



ADDRESSING CLIMATE CHANGE THROUGH UUA INVESTMENTS

Report to the 2019 General Assembly in
Spokane, Washington

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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 1966 – Eastman Kodak
- In 1967 a business resolution said the UUA should “exercise the power represented by the Association’s ownership of common stock as an effective instrument for promoting social justice.”
- UUA joins Interfaith Center on Corporate Responsibility (ICCR) in the 1970s
- SRI committee formed in 2000
- 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
- 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: US emissions

- United States accounted for 85% of the net increase in emissions
- 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

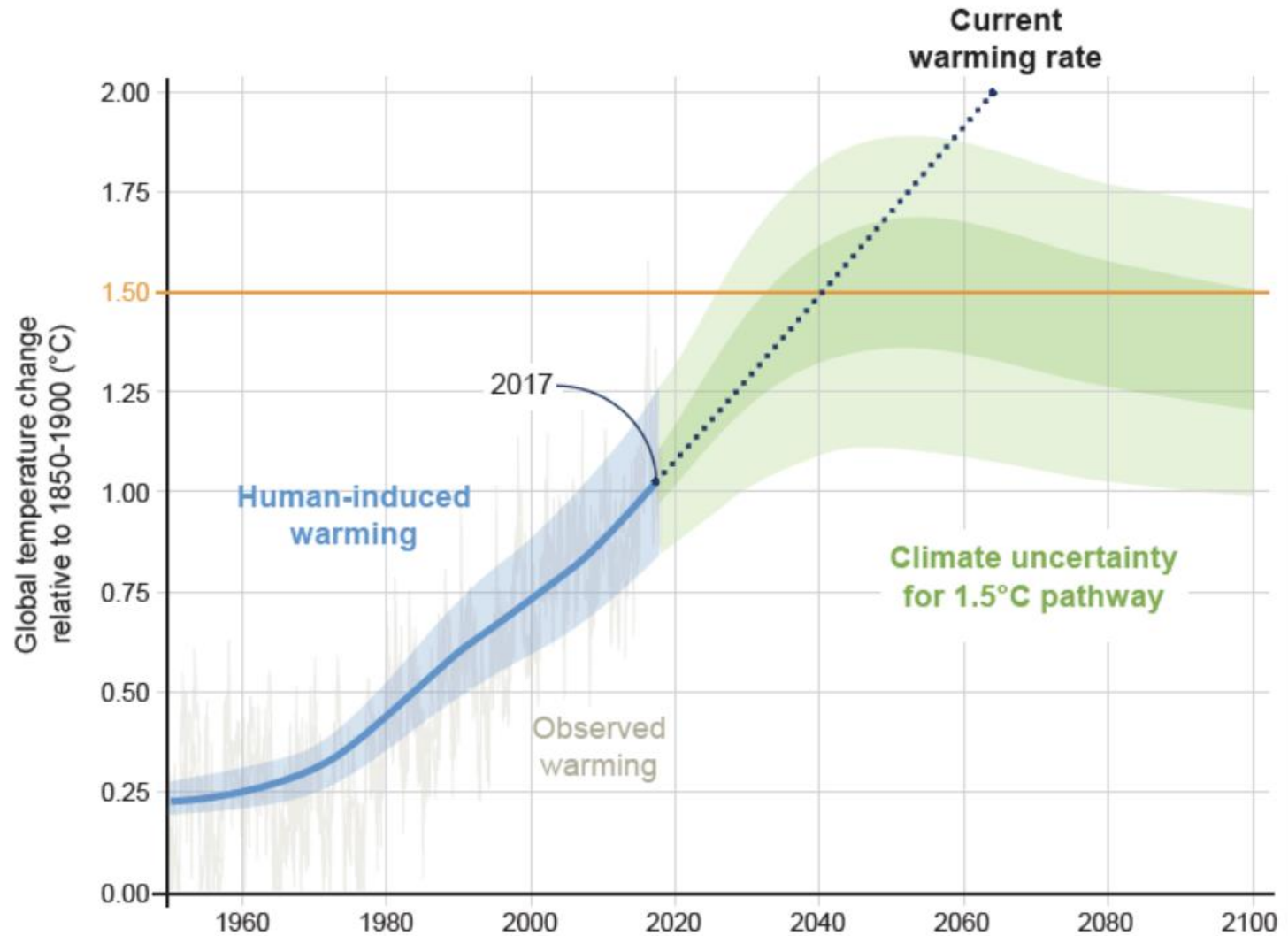
	2020	2050
Fossil fuels	84%	36%
Renewables	15%	61%
Nuclear	2%	4%

