

ADDRESSING CLIMATE CHANGE THROUGH UUA INVESTMENTS



UNITARIAN
UNIVERSALIST
ASSOCIATION

Tim Brennan, Treasurer & CFO



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Fifth and final 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: warning from the IPCC
3. Portfolio analysis
4. Shareholder advocacy
5. Climate solutions investments
6. Your questions





The UUA and Socially Responsible Investing (SRI)

Three pillars:

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





The UUA and Socially Responsible Investing (SRI)

Long history:

- 1st shareholder resolution on a social issue in 1960s – Eastman Kodak
- GA resolutions on corporate social responsibility and SRI in the 1970s
- UUA joins Interfaith Center on Corporate Responsibility in the 1970s
- SRI committee formed in 1999
- IC and SRIC meet jointly today





Trends: carbon emissions continue to rise

- In 2018, global energy-related CO₂ emissions rose 1.7% to a historic high of 33.1 Gt CO₂
- The power sector accounted for nearly two-thirds of emissions growth
- United States accounted for 85% of the net increase in emissions
- Emissions declined for Germany, Japan, Mexico, France and the United Kingdom
- Past 5 years the warmest years on record; 20 warmest years occurred over the past 22 years

Source: International Energy Agency





Trends: some hopeful signs

- In the United States, the emission reductions seen in 2017 were reversed, with an increase of 3.1% in CO2 emissions in 2018, BUT
- Despite this increase, emissions in the United States remain around their 1990 levels, 14% and 800 Mt of CO2 below their peak in 2000.
- This is the largest absolute decline among all countries since 2000.

Source: International Energy Agency





IPCC warning on 1.5C degree warming

- At 1.5C, the Arctic is free of sea ice once per century; at 2C at least once a decade
- At 1.5C, coral reefs decline by 70—90%; at 2C by more than 99%
- 90 scenarios for 1.5C all envisage steep declines in fossil fuels and rapid growth in renewables
- All scenarios project significant use of CO₂ removal and nuclear energy
- Shifts are not unprecedented in terms of the pace of change





