

UUA Investment and Socially Responsible Investment Committee – Minutes  
24 Farnsworth Street  
Boston, MA 02210  
Room 210  
November 19, 2019

*Socially Responsible Investment Committee:*

Members present: Kathy Mulvey, Chair, Vonda Brunsting, Lucia Santini-Field, Vanessa Lowe (via Zoom), Andrew McGeorge, Julie Skye and Pat Tomaino

Members absent: None

Staff: Susan Helbert

**1. Minutes from meeting on August 20, 2019 – Mulvey**

**Motion 1:** To approve minutes from August 20, 2019 meeting without amendment. Moved: Brunsting, seconded: Santini-Field, all approved.

**2. General Assembly resolutions – all members**

- Review 2019 Actions of Immediate Witness (AIWs) (including [Build the Movement for a Green New Deal](#) and [Protect the Rights of Immigrants and Asylum Seekers](#)), identify possible implications for SRI Guidelines, and map out next steps.
  - UUA Board is aware of AIWs; nothing specifically focused on investments but could inform our guidelines regarding private prisons (including for private equity firms as well as publicly traded companies).
  - Need to have a procedure in place to capture action items from annual GA's to ensure any necessary guideline updates are made.

**Action item 1:** McGeorge to check with Tim Brennan to see if he contacted Susan Leslie, Congregational Advocacy and Witness Director, about her department tracking action items from General Assembly and reporting such actions to the SRIC annually.

- Discuss potential 2020 Business Resolution on “Embodying Human Rights in Our Investment Decisions”
  - The social justice organizations, UUs for Justice in the Middle East, Black Lives UU, UU RISE and UU Ministry for Peace Network, will be filing a business resolution at this year's GA.
  - Reviewed the most recent version of their proposed business resolution. Discussed what, if any, changes could be recommended that would enable to committee to support the resolution.
  - Reviewed edits and discussed how the proposal could potentially affect the current screens in place for human rights. Proposal should also target congregational assets not just the UUCEF assets.
  - Discussed GA program proposal to help congregations understand what the association is doing, what they can do and what we can do together.

**Action item 2:** Brunsting to contact the Quakers to inquire about their work on human rights.

**Action item 3:** Tomaino to contact Sustainalytics to inquire on what data they have available for use with regard to human rights violations and any additional costs we could encounter.

**Action item 4:** McGeorge to follow up with Tim Brennan on potential engagements on human rights.

**Action item 5:** McGeorge to follow up with Tim Brennan to see if the proposed resolution has gone to counsel for review.

**Action item 6:** Lowe and Mulvey to work on GA2020 program proposal.

### **3. Community Investing – all members**

- Recommendation to increase portfolio allocation
  - Allocation of 1% hasn't been reviewed in decades and is considered to be well below the benchmark for SRI/ESG investors. Changing the allocation from 1% to up to 5% with at least half to be invested in market rate (cash rate) return vehicles is more in keeping with our commitment to aligning our investments with our values.
  - Will present a motion to the Investment Committee to increase allocation.
- Discussion of potential investments in Seed Commons and Capital for Change
  - **Capital for Change (C4C)**
    - a) Formed in 2016 through the merger of three existing Connecticut CDFIs.
    - b) Have successfully increased impact they sought resulting in operational efficiencies, stronger balance sheet and greater social impact.
    - c) Have an \$81.1 million portfolio with 42% being invested in permanent housing.
    - d) Have created 11,628 affordable housing units, 2,459 jobs and saved 306 metric tons of CO2. Has a 100% investor repayment rate.
  - **Seed Commons**
    - a) Deferred discussion to February meeting.

**Motion 2:** To invest \$100,000.00, for 3 years at a return of 3%, in Capital for Change. Moved: Mulvey, seconded Brunsting, all approved.

### **4. Shareholder Engagement & Advocacy – Mulvey**

- Reviewed advocacy report and plan from Tim Brennan, Special Advisor on Responsible Investing. The report detailed shareholder resolutions filed thus far, ongoing company dialogues, Carbon Action 100 engagements and, potential filings.
- Could cover additional issues if committee members could take on supporting work.

**Action item 7:** McGeorge to draft a comment letter to the SEC on the proposed increase in the shareholder resolution ownership requirements and resubmission thresholds and share with committee.

