

UUA Investment and Socially Responsible Investment Committee – Minutes **DRAFT**
24 Farnsworth Street and Via Zoom
May 3, 2022

Joint Investment Committee and Socially Responsible Investment Committee:

Investment Committee members present: Kathy Mulvey, Acting Chair, Vonda Brunsting, Brian Lasher, Asha Mehta, Andrew McGeorge, John Minahan, Lucia Santini-Field

Members absent: Ken Redd

SRIC members present: Kathy Mulvey, Chair, Vanessa Lowe, Andrew McGeorge, Julie Skye, Lucia Santini-Field

NEPC: Krissy Pelletier, Kelly Regan

Xponance: Nicole Gerding, Leonard Oremland, Sumali Sanyal

As you Sow: Andrew Behar, Olivia Knight

Guests: Eric Horvath, Erika Seth Davies, Maddie Ulanow

1. Minutes from February 25, 2022– Mulvey

Motion 1: To approve the Investment and Socially Responsible Investment Committee minutes from the February 25, 2022 meetings without amendment. Moved: Lowe, seconded Lasher, Minahan abstained, all others approved.

2. Generation Global Equity recommendation– NEPC

- Generation Global Equity, established in 2005, was unavailable when original allocation discussion was held, NEPC placed the UUCEF on the placement waiting list.
- Capacity has opened up and, given their commitment to sustainability and being a best-in-class manager on ESG, recommending a 4% allocation.
- Growth and value are covered with GQG and Lindsell Train while Generation is more core style.
- NEPC recommends investing \$10M and funding by eliminating Baxter Street in international equity.

Action item 1: NEPC to provide a chart showing how the three Global Equity managers would work together in the portfolio.

Motion 2: To accept NEPC’s recommendation and allocation as proposed, contingent upon delivery of satisfactory global equity manager comparison analysis report, to invest \$10M in the Generation Global Equity Fund. Moved: Santini-Field, seconded by Mulvey, Lowe and Minahan abstain, all others approve.

3. Xponance/As You Sow introduction – NEPC

- Enhanced index, using the S&P 500 as a starting point and then overlaying it with ESG and DEI data, creating a portfolio that has lower ESG risk and better DEI metrics relative to the S&P 500.
- Originally known as FIS Group, founded in 1996 by Tina Byles Williams, an African American woman, formerly the CIO of the city of Philadelphia.
- Founded firm to do two things 1) identify alpha opportunities and 2) do so by employing and finding those opportunities with diverse professionals or diverse investment firms.
- More than \$13.9B in assets under management, 100% employee owned, and a PRI signatory.
- Has a strong commitment to community engagement through their “A Good Measure Foundation”. Actively support non-profit partners that serve under-resourced and marginalized communities, foster financial literacy, and educate youth to build leadership skills.
- Use As You Sow, a non-profit organization with whom they have an exclusive agreement to use the data they generate on S&P 500 and Russell 1000 companies on racial justice and workplace equity, and Sustainalytics ESG Risk Scores as data sources.
- Reviewed how As You Sow scores companies on racial justice and workplace DEI. They also use scores to engage companies in shareholder advocacy.
- Can create a custom portfolio excluding the companies we select.
- Fee is 20 basis points on the first \$50M.
- Committee discussed the opportunity in great detail including comparing them with our existing Large Cap managers, reallocation suggestions, fees, and additional work required to create and maintain a customized portfolio.

Action item 2: NEPC, McGeorge and Mulvey to discuss with Xponance their ability to use the Russell 1000 instead of the S&P 500. Ask them to provide a report for the Russell 1000 using our exclusions based on Sustainalytics so we may see what the portfolio would look like and what the tracking error would be.

Action item 3: NEPC to provide cost comparison for Large Cap Equity managers. Comparisons would be Xponance only, reallocating among Xponance, Ownership and Sands, and reallocating with the elimination of Sands.

4. Private Markets pacing and fund recommendations – NEPC

- To achieve the 10% allocation NEPC will be recommending \$8M in commitments this year, \$4M has been committed to Generation to date. Subsequent years will \$5M and anticipate reaching target in 2026.
- In April Canvas Distressed had four senior people depart, including head of the credit business, due to disagreements between head of credit and head of macro. Canvas has announced they are entering an agreement with Quadra, also a Brazilian asset manager. Canvas is on hold and NEPC will continue to provide updates as they are available.

5. Portfolio Performance update – NEPC

- The Endowment returned -6.2% gross of fees during the first quarter of 2022, ranking in the 91st percentile of the universe, underperforming both the allocation and policy indices.
- For the 5-year period, portfolio performance ranked in the top half relative to peers.

Motion 3: To grant the Treasurer full authority to rebalance the portfolio toward target; can seek guidance from the committee at any time. Moved: Santini-Field, seconded by Mulvey, all approved.

