fund
- Focus on specific companies – Carbon Tracker 200
- Endorsement of 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
- Diversification: 14 managers in 6 asset classes



Directly held securities

“Cease purchasing securities of CT200 companies”

→ Done – instructions to managers

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

CT200 Holdings	2015	2014
As % of direct holdings	2.50%	2.71%
Direct holdings		
Companies in CT200*	9	14
CT200 in Advocacy portfolio	8	9

* Includes 2 international companies

CT200 companies in portfolio

2014

- Alcoa
- Cliffs Natural Resources
- ConocoPhillips
- Devon Energy
- Exxon Mobil
- Hess
- Marathon Oil
- Newfield Exploration
- Occidental Petroleum
- Peabody Energy
- Southwestern Energy
- Statoil
- Total
- Williams Co.

2015

- Alcoa
- Cliffs Natural Resources
- Hess
- Marathon Oil
- Newfield Exploration
- Occidental Petroleum
- Southwestern Energy
- Statoil
- Total



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:





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 included in White House Clean Energy Investment Summit hosted by VP Joe Biden



Co-mingled (pooled) funds

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

CT200 Holdings	2015	2014
Total portfolio	2.50%	2.90%
Co-mingled funds	2.94%	3.06%



Actions by IC and SRIC

- 2014 questioned managers on assessment of carbon asset risk (“stranded assets”) in their portfolios – robust responses from all
- Upcoming survey of managers on carbon asset risk, exposure to fossil fuel companies, and FF-free options
- ESG and climate change incorporated into the search process for every new manager and meetings with existing managers





Shareholder advocacy

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



Carbon Tracker on Divest/Engage

“We believe that a dual approach must be taken. In addition to the divestment movement raising the issue, we must grow and sharpen our efforts to engage shareholders and stakeholders backed by both a strong divestment movement and detailed financial analysis.

“It appears to us that divestment is the bait and engagement is the fishing rod – divestment is vital in hooking people’s attention, and the engagement tools and analysis are essential to reel the capex in.”



UUA shareholder advocacy

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



UUA advocacy efforts

- Filed 13 resolutions
- Resolutions at fossil fuel companies:
 - Public policy: Devon, Occidental
 - Carbon asset risk: Marathon, Newfield, Chesapeake
 - Exec comp & climate: Chevron, Conoco
- “The UU's should get some sort of award for CAR engagement overachievement” – Andrew Logan, Ceres
- Meetings/engagements: Apache, Occidental, Exxon, Conoco, Chevron, Statoil
- Carbon Asset Risk disclosure campaign (Ceres): largest oil & gas companies



Progress

- Statoil cancels oil sands project
- Exxon produces CAR report
- Coverage of CAR in WSJ, Financial Times
- Apache commits to reduced methane leakage
- Newfield puts CAR analysis in 10-K
- BP, Shell support CAR resolution – 98% support
- BP, Shell, Statoil, others issue statement in support of Paris commitments



Shifting positions

“Our request to policy makers as they prepare for the UN talks is to ensure that the outcome of these talks leads to widespread carbon pricing in all countries. We owe it to future generations to seek realistic, workable solutions to the challenge of providing more energy while tackling climate change.”

Who said this?



Signers

Joint statement from:

- BP
- Shell
- Statoil
- Total
- Eni
- BG Group



US oil company response

Exxon and Chevron refused to join in this statement. Bob Dudley, BP CEO, said “some [US oil companies] had different views but others were ‘very, very close’ in their assessments about how to react to the problem.”



Economist Nicholas Stern

The oil companies “do not believe the world will be wise enough to follow policies that can hold the world to 2C and are asking us to bet against the world ... telling us that we won’t do what we’ve set out to do and that it is a safe bet to bet that we won’t.

“We have to try to show them that they are wrong and that we can get the world’s people to insist that we must follow those policies. We must try to build pressure to try to make that 2C assumption correct and the forecast of the energy companies wrong.”



Fiduciary Duty

“The UUA shall not take any action inconsistent with its fiduciary duty or that is incompatible with the principles of sound investment”

- Fiduciary duty is the strictest duty of care in our legal system
- All actions must be for the sole benefit of and interest of the beneficiary, in this case the Association and congregations
- Included are the duties of loyalty and obedience, which in the case of not-for-profits refers to the organization’s mission, is a key consideration
- Committee’s duties include oversight of organization and staffing, investment selection, and monitoring, portfolio costs and administrative oversight



Your questions

For questions that cannot be asked today, contact:

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