#### *Joint Session:*

Members present: Kathleen Gaffney, Chair, Andrew McGeorge, Brian Lasher, Ken Redd, and Lucia Santini-Field

Members absent: None

Staff: Susan Helbert

NEPC: Lily Fayerweather, Krissy Pelletier

SRI Committee: Vonda Brunsting, Vanessa Lowe (via Zoom), Kathy Mulvey, Julie Skye, Pat Tomaino

Guest: John Minahan

## 1. Minutes from May 16, 2019 - Gaffney

**Motion 1:** To approve minutes from the August 20, 2019 meeting without amendment. Moved: Santini-Field, seconded Lasher, all approved.

## 2. Manager Introductions – NEPC

- **Impax**

- Is on NEPC's Thematic Equity Platform FPL (Focused Placement List), fully vetted through their due diligence committee and suitable for all clients.
- Founded in 1998 in London and acquired Pax World Management in 2018 adding \$4 billion to their assets under management.
- Believe that population dynamics, inadequate infrastructure, resource scarcity and environmental constraints will profoundly impact capital markets
- Invest across equity, fixed income and real assets. All investments meet a minimum ESG score. Have minimum thresholds that companies must meet to get into the portfolio.
- The Specialists Strategy is a small and mid-cap strategy focusing on resource optimization through energy efficiency, alternative energy, water, waste/resource recovery, food and agriculture. Inclusion is predicated on one or more of the themes compromising more than 50% of group revenue, profitability or invested capital.
- Minimum investment is \$5 million, fees are 1.10%

- **Ownership Capital**

- On NEPC's Discovery Platform, non-FPL, not suited for all clients but does pose unique investment opportunity which are shared with a subset of clients. On Discovery Platform due to concentration, only strategy in the firm, and just breaking into the US market.
- Founded in 2013 in Amsterdam. Fully employee owned and is a PRI signatory.
- Believe there's a disconnect between the long-term value of a company and the short-term interest of investors.
- Take a minority stake in companies with high quality fundamentals and engage on high impact ESG areas to improve valuation. Concentrated strategy of 20 to 25 holdings.
- Global strategy, current exposure is only in US and Western Europe, with a significant bias to the US.
- Negotiated fee of .55% with a 20% performance fee every three years measured against the MSCI World or MSCI Kokosai. Contingent upon NEPC clients investing \$100 million in capital within 1 year. Could revert to the standard 1% fee if \$100 million isn't met but that seems unlikely.
- Not SEC registered yet, paperwork is in progress and NEPC is tracking.

- NEPC recommended a \$5 million investment with the funding coming from Sands Capital. Reduces the single manager concentration while maintaining similar exposure.

**Action item 1:** NEPC to provide a breakdown of technology holdings between Sands Capital and Ownership Capital.

**Action item 2:** NEPC to provide a chart showing Ownership Capital fund holdings over time and information on how they analyze a company.

**Action item 3:** NEPC to provide comparison of Ownership Capital returns based on US and Europe benchmarks.

**Action item 4:** NEPC to schedule a call with Ownership Capital.

### **3. Private Equity opportunity - NEPC**

- Pontifax Global Food and Agriculture Technology Fund II
  - Newer firm; however, existing investment team has done similar investing at other firms.
  - Invests in high-growth food and agriculture technology companies.
  - Will be a concentrated portfolio of 8-12 companies with average equity investments ranging from \$15 million to \$40 million.
  - Has the ability to invest globally but will focus primarily on North America.
  - Expected to hold final close in first quarter of 2020.
  - Not an impact investor but is sustainability focused.
  - Have clear sustainability key performance indicators that they develop with companies before they invest and track over time.
  - Fees are 2% on committed capital during commitment period and 2% on invested capital thereafter.

**Action item 5:** NEPC to schedule a call with Pontifax.

### **4. Report from SRIC on new Sustainalytics processes and flagged companies – Mulvey, Tomaino, Santini-Fields, Skye**

- Subcommittee divided up flagged companies on the latest report for review. Found that the exclusions set forth for Sustainalytics are being applied.
- Will be discussing with Sustainalytics, their risk score and what goes into the controversy ratings.
- Subcommittee will continue to monitor new inclusions/exclusions, review companies to determine what changed and determine if we're in agreement with decision.
- Discussed that we can exclude companies manually, should there be other risks/controversies identified which go against UU values.
- Semi-annually, the SRIC will prepare a report on manually excluded companies, for the Investment Committee, with background on why the Sustainalytics recommendation isn't being applied. Going forward, SRIC will make a recommendation to the Investment Committee to exclude manually, companies with additional risks/controversies that don't align with UU values.

- Will be evaluating service providers to determine who can provide best human rights screening.