IPCC path to 1.5C median scenario

	2020	2050
Fossil fuels	84%	36%
Renewables	15%	61%
Nuclear	2%	4%

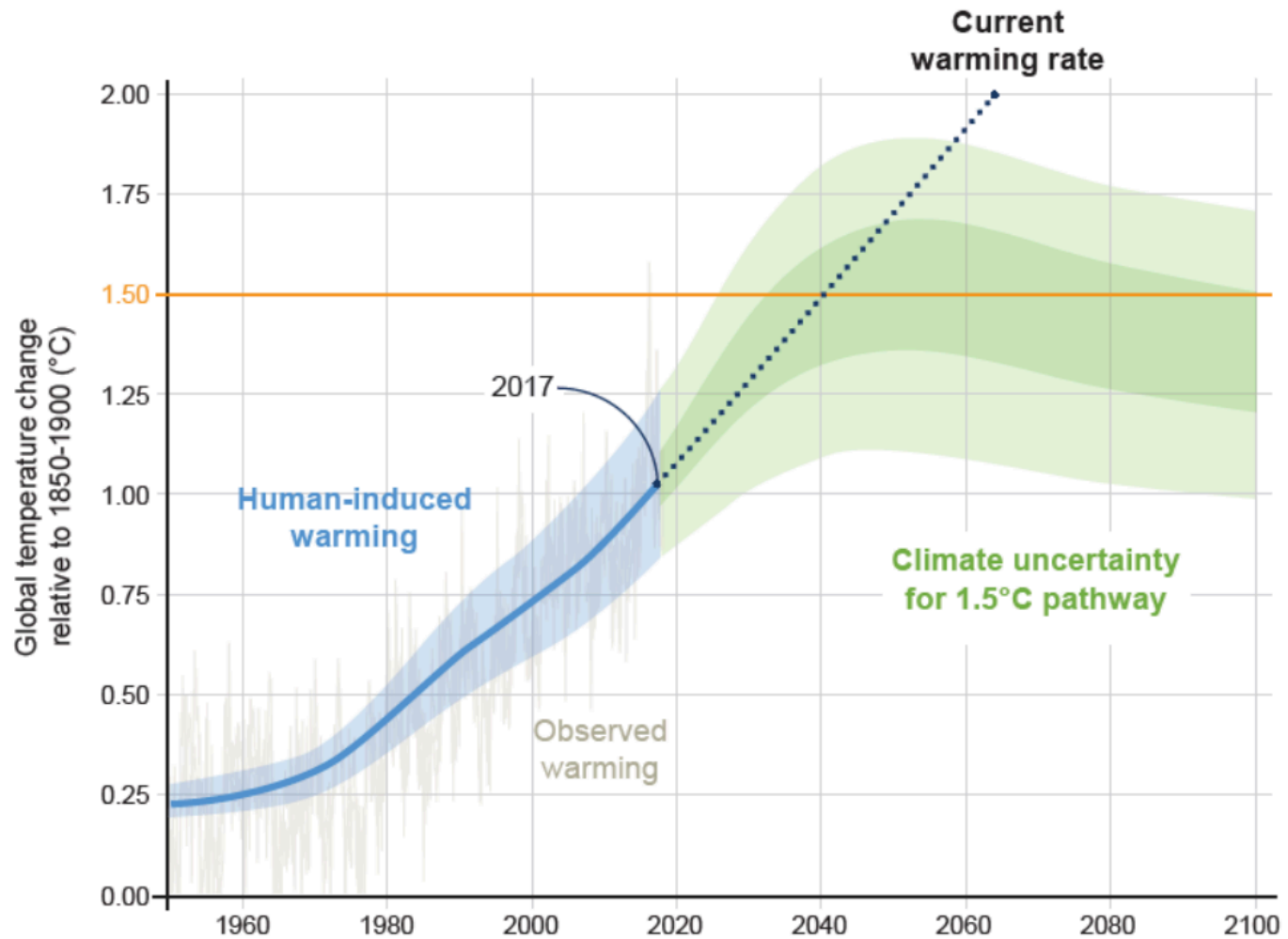
Source: IPCC Special Report on Global Warming of 1.5° C





FAQ1.2: How close are we to 1.5°C?

Human-induced warming reached approximately 1°C above pre-industrial levels in 2017





Context of the resolution

- 2014 Business Resolution specifically addresses the UU Common Endowment Fund
- Focus on specific companies – Carbon Underground 200 (formerly Carbon Tracker)
- 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 so key is manager selection





Portfolio analysis

CU200 Holdings

% of total portfolio by fiscal year

2020*	2019	2018	2017	2016	2015	2014
1.04%	1.30%	1.80%	N/A	2.00%	2.50%	2.90%

*Pro forma after liquidation of GMO





Directly held securities

“Cease purchasing securities of CT200 companies”

