

SOCIALLY RESPONSIBLE INVESTMENT GUIDELINES

I. Introduction

The Investment Committee (IC), advised by the Socially Responsible Investing Committee (SRIC), shall manage the UUCEF in a manner consistent both with Unitarian Universalist values and the Fund's return and risk objectives.

This work continues in unbroken line the vision of those Unitarians and Universalists who have sought financial expression of justice. As articulated by the 1999 UUA Task Force on Socially Responsible Investing, "Socially Responsible Investing allows the UUA to harness the power of its financial resources to live out and express UU values."

This policy addresses investment criteria on environmental, social and governance issues. In implementing this policy, we are cognizant of the intersectionality of all of these issues, and we are guided by the UUA commitment to advancing racial justice, supporting multi-culturalism and dismantling white supremacy culture, which is a system of wealth, power and privilege that advantages white people and keeps people of color on the margins. As the 2017 Statement of Conscience put it: "The escalation of income and wealth inequity undergirds many injustices that our faith movement is committed to addressing, including: economic injustice, mass incarceration, migrant injustice, climate change, sexual and gender injustice, and attacks on voting rights."

The securities held in the UUCEF fall into two categories, and the incorporation of UU values is handled differently for each.

- (a) Separate accounts, which hold individual securities. These securities are managed by specialized investment managers, but the UUCEF can direct those managers to eliminate specific companies or industries from the portfolios.
- (b) Co-mingled funds, including private co-mingled funds, mutual funds, ETFs and similarly structured vehicles. With these assets, the UUCEF has no direct influence over the securities included in the portfolios. In these cases, the UUCEF brings UU values to bear in the selection of the managers.

When applying the SRI Guidelines, the Investment Committee Guidelines ("IC Guidelines") and the UUA Investment Policy ("Investment Policy") and the Guidelines and Policy on the UUCEF Community Investing ("Community Investing") and other applicable socially responsible investing criteria (together "Policies and Guidelines"), the Investment Committee ("IC") and the SRIC shall collaborate to optimize the investments of the Unitarian Universalist Common Endowment Fund (the "UUCEF" or the "Fund"), within the context of these guidelines and the investment and impact opportunities available in the markets.

II. Security Selection in Separate Accounts

Investments of the UUCEF funds in specific companies are to be avoided or preferred according to their implementation of environmental, social and governance ("ESG") policies, practices, performance and disclosure. The SRIC, Investment Committee and UUA Treasurer shall work collaboratively with investment consultants to develop an applicable framework. Both committees shall then determine thresholds of investment (these may be by industry sector, investment vehicle, and/or other appropriate categories). Small holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

A. Environment and climate change

Investments are preferred in companies that (1) produce products or services that reduce waste

generation or conserve natural resources; (2) reduce the use of energy, water, fertilizer, pesticides, and hormones in food production; (3) show significant progress in reducing volume and toxicity of waste, emissions and effluents; (4) have innovative programs to reduce use of energy, water, materials and land; (5) have consistently good compliance records; (6) have strong environmental management systems including clear environment policies and audits; (7) are committed to standardized environmental reporting (e.g., Global Reporting Initiative, CDP, UN Guiding Principles on Human Rights), (7) are proactively addressing global climate change by aligning their long-term strategy with the goals of the Paris Climate Agreement including a just transition; and (8) publicly support policy solutions to climate change and other environmental threats.

The UUCEF seeks to avoid investing in companies that (1) show a pattern of serious violations of environmental regulations; (2) show a below-average record of environmental performance and/or are responsible for significant environmental damage; (3) are in industry sectors with high adverse impact on the environment and have no mitigation strategy; (4) have been negligent in handling significant environmental problems; (5) are significantly involved in practices with negative global impacts such as rainforest destruction and ozone depletion; (6) contribute in significant ways to climate change, and/or (7) oppose directly and/or through third-party affiliates policies addressing climate change and other environmental problems.

Consistent with the 2014 Business Resolution adopted by the General Assembly, the UUCEF will not make new investments in companies listed on the Carbon Underground 200 (formerly the Carbon Tracker 200) list. However, the UUCEF may purchase minimal shares of these companies for the Advocacy Portfolio in order to enable the introduction of shareholder resolutions and other forms of engagement.

B. Social

The UUCEF favors investment in companies with explicit human rights principles, encompassing the rights of indigenous peoples and immigrants and addressing racial justice. We seek to invest in companies that fulfill the responsibility to respect human rights as articulated in the UN Guiding Principles on Business and Human Rights. Furthermore, we will favor companies with fair labor standards including freedom of association that guide their domestic and global operations in both owned facilities and their supply chains. Also favored are companies with (1) safe, useful high-quality products or services that enhance the quality of life; (2) responsible pricing and marketing practices; (3) high performance in addressing product safety; (4) strong policies and programs in recruiting and development for historically marginalized people; (5) innovative labor policies demonstrating commitment to quality of life (paid time off for volunteering, sabbaticals, employee recognition, company sponsored volunteer programs, flex-time, part-time benefits, job sharing, telecommuting and dependent care); (6) inclusive nondiscrimination policies (e.g., race, national origin and religion, sexual orientation, gender identity and expression, same sex partner benefits, positive union relations or employee participation) and adherence to those policies; (7) strong emergency and on-going safety programs and performance (8) strong records of investing in local communities (e.g., as exemplified by outstanding Community Reinvestment Act ratings); and (9) business ethics standards that are clear, widely disseminated, and enforced.

