

Values Based Investing Update

Unitarian Universalist Association / UU Common Endowment Fund

September, 2023

This is a quarterly update on environmental, social and governance (ESG) actions of the UU Common Endowment of the Unitarian Universalist Association. The UUCEF currently holds about \$250 million in investments on behalf of hundreds of UU organizations, and is overseen by the UUA Investment Committee working with UUA staff and private investment advisors. The UUCEF has a dual bottom line of sustained long-term financial performance to provide resources for Unitarian Universalism, and to advance UU values through ESG commitments. ESG commitments are followed by screening out certain investments that are against our values, prioritizing investments and investment managers that reflect our values, directing up to 5% of our funds into values-driven community investments, and pushing companies to align with its values through shareholder activism. Watch [this short video](#) for a introduction to the UUCEF's socially responsible investing and ESG strategies.

I. Fossil Fuel Divestment

After completing our divestment from fossil fuel companies this spring (defined as those on the Carbon Underground 200 list), the Investment Committee voted to classify these companies as permanently “prohibited securities” so that the UUA will remain divested from them. Other prohibited securities include tobacco companies, weapons manufacturers and private prisons. [Read more here about the IC's decision to end shareholder advocacy with fossil fuel companies and fully divest.](#)

Recognizing the substantial organizing within Unitarian Universalism to support fossil fuel divestment and climate action, including business resolutions submitted at both the 2014 and 2023 UUA General Assembly, the IC is committed to further articulating and focusing its cohesive climate action strategy that reflects UU values. Going forward, the UUCEF's resources will center on shareholder engagement campaigns where we can maximize our impact (see II. Fossil Fuel Financing), and will be directed towards investments to speed the US and global transition to clean energy production.

II. Fossil Fuel Financing

Targeting financial support for fossil fuel companies and infrastructure is a key strategy across the climate movement of today, and a main prong of the UUCEF's climate action strategy. The UUCEF has had success engaging with banks about fossil fuel financing, and will keep this as a priority for shareholder advocacy this year. In 2023, we took the lead in filing a resolution with NY Community Bancorp to push them to create a meaningful reporting process on lobbying and political influence disclosure related to climate and the environment. This includes asking the bank to report on how trade associations (ex. The American Bankers Association) were lobbying against climate advancements. The resolution passed with 95% of the vote after being supported by management, and NYCB is now in communication with the UUA and its coalition partners about how to develop this reporting. Similar resolutions have been filed with many other large banks as a key

demand for transparency and leverage, and the success of our resolution is one of the first opportunities to work directly with a bank in developing such an effective report. Our hope is that this report could provide a model report to use to pressure other, larger banks.

III. Holding investment managers accountable for our values

About 70% of the UUCEF assets are invested by outside investment managers, known as “pooled funds”. The investment managers were selected by the IC on a range of values and performance-based criteria. On an ongoing basis, the IC and its investment consultant review these pooled fund managers to see if they are living up to the values of the UUCEF. As a result of a recent review, we have ended our relationship two pooled funds – GQG Capital due to its holdings, and RBC Global due to its connection to the Royal Bank of Canada as leading bank for fossil fuel financing– and changed the to a different fund offered by Acadian Asset Management. These three funds have