→ 6 companies down from 10 last year

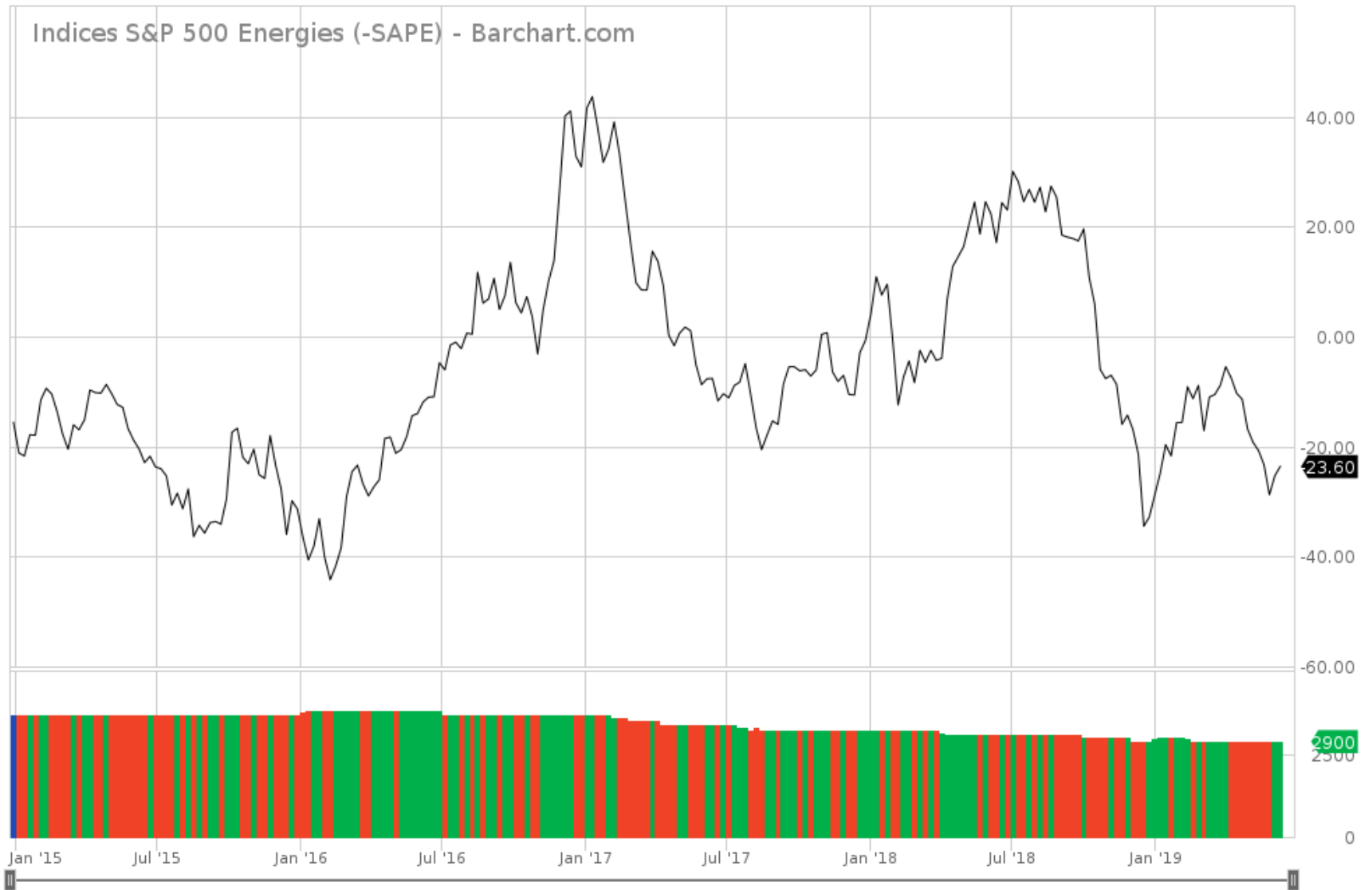
*“Divest its UUCEF holdings of **directly-held securities** of CT200 companies”*

CU200 Holdings As % of direct holdings

2019	2018	2017	2016	2015	2014
1.05%	1.94%	1.58%	1.91%	2.65%	2.71%



Share price of S&P 500 Energies Index



<https://www.barchart.com/stocks/quotes/-SAPE/interactive-chart>



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CARBON UNDERGROUND 200 EXPOSURE

- Total portfolio exposure to the Carbon Underground 200 was 1.3% as of April 30, 2019, down from 1.8% exposure as of March 31, 2018

