



ADDRESSING CLIMATE CHANGE THROUGH UUA INVESTMENTS

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Fourth 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)

- 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





Trends: carbon emissions rose for the first time since 2014

- Global energy demand rose by 2.1% in 2017 boosted by strong global economic growth.
- Improvements in energy efficiency slowed down last year.
- Global energy-related CO₂ emissions increased by 1.4% in 2017, after three years of remaining flat.
- GHG emissions declined in the United States, the United Kingdom, Mexico and Japan
- The biggest drop in emissions came from the United States, driven by higher renewables deployment.

Source: International Energy Agency





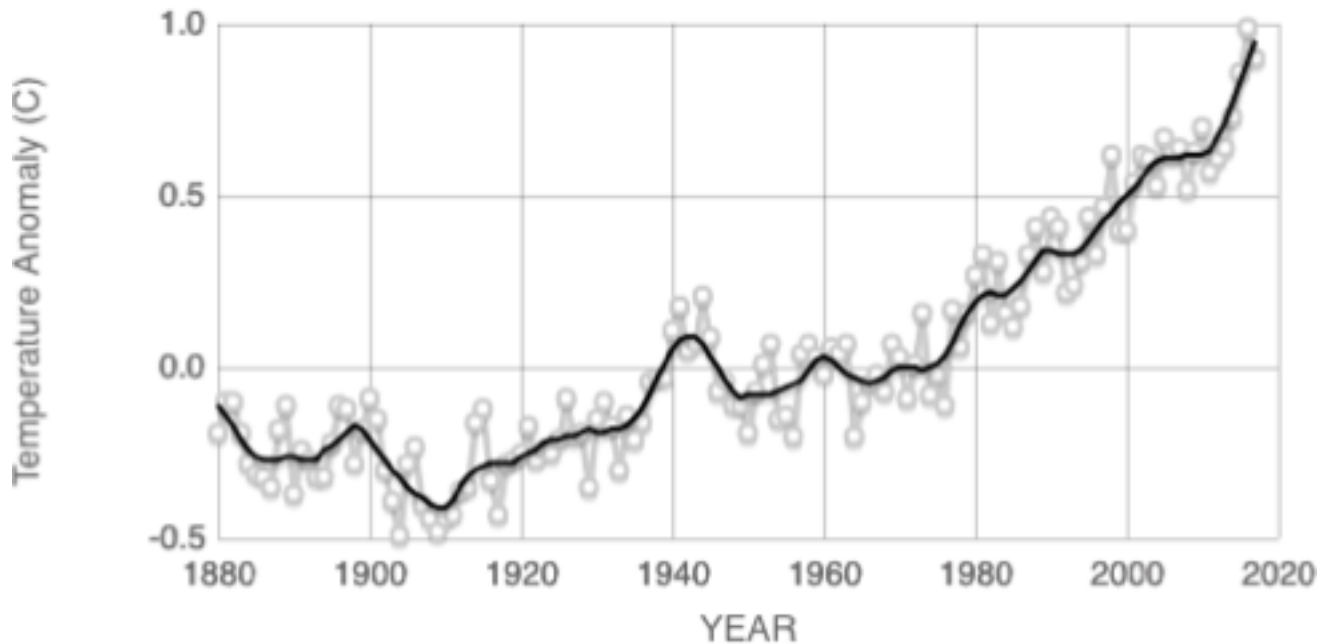
Trends: global temperatures

- 17 of the 18 warmest years in the 136-year record all have occurred since 2001
- 2016 ranks as the warmest on record.



GLOBAL LAND-OCEAN TEMPERATURE INDEX

Data source: NASA's Goddard Institute for Space Studies (GISS). Credit: NASA/GISS



Source: climate.nasa.gov



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Auto sector

- For 40 years, power plants were the biggest source of US GHG
- Now exceeded by the transport sector: cars, trucks, planes, train, and boats.
- Since 2000 the US has experienced the flattest stretch of transportation-related pollution in modern record keeping
- The big change has come declining emissions from America's electric grid
- Now CAFE standards under attack in Washington





Auto sector

- EPA chief Scott Pruitt has announced that he's trashing federal standards that aim to bring the average vehicle to 55 miles per gallon by 2025.
- The Administration also intends to void a decades-old waiver that allows California to set its own pollution and gas-mileage standards above the federal government's.
- After meeting with investors, both Ford and GM have stated that they are committed to the goals of the original standards and want to maintain the California waiver.