The UUCEF seeks to avoid investing in companies with direct violations of the most basic human rights to survival and integrity (e.g. the use of forced labor, child labor, sweatshops and other violations of International Labor Organization standards). UUCEF investments will also avoid companies that (1) negatively impact indigenous peoples, immigrants and local communities (2) fail to obtain free, prior and informed consent for projects affecting communities; (3) fail to invest adequately in local communities; (4) engage in predatory lending or redlining; (5) manufacture or sell products with adverse public health consequences; (6) conduct misleading or irresponsible marketing of products or services; (7) demonstrate patterns of violating equal employment opportunity (“EEO”) or Occupational

Safety and Health Administration (“OSHA”) rules or comparable recognized international standards; and/or (8) demonstrate labor relations problems.

C. Governance

Preference is given to companies with good performance in matters of ethical corporate governance principles: (1) accountability (independent monitoring and reporting on ESG performance); (2) democratic practices including equal voting rights for all shareholders; (3) transparency (regular audits e.g., full disclosure of charitable giving and full disclosure of election and lobbying policies, practices, oversight and amounts contributed, including through third parties); (4) embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions, performance-based executive compensation that considers a company’s impact on all stakeholders, and policies that hold perpetrators of sexual violence accountable); and (5) responsibility (e.g., community investment, generous corporate philanthropy, positive engagement with shareholders and other stakeholders).

The UUCEF seeks to avoid investments in companies which have demonstrated disregard for these corporate governance standards.

D. Prohibited securities

There are two categories of investments historically prohibited by the UUA: tobacco and weapons, specifically: (1) those companies which engage in the manufacture of tobacco-based products, with a UUA investment tolerance level of zero; and (2) those that produce or sell handguns and/or are major manufacturers of weapons (among the top 50 based on revenues in the US or worldwide) or those companies where weapons represent over 5% of revenue.

A company may be excluded if it provides significant financing or other financial services to, derives a material percentage of its revenues from, or sources a material percentage of its raw materials from a country or area, i) demonstrating a prolonged and systematic pattern of human rights violations or ii) where significant human rights violations have been widely documented.

The threshold of a company’s involvement in activities that preclude investment by the UUCEF will be determined through collaboration between SRIC and the Investment Committee. Holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy.

These prohibitions are reviewed as appropriate, at a minimum once a year, by the SRIC which will discuss them with the Investment Committee and jointly report them to the UUA Board of Trustees.

E. Implementation

The IC/SRIC may utilize various systems or service providers to assist in the implementation of these guidelines. Emphasis should be given to a broad scope of data and research, including performance over time and approaches to transparency and remediation. Given comparable alternatives, implementation should favor investments that address ESG issues openly and in way that demonstrates respect and concern, particularly those evidencing best practices within sectors or market segments with significant environmental and social impacts.

F. Shareholder advocacy and corporate engagement

The UUCEF also seeks to promote UU values, including environmental stewardship and social justice, through engagement with the management teams of companies whose securities it

holds. The UUCEF may engage companies independently or in collaboration with other faith-based and socially responsible investors. The specific methods used to engage companies may include letter-writing, direct dialogue, and the filing or co-filing of shareholder resolutions on environmental, social, or governance topics. If necessary, to support advocacy efforts, we may maintain holdings in companies that would not otherwise meet our standards for directly-managed investments.

III. Selection of Co-mingled Fund Managers

In order to gain exposure to asset classes and regions of the world needed for adequate diversification of our endowment, we often invest in pooled investment vehicles. Recognizing that co-mingled funds, such as mutual funds, ETFs, hedge funds, real estate and private funds, do not allow investors to customize the securities held in the portfolio, the UUCEF will bring UU values to bear in the manager selection process. As practical, every search for professional investment managers shall include at least one firm with expertise in SRI/ESG in the asset class under review. When a fund manager is under consideration, the UUCEF will consider the following factors:

- The ethical standards and culture of the firm
- How and to what extent the firm incorporates ESG into its investment process
- Whether the firm is a signatory to the PRI, and if so, whether the firm makes its annual PRI report available publicly
- The firm's policies and performance on diversity and inclusion
- The firm's proxy voting policies, and specifically, whether it would likely support resolutions proposed by the UUCEF
- Whether the firm engages with its portfolio companies on ESG issues