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 on climate change
- Moving capital to climate solutions
- Commitment to fiduciary duty



Portfolio context

- UUCEF portfolio holds two kinds of assets:
 1. 27% Directly held securities – US equities, some international equities, some bonds
 2. 73% Co-mingled funds – mutual funds, private pooled funds
- No control over holdings in co-mingled funds so key is manager selection

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





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



Direct holdings of CU200 companies in UUCEF

Apache Corp.	APA
ConocoPhillips	COP
Devon Energy Corp.	DVN
Marathon Oil Corp.	MRO
Noble Energy Inc.	NBL
Occidental Petroleum Corp.	OXY



CU200 holdings in advocacy account

Chesapeake Energy Corp.	CHK
Chevron Corp.	CVX
Cliffs Natural Resources Inc.	CLF
Exxon Mobil Corp.	XOM
Range Resources Corp.	RRC
Southwestern Energy Co.	SWN



Directly held securities

“Cease purchasing securities of CT200 companies”

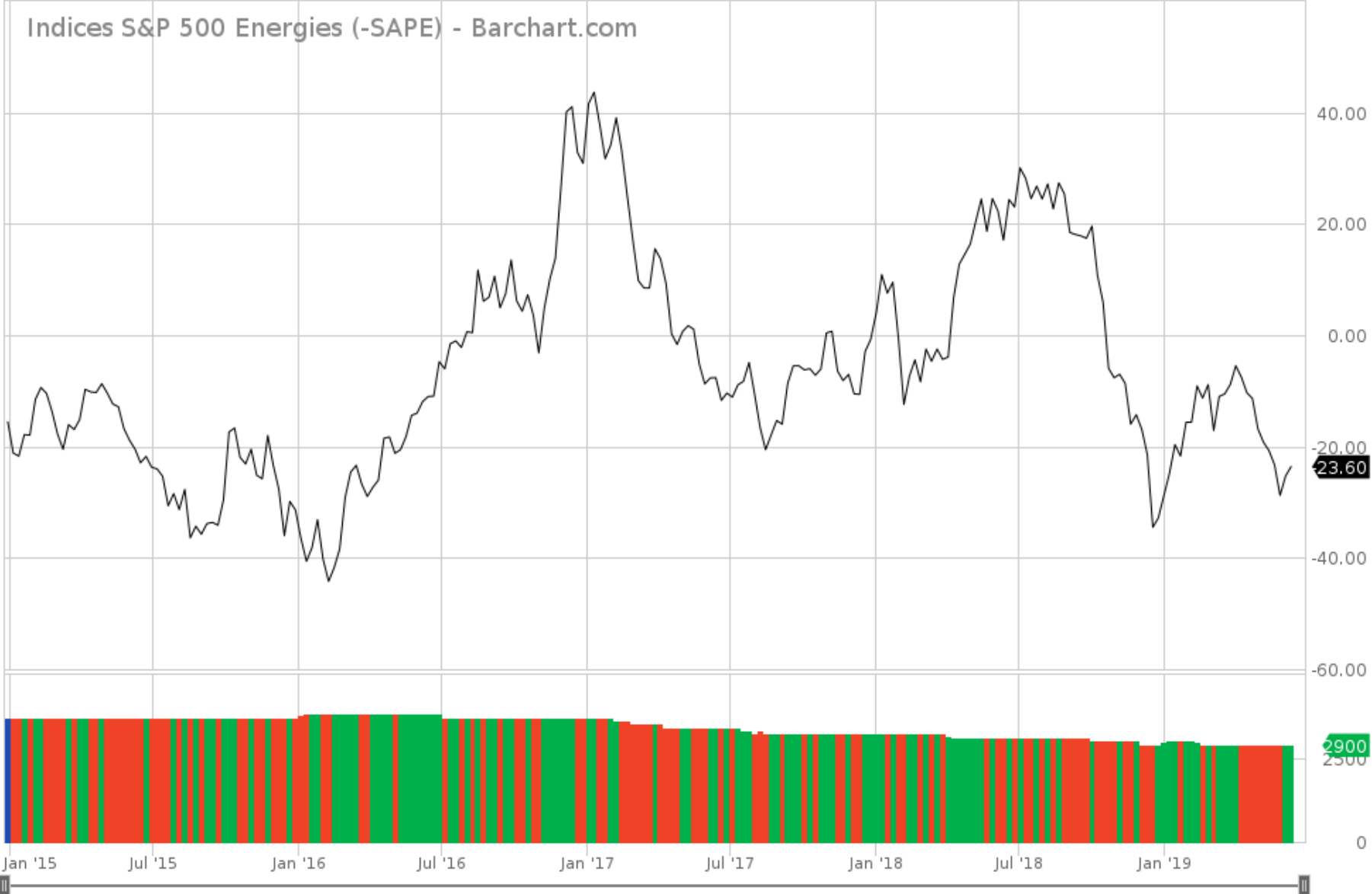
→ **6 companies out of 200 down from 10 last year**