Context of the resolution

- 2014 Business Resolution specifically addresses the UU Common Endowment Fund
- Focus on specific companies – Carbon Tracker 200 (now Carbon Underground)
- 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. 25% Directly held securities – US equities, some international equities, some bonds
 2. 75% Co-mingled funds – mutual funds, private pooled funds
- No control over holdings in co-mingled funds





Portfolio analysis

CU200 Holdings

% of total portfolio

| 2018 | 2017 | 2016 | 2015 | 2014 |
|-------|------|-------|-------|-------|
| 1.80% | N/A | 2.00% | 2.50% | 2.90% |





Directly held securities

“Cease purchasing securities of CT200 companies”

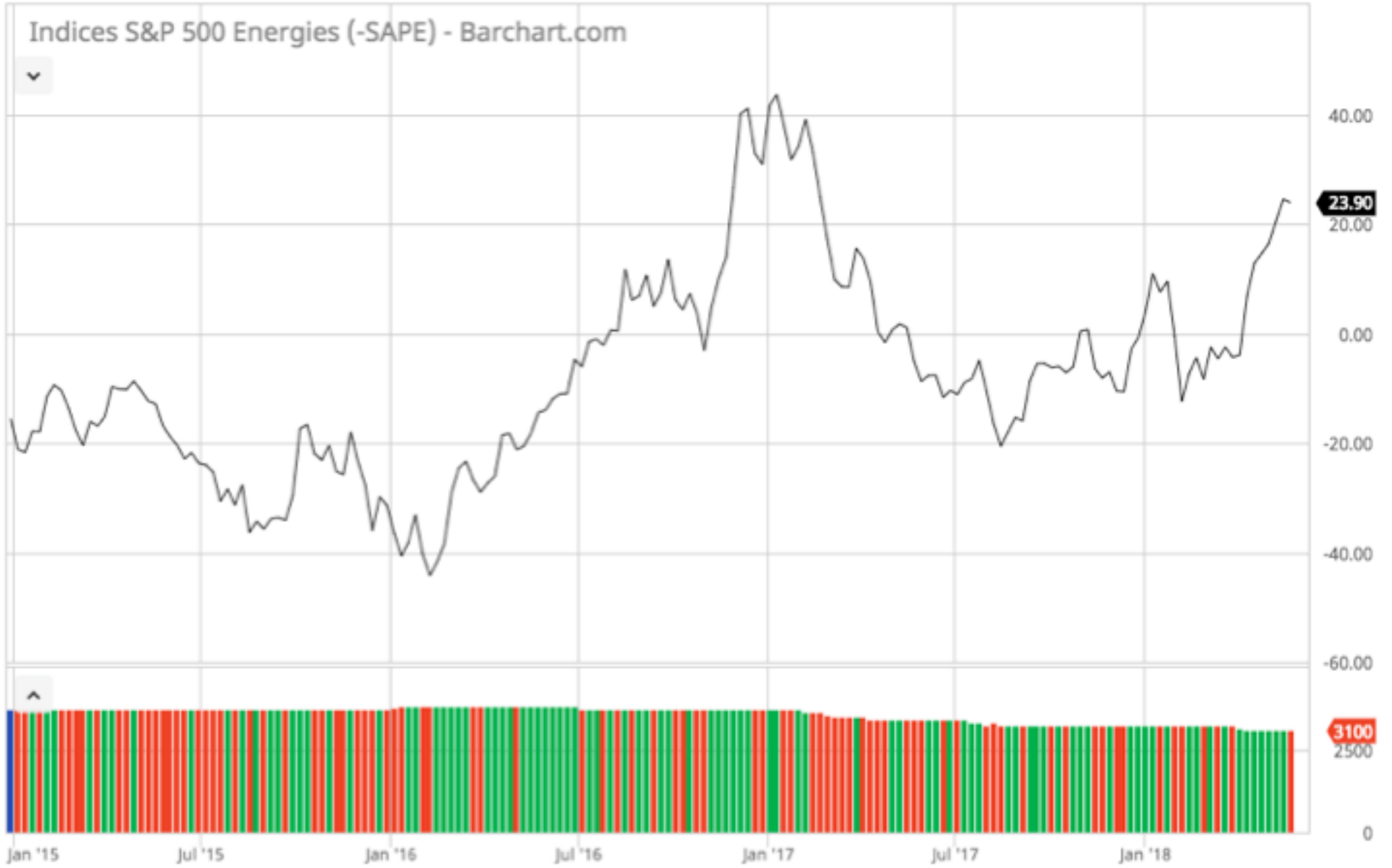
→ 10 companies down from 18 last year

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

CU200 Holdings As % of direct holdings

| 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|
| 1.94% | 1.58% | 1.91% | 2.65% | 2.71% |





