

UUA Socially Responsible Investment Committee – Minutes **DRAFT**

24 Farnsworth Street
Boston, MA 02210
Room 210
August 31, 2017

Members present: David Stewart, Co-Chair, Kathy Mulvey, Co-Chair, Tim Brennan, Vonda Brunsting, Julie Skye and Lucia Santini

Members absent: Kristin Faust

1. Minutes from meeting on May 17, 2017 – Mulvey

Motion 1: To approve minutes from May 17th meeting without amendment. Moved, Brunsting; seconded, Santini. All approved with the exception of Skye, who abstained.

2. Report from GA 2017 – Brennan, Mulvey, Skye, Stewart

- Session on UUCEF investing in New Orleans communities:
 - Session on investing in New Orleans communities was very successful, highlighted the works of the partners we invested in.
- Critiques from GA session and booth:
 - Lower than expected turnout at session, need to develop ways to promote future sessions such as advertising handouts available in booth and promoting through listservs, blogs and Facebook.
 - Unfavorable location for session the last few years and would like better positioning next time.
- Individual investment options for UU's:
 - We aren't in the position to provide recommendations for individual investors. Can direct people to USSIF for research on potential investments.
- Update on UUs for Justice in the Middle East:
 - Easing up on attempt to influence the UUCEF to adopt a clearly defined screening to omit companies for investment that are involved in the Middle East conflict.
- 2014 Business Resolution:
 - Business resolution included that a report on progress be provided each year at GA. While sessions were held the first two years and a written report prepared for the third year, supporters of the resolution are troubled by the fact our progress hasn't been addressed in general session. Anticipate being able to do so at the next GA.
 - Communications, UU World, Brian Brumley and Brennan working on a plan to get the fossil fuel message reported out. Brennan to share plan with committee when available.

Action item 1: Brennan to check with Sustanalytics on HP response. HP will remain excluded until a response has been received.

Action item 2: Brennan to do a blog about the third annual report on the UUA's progress toward the 2014 Business Resolution.

Action item 3: Brennan to share plan on communicating our fossil fuel message with committee when available.

3. Community Investing – Brennan

- Discussed the previous conditionally approved investment in VOICE.
- Pending favorable discussion and review by Faust; committee will vote on investment via email or conference call.
- Tabled remaining community investing items until Faust is present.

Action item 4: Brennan to contact Faust to discuss VOICE investment, which was conditionally approved at the August 2014 meeting, pending a document review.

4. Communication/Educational Outreach – Stewart

- As You Sow CEO released a book titled [The Shareholder Action Guide: Unleash Your Hidden Powers to Hold Corporations Accountable](#). Something similar from us to help congregations make a difference in their own communities would be very useful.
- Congregations are reaching out for information on the UUCEF to assist them in promoting investment in the UUCEF to their internal committees.

- Discussed creating a tab on website that has legal justification, investment justification, and fiduciary responsibility to help promote the UUCEF as a potential investment. Will also add a link to the most recent meta-analysis on socially responsible investing.
- Find ways to be more active at promoting what Socially Responsible Investing really is and what you get with the UUCEF; manager selection, proxy voting and shareholder advocacy. Make a case for UUCEF SRI being superior to what else is available. Highlight the differences between SRI ETFs and the UUCEF.
- Real Impact Tracker recently published the [Mutual Fund Impact Ratings](#) which looks at levels of ESG integration as well as financial performance, engagement and public advocacy. We recognize this as the standard and should promote how we measure up to these standards.
- Members need to prepare, as a final step, a blog each time they do committee work.
- Obtain expertise in marketing and communications to help us promote information.

Action item 5: Brunsting and Skye to work on a FAQ to help in understanding SRI and support UUCEF promotion.

5. Shareholder activism – Brennan

- Financial CHOICE Act, passed by the House, makes filing a shareholder resolution virtually impossible. The UUA participated in “Hill day”, organized by Ceres, to oppose the act. Don’t see the Senate taking up the issue but are concerned it will be attached to another bill. Expect some changes will come through the SEC as opposed to the government.
- In the process of creating this year’s advocacy plan; will update the committee at a future meeting. Will continue focus on fossil fuel, political spending, lobbying, and LGBT.
- Open to providing support to any committee member who has the ability and desire to take the lead on additional advocacy issues (e.g. food, water).