## 5. Negative Screening Process – Lasher, Pelletier (NEPC), Skye

- Review report to evaluate future proposals
  - Reviewed report prepared by NEPC on what the ramifications are on performance.
  - Report bears out that the exclusions have been beneficial, and the portfolio has outperformed its benchmark.
  - Report will be provided by NEPC semi-annually based on Sustainalytics report.

**Motion 2:** Integrated procedures to include a semi-annual review of screening criteria and excluded stocks; to evaluate the impact on the portfolio construction and returns and to provide rationale for any changes.

Moved: Gaffney, seconded Santini-Field, all approved.

**Motion 3:** Should changes occur to the included/excluded stocks between the semi-annual reviews, the SRIC will evaluate those changes and bring an actionable recommendation to the Investment Committee for vote as soon as reasonably possible. Moved: Gaffney, seconded Santini-Field, all approved.

## 6. Working lunch: SRI Guidelines & SRIC/IC Integration – Gaffney, Mulvey

- Goals for the next 6-12 months
  - Discussed the committee’s responsibilities as set forth by the UUCEF by-laws.
  - Discussed the goals and tasks needed to address those responsibilities.
  - Doing the work, now need to get the message out more broadly.
  - Need to get volunteers for the immediate tasks outlined for November through February and for all to review and share comments on goals and timeline document.
- Potential 2020 Business Resolution on “Embodying Human Rights in Our Investment Decisions”
  - Been in ongoing dialogue with UU social justice groups over the last several months concerning their belief that our investment policies and guidelines in relation to human rights could be strengthened.
  - Progress has been made; however, it’s anticipated a business resolution will be submitted for consideration at GA2020. Continuing to work with them in an effort to draft a resolution that the committees could support and implement.
  - Social justice groups raised concern over accessible communication with committees. Need to show the numerous ways information and communication are available such as meetings, investor calls and UUCEF.org.
  - Checking with our legal counsel to ensure clauses are within the bounds of what can be set forth in a business resolution. Seek to model operative clauses on the 2014 Fossil Fuel Divestment Business Resolution.
  - Need to identify the best service provider to help us implement a potentially more stringent human rights screen.

**Action item 6:** Mulvey and Santini-Field to work on draft of resolution which will acknowledge available information/communication, include shareholder engagement, and differentiate between directly held securities and pooled assets.

**Action item 7:** McGeorge to forward Business Resolution to Sustainalytics to determine what companies would be excluded from the portfolio if the resolution passes.

**Action item 8:** Gaffney and Santini-Field to work on possible program proposal for GA2020.

**7. SRI Guidelines: Review & Recommendation for Adoption by UUA Board– all members**

- Discussed latest revisions to the guidelines.

**Motion 4:** For the Investment Committee to accept the Socially Responsible Investment Committee guidelines as presented, with an appendix of historical references to be added within six months, procedures to added within one year, and community investment guidelines to be integrated. Investment Committee to bring guidelines before the Board for approval. Moved: Gaffney, seconded Brunsting, abstained Lasher, Santini-Field absent for vote, all others approved.

**Motion 5:** To accept the IC/SRIC integration goals and timeline. Moved: Gaffney, seconded: Mulvey, Santini-Field absent for vote, all others approved.

**8. Discussion on increasing the Community Investment allocation - all members**

- The 1% allocation hasn't been discussed in years and is well below current standards.
- Will invest half of allocation in investments that earn a market rate return or higher.
- Will discuss target range and allocation of entire portfolio at the February meeting.
- Discussed the newest community investment in Capital for Change (C4C).

**Motion 6:** To increase Community Investment target range from approximately 1% to up to 5% with no more than 2.5% being in below market rate investments. Moved: Lowe, seconded: Brunsting, Santini-Field absent for vote, all others approved.

**Action item 9:** NEPC to provide new asset allocation incorporating the new target range for Community Investments at the February meeting.

**9. Performance Update – NEPC**

- The Endowment returned -0.9% (gross of fees) during Q3 of 2019, ranking in the 99<sup>th</sup> percentile of the investment universe, underperforming both the allocation and policy indices.
- Over the year to date, the Endowment returned 13.1% (gross of fees), ranking in the 38<sup>th</sup> percentile and outperforming both the allocation and policy indices.
- Over the ten-year time period, the Endowment ranks in the top two thirds of peers.

**10. 2020 Workplan and scheduling 2020 meeting dates – all members**

- Reviewed and discussed the 2020 goals and timeline created by Gaffney and Mulvey.
- Scheduled all meeting dates for 2020.

**Next Meeting:  
February 19, 2020**