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CARBON UNDERGROUND 200 EXPOSURE

- Total portfolio exposure to the Carbon Underground 200 was 1.8% as of March 31, 2018, down from 2.0% exposure as of March 31, 2016

| Unitarian Universalist Association Common Endowment Fund | | | | | | |
|--|-----------------------|--|---------------------------------------|--|--|--|
| | Asset Class | 3/31/2018 UUCEF Manager Market Value | 3/31/2018 UUCEF Manager Weights | Carbon Underground 200 Holdings In Fund | Carbon Underground 200 % of Fund | UUCEF Weighted Carbon Underground 200 Exposure |
| Rhumblin Russell 1000 Value | Equity | \$ 19,621,044 | 10.3% | 9 | 4.5% | 0.5% |
| Sands Capital Growth Equity | Equity | \$ 21,867,421 | 11.5% | 0 | 0.0% | 0.0% |
| Kennedy Capital Small Cap Growth | Equity | \$ 9,144,463 | 4.8% | 1 | 1.1% | 0.1% |
| Breckinridge Credit | Fixed Income | \$ 9,734,203 | 5.1% | 1 | 1.5% | 0.1% |
| Breckinridge Treasury | Fixed Income | \$ 3,686,063 | 1.9% | 0 | 0.0% | 0.0% |
| Separate Account Subtotal | | \$ 64,053,194 | 33.7% | | | 0.6% |
| Wellington SMID Cap Value | Equity | \$ 7,833,205 | 4.1% | 0 | 0.0% | 0.0% |
| MFS Int'l Concentrated | Equity | \$ 15,879,170 | 8.4% | 2 | 2.8% | 0.2% |
| Boston Common Int'l Equity | Equity | \$ 15,342,649 | 8.1% | 2 | 2.1% | 0.2% |
| SEG Baxter Street | Equity | \$ 10,473,534 | 5.5% | 0 | 0.0% | 0.0% |
| RBC Emerging Markets Equity | Equity | \$ 13,265,744 | 7.0% | 0 | 0.0% | 0.0% |
| Brandywine Global Opportunistic Fixed Income | Fixed Income | \$ 10,135,202 | 5.3% | 0 | 0.0% | 0.0% |
| Loomis Sayles Multisector Full Discretion | Fixed Income | \$ 9,492,991 | 5.0% | 23 | 5.8% | 0.3% |
| Franklin Templeton Global Total Return Fund | Fixed Income | \$ 5,676,620 | 3.0% | 0 | 0.0% | 0.0% |
| Loomis Sayles Strategic Alpha | Fixed Income | \$ 3,545,701 | 1.9% | 16 | 3.6% | 0.1% |
| GMO Benchmark Free | Opportunistic | \$ 19,735,298 | 10.4% | 20 | 3.8% | 0.4% |
| Cevian Capital II | Opportunistic | \$ 6,046,095 | 3.2% | 0 | 0.0% | 0.0% |
| Entrust Capital Diversified Fund | Opportunistic | \$ 785,425 | 0.4% | 0 | 0.0% | 0.0% |
| Orchard Landmark Strategy | Private Markets | \$ 2,079,506 | 1.1% | NA | 0.0% | 0.0% |
| FEG Private Opportunities | Private Markets | \$ 1,567,404 | 0.8% | NA | 0.0% | 0.0% |
| Brockton Capital Fund III | Private Markets | \$ 1,141,702 | 0.6% | NA | 0.0% | 0.0% |
| SJF Ventures IV | Private Markets | \$ 429,297 | 0.2% | NA | 0.0% | 0.0% |
| Cash | Cash | \$ 954,916 | 0.5% | NA | 0.0% | 0.0% |
| Community Development | Community Development | \$ 1,576,294 | 0.8% | NA | 0.0% | 0.0% |
| Other Vehicle Subtotal | | \$ 125,960,753 | 66.3% | | | 1.2% |
| Total Composite | | \$ 190,013,947 | 100.0% | | | 1.8% |



2018 Investor Summit on Climate Risk

January 31 · UNITED NATIONS · NYC

Co-Hosted by:



United Nations Office for Partnerships

- The high-level, invitation-only Summit has been held every two years at the United Nations since 2003
- On January 31, 2018 more than 450 investor, company and capital market leaders convened to map out the next steps for increased action on climate change.
- The strong showing of leaders, who ranged from institutional investors to state and city pension fund fiduciaries to corporate executives, demonstrated the growing mainstream attention to the greatest threat of our generation.