Action item 6: Brunsting to write a post about the Global 100 which will be launched at the PRI meeting in Berlin in September.

Action item 7: Mulvey to distribute [link to Union of Concerned Scientists study](#) quantifying the contributions of particular major fossil fuel companies to climate change impacts including global temperature increase and sea level rise.

6. SRIC guidelines, governance & transitions – Stewart

- Update on roles and responsibilities documentation for SRIC members:
 - Stewart distributed document detailing the rationale for having specialized roles on the SRI committee, and the nature of those roles.
 - Current documentation describes well what this committee does; continued integration work needs to be done and a single document developed to cover the work of a joint SRI/Investment committee.
 - Begin with revisiting the previous Socially Responsible Investing Guidelines which were much more detailed.
- Began discussion of expertise needed for next committee member as Stewart’s term ends in June 2018.

7. Budget discussion – Mulvey

- Committee ended FY17 slightly over budget. Most of the budget is spent on travel, lodging and GA.
- Will review the ability of the UUCEF to cover the GA fees for registration, travel and booth materials.
- Considering current committee work, perhaps not organizing a session or having a booth at GA will free up time and budget constraints.

8. Market Update and Performance Report – NEPC

- Asset classes driving our absolute performance and peer relative rankings are emerging equity, international developed equity, and global equity emerging market debt.
- The endowment returned 4.3% (gross of fees) during the 2nd quarter of 2017, ranking 2nd in the peer universe, outperforming both the allocation and policy index.
- Over the trailing one-year period, the endowment returned 14.9% (gross of fees), ranking 13th in the peer universe and outperforming both the allocation and policy index.
- Over the ten-year time period, performance ranked in the second quartile of the peer universe with manager selection and tactical allocation being the primary driver of overall performance.
- Investment earnings of \$7.5 million offset the outflows of \$4.4 million for the quarter.
- Over the 3-year period, underperformance is due to active management; have begun to see that shift over the last 6 to 9 months.

9. Intersection of Fiduciary Duty and Socially Responsible Investing – Brennan

- Previously raised concerns over fiduciary duty and socially responsible investing led us to obtain an opinion from our legal counsel. Opinion letter didn't raise any concerns over investment strategy.
- Need to become consistent in defining Unitarian Universalist values across all documents. Foundation of guidelines was a result of all positive and negative screening elements and the actual actions of the denomination through the General Assembly.
- Will be reviewing the guidelines of both committees with an eye toward more clarity of process and responsibility of each.
- SRIC will review any new resolutions passed at General Assembly and, at an annual meeting, provide updated Socially Responsible Investing Guidelines to the overall committee for review and discussion/implementation.
- Proxy voting is an important element of exercising fiduciary duty and should be reviewed by integrated committee.
- Faust, of the SRIC, has been working on revising the Community Investment Guidelines. Will bring them to the full committee for review when completed.

Action item 8: Brennan to ask legal counsel to provide an opinion on who has the final authority should a directive from General Assembly present a fiduciary conflict for the Investment Committee.

Action item 9: Brennan to ask legal counsel to determine if the Investment Committee can delegate the CDFI investment decisions to the SRIC within established guidelines.

Action item 10: SRIC to prepare a revised Socially Responsible Investing Guidelines to be reviewed and discussed by all at a future meeting.

Action item 11: Lasher and Mulvey to work on creating consistent language defining UU values across all documents.

Action item 12: Lasher and Stewart to continue review and work on the procedures for both committees.

10. Fulfilling the 2014 Business Resolution on Fossil Fuel Company Divestment – Brennan

- Per the business resolution, we are able to maintain our position in the Carbon Tracker 200 (now called Carbon Underground) companies with which we are engaged.
- Stocks, where engagement or dialogue is underway or planned for in future years, will continue to be held.
- Will reformat the holdings report to separate and clearly identify the fossil fuel companies that remain for engagement and dialogue.
- Discussed ways to more aggressively communicate actions.

Motion 2: To sell the holdings in Consol Energy Inc., Chesapeake Energy Corp., Denbury Resources In., Range Resources Corp., and WPX Energy Inc. Moved: LaPann, seconded: Santini. All approved.

Action item 13: Mulvey to provide an update to UU Divest.

Next Meeting Date
November 9, 2017