*“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>





Investor priorities

- Climate Action 100+
- Global Climate Action Summit in San Francisco 9/18
 - delegates call on national governments to join forces to step up climate action ahead of 2020—the year when global greenhouse gases need to peak and fall sharply thereafter to avoid the worst impacts of climate change.
- Just Transition
 - A ‘just transition’ for workers and communities as the world’s economy responds to climate change was included as part of the 2015 Paris Agreement on climate change.



Carbon Action 100+

- 300 investors with nearly USD \$33 trillion in assets under management have signed on to the initiative
- UUA's engagements:
 - Exelon: co-lead with with CalPERS
 - Devon: lead investor
 - Xcel: collaborating investor



Vatican agreements

- Vatican convened major companies for “Energy Transition and Care for Our Common Home” summit on June 12-14
- Agreement on two joint statements: carbon pricing and climate risk disclosures (TCFD)
- Signed by oil & gas companies: BP, Exxon, Occidental, Conoco, Shell, Equinor, Chevron



Shareholder advocacy

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



Key investor partnerships





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 – reached agreement
 - Lobbying/election spending: BlackRock 21.67% approval, Ford Motors 16.5% or 38.1% of outside votes, Northern Trust 25%, Valero Energy withdrawn, agreed to dialogue, Exxon 26%
- Meetings/engagements: Apache, Conoco
- Follow-up dialogues arising from last year's successful campaign: Exxon, Chevron, Occidental, Range



2015 – 2019 Shareholder Advocacy

Filings	21
Co-filings	11
Dialogue (no filing)	11
Settlements	7



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+. Publishes 2DS report.
Marathon Oil Corp.	MRO	2 degree scenario report
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



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. Oppose roll-back of methane emissions.
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”

Invested \$2 million in Generation Sustainable Solutions Fund – private equity

–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



What is needed

1. Public policy
2. Technology
3. Capital

IPCC says transition is possible but the curve needs to shift starting in 2020.



Final words

“I remember overhearing a caller to a radio show who asked the presenter what they could do, as one individual, to make a difference in the global climate crisis. I loved the respondents answer. **The one thing you can do, is to stop being an individual. You have to join and work with others.**”

*Rev. Lindi Ramsden, Service of the Living Tradition
June 20, 2019*



Your questions

For questions that cannot be asked today, contact:

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