Unitarian Universalist Association Common Endowment Fund						
Asset Class		4/30/2019 UUCEF Manager Market Value	4/30/2019 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	\$ 21,958,280	11.1%	6	2.6%	0.3%
Sands Capital Growth Equity	Equity	\$ 23,059,477	11.6%	0	0.0%	0.0%
WCM Investment Management Small Cap Growth	Equity	\$ 9,306,213	4.7%	0	0.0%	0.0%
Breckinridge Credit	Fixed Income	\$ 8,889,603	4.5%	2	2.6%	0.1%
Breckinridge Treasury	Fixed Income	\$ 3,844,350	1.9%	0	0.0%	0.0%
Separate Account Subtotal		\$ 67,057,921	33.8%			0.4%
Wellington SMID Cap Value	Equity	\$ 8,562,539	4.3%	1	0.1%	0.0%
MFS Int'l Concentrated	Equity	\$ 15,087,789	7.6%	2	2.4%	0.2%
Boston Common Int'l Equity	Equity	\$ 15,101,644	7.6%	2	2.5%	0.2%
SEG Baxter Street	Equity	\$ 11,598,176	5.8%	0	0.0%	0.0%
RBC Emerging Markets Equity	Equity	\$ 13,562,394	6.8%	0	0.0%	0.0%
Brandywine Global Opportunistic Fixed Income	Fixed Income	\$ 10,310,101	5.2%	0	0.0%	0.0%
Loomis Sayles Multisector Full Discretion	Fixed Income	\$ 10,625,254	5.4%	27	3.5%	0.2%
Franklin Templeton Global Total Return Fund	Fixed Income	\$ 5,740,420	2.9%	0	0.0%	0.0%
Loomis Sayles Strategic Alpha	Fixed Income	\$ 3,613,169	1.8%	12	1.3%	0.0%
GMO Benchmark Free	Opportunistic	\$ 19,839,942	10.0%	42	3.6%	0.4%
Cevian Capital II	Opportunistic	\$ 6,224,124	3.1%	0	0.0%	0.0%
Entrust Capital Class X	Opportunistic	\$ 553,284	0.3%	0	0.0%	0.0%
Orchard Landmark Strategy	Private Markets	\$ 2,311,235	1.2%	NA	0.0%	0.0%
FEG Private Opportunities	Private Markets	\$ 1,545,840	0.8%	NA	0.0%	0.0%
Brockton Capital Fund III	Private Markets	\$ 847,142	0.4%	NA	0.0%	0.0%
SJF Ventures IV	Private Markets	\$ 690,079	0.3%	NA	0.0%	0.0%
Canvas Distressed Credit Fund	Private Markets	\$ 537,791	0.3%	NA	0.0%	0.0%
HCAP Partners IV LP	Private Markets	\$ 511,322	0.3%	NA	0.0%	0.0%
Cash	Cash	\$ 2,197,465	1.1%	NA	0.0%	0.0%
Community Development	Community Development	\$ 1,782,602	0.9%	NA	0.0%	0.0%
Other Vehicle Subtotal		\$ 131,242,312	66.2%			0.9%
Total Composite		\$ 198,300,233	100.0%			1.3%

*Carbon Underground 200 exposure is as of 5/31/19 for separate accounts and as of 4/30/19 for other vehicles





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's engagements:
 - Exelon: co-lead with with CalPERS
 - Devon: lead investor
 - Xcel: collaborating investor





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



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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 7 resolutions
- Resolutions at fossil fuel companies:
 - 2DS: Marathon Oil – Withdrawn, agreed to proposal
 - Lobbying/election spending: BlackRock 21.67% approval, Ford Motors 16.5% or 38.1% of outside votes, Northern Trust 25% approval, Valero Energy withdrawn, agreed to dialogue, Exxon 26% approval
- Meetings/engagements: Apache, Conoco
- Follow-up dialogues arising from last year's successful campaign: Exxon, Chevron, Occidental, Range





CU 200 holdings

Apache Corp.	APA	Dialogue led by Boston Common; commitment to reduce fugitive emissions
ConocoPhillips	COP	Dialogue led by Boston Common
Devon Energy Corp.	DVN	Lead: Climate Action 100+
Marathon Oil Corp.	MRO	Co-file with NY State – report on ESG risks in acquisitions
Noble Energy Inc.	NBL	Co-file with PCUSA – 47.5%
Occidental Petroleum Corp.	OXY	Co-file: 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

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.
Range Resources Corp.	RRC	Lead: Resolution on Methane emissions. 50.3%





Climate solutions investments

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

- Committed to a \$2 million investment in Generation Sustainable Solutions Fund
 - Investment focuses on private growth stage opportunities with broad sustainable solutions themes, which it defines as providing goods and services for a low-carbon, prosperous, equitable, healthy and safe society





Your questions

For questions that cannot be asked today, contact:
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