WE ARE STILL IN

- Since its initial release on June 5, 2017, more than 2,600 leaders from America's city halls, state houses, boardrooms and college campuses, representing more than 130 million Americans and \$6.2 trillion of the U.S. economy have signed the We Are Still In declaration.
- Spanning red and blue regions across 50 states, its signatories demonstrate America's enduring commitment to delivering on the promise of the Paris Agreement and America's contribution to it.
- 'We Are Still In' is the largest cross section of the American economy yet assembled in pursuit of climate action.





Carbon Action 100+

- 279 investors with nearly USD \$30 trillion in assets under management have signed on to the initiative.
- Designed to implement the investor commitment first set out in the [*Global Investor Statement on Climate Change*](#) in the months leading up to the adoption of the historic Paris Agreement in 2015.
- UUA to serve as co-lead with Exelon in partnership with CalPERS



Climate Action 100+

- CalPERS discovered that fully **50% of all GHG emissions** from their 10,000 portfolio companies came from only **100 companies**
- Developed campaign with other partners including **Ceres** to focus investor pressure on these companies
- A five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to **improve governance** on climate change, **curb emissions** and strengthen climate-related **financial disclosures**.





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
 - Ceres
 - Lobbying disclosure group
 - Center for Political Accountability
- Filing/co-filing resolutions
- High level meetings with company management
- Investor statements and letters
- Proxy voting





UUA advocacy efforts

- Filed/co-filed 18 resolutions
- Resolutions at fossil fuel companies:
 - 2DS: Noble Energy w/ PCUSA: 45%
 - Public policy and climate: Devon
 - Lobbying/election spending: Chesapeake – successful resolution; Exxon – high level dialogue
 - Methane management: Range Resources 50.25% of votes cast
- Meetings/engagements: Apache, Conoco
- Dialogues on 2DSA arising from last year's successful campaign: Exxon, Chevron, Occidental





CU 200 holdings

| | | |
|----------------------------|-------|--|
| Apache Corp. | APA | Dialogue led by Boston Common; commitment to reduce fugitive emissions |
| EQT Corp. | EQT | Ceres/SICS: report on methane commitment |
| ConocoPhillips | COP | Dialogue led by Boston Common |
| Devon Energy Corp. | DVN | Lead: Resolution on lobbying |
| Hess Corp. | HES | Ceres/SICS: 2 degree analysis - dialogue |
| Marathon Oil Corp. | MRO | Co-file with NY State – report on ESG risks in acquisitions |
| Newfield Exploration Co. | NFX | Lead: 2015 resolution withdrawn; company agreed to report on 2 degree scenario |
| Noble Energy Inc. | NBL | Co-file with PCUSA – 47.5% |
| Occidental Petroleum Corp. | OXY | Lead: 2016 resolution on 2 degree scenario report received majority support |
| Shell International | RDS.A | Bond portfolio; produced 2DS report |





CU 200 holdings in the advocacy account or nominal holdings

| | | |
|-------------------------|-----|---|
| Chesapeake Energy Corp. | CHK | Lead: Lobbying resolution - agreement |
| Chevron Corp. | CVX | Co-filed in 17 w/ Wespath on 2 degree scenario; report issued |
| Exxon Mobil Corp. | XOM | Dialogue led by Ceres. ALEC statement. |
| Oasis Petroleum | OAS | Nominal holding |
| Range Resources Corp. | RRC | Lead: Resolution on Methane emissions. 50.3% |





2 Degree Scenario Analysis

- “An assessment of the impacts on a company’s portfolio and business strategy of policies and restrictions consistent with achieving the globally agreed upon target to limit global average temperature rise to no more than 2 degrees Celsius above preindustrial levels.” A FRAMEWORK FOR 2 DEGREES SCENARIO ANALYSIS, Ceres, 2016
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Majorities at Occidental and Exxon last season
- Many other companies including Shell and BHP Bileton now doing this analysis





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 \$300 billion/year





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
- NEPC presenting strategies at every meeting
- Seeking managers that integrate ESG into process
- UUCEF portfolio now at 80% invested with ESG managers





Your questions

For questions that cannot be asked today, contact:

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