Action item 4: NEPC to provide full formal name of all investment managers on reports.

Action item 5: NEPC to meet with Lowe, Minahan and Skye to discuss definition of “impact” used in the Impact Summary and Performance reports and to determine how to reduce the meeting materials.

6. Racial justice Investing – All

- Debrief on workshop
 - Need clarity on specific measurable goals.
 - Need to clarify if concentrating on Black and Indigenous, BIPOC or all.
- Next steps and timeline for Community Investing RFP
 - Will continue discussion at a later date.

7. Follow-up on 2020 Business Resolution & 2021 Responsive Resolution – All

- Check in on next steps from November meeting with UU Young Adults
 - Need to create a mechanism to solicit feedback or flag problematic companies.
 - Were one of the lead filers at JP Morgan naming concerns about financing projects on Indigenous lands.
- Report from Tim Brennan on shareholder advocacy and proposed priorities for FY23
 - Will hold call to discuss at a later date.

Action item 6: Helbert to find a date for committee and Brennan to discuss advocacy report and priorities for FY23.

Action item 7: McGeorge to circulate to the committee his reports on the 2020 Business Resolution and the 2021 Responsive Resolution.

Motion 4: To reduce maximum holding limit of any fossil fuel company being actively engaged to \$100,000.00. Moved: Santini-Field, seconded by Mulvey, all approved.

8. Upcoming events – All

- Prep for GA 2022
 - Have a workshop on Advancing Racial Justice through our Investments.
 - Onsite/virtual session on June 22nd at 1:45pm PT titled “Wanted: UU Common Endowment Fund Committee Members”
- Prep for quarterly call on Tuesday 5/17/2022 at 2pm EDT
 - Will determine presenter by email.
 - Inclusiv will join the meeting and be highlighted.
- Next meeting agenda
 - Survey/questionnaire on the investment policy statement.

Action item 8: Lasher and Skye to work on handout on “Why Join the Committee”.

9. Investment Policy Statement & Committee structure/governance proposals: overview and clarifying questions – All

- Committee expressed gratitude to Santini-Field for helping create the SRIC many years ago and now driving to integrate both committees into a singular body.

- Reviewed the composition proposal and are very comfortable with it, will continue to fine-tune it for Board presentation.
- Discussed criteria for members in depth, want to ensure a wide variety of skills, experience, and backgrounds are included. Prudent to require an adequate number of members with a financial background. Need to clearly define what financial/investment experience means.
- Must be cautious not to use language which unintentionally excludes people.
- Many documents will need to be integrated to be consistent with each other, considering the amount of work this will take, may need to consider hiring a consultant to assist.
- For the values statement, a bulleted list of sources of authority, used and agreed with that assist in decision making, should be sufficient stating that they are not comprehensive or exclusive.

Action item 9: Brunsting volunteered to continue work on the composition proposal document.

Motion 5: To recommend to the Board of Trustees that the Investment Committee and Socially Responsible Investing Committee be combined into a single committee. Moved: Lowe, seconded by Mulvey, all approved.

10. Discussion re: Investment Policy Statement – All – facilitated by Erika Seth Davies

- Prioritizing African-American/Native-American people or BIPOC?
 - Important that the language chosen is clear and has actionable intentions.
 - Initial focus was on African-American/Native-American access to capital through the Community Investment portfolio, should the language here be more explicit.
 - Right now, viewed as race tentative, need to move away from the term racial justice.
 - Many questions and comments came up:
 - Do we use African-American/Native-American specifically in terms of reparation language and BIPOC in terms of diversity in racial justice investing?
 - Some portions of the portfolio lean more to African-American/Native-American while others are more BIPOC, how do we differentiate between the two in the portfolio and in IPS language?
 - How much can the selection of the language be useful in how we negotiate with investment managers?
 - Need to define ownership diversity, ask for demographic breakdown of ownership in terms of race ethnicity and gender, and obtain a breakdown of workforce.
 - On community investment portion can determine where our capital is deployed, vehicles to use for investing such as CDFI's that are investing in known gaps.
 - Sample documents offering options on how it could be framed and additional discussions around philosophy need to be had to help guide the statement. Need the manager data to identify where we stand presently to help guide sample document options. Determine if due diligence 2.0 is something that should be imbedded in the policy.

Action item 10: Seth Davies to send Due Diligence 2.0, an alternative approach to conducting due diligence on emerging managers, to the committee.

Action item 11: Subcommittee of Brunsting, Lasher, Lowe and Minahan to meet with Seth Davies to create sample language options developing a set of practices, accountability around those practices, and how those practices may be imbedded in the IPS.

Action item 12: Brunsting to work with Lasher, Lowe, Minahan and Seth Davies to identify date(s) for the subcommittee to meet.

Action item 13: McGeorge to share Due Diligence 2.0 with NEPC for review and discussion.

Next Meeting
August 30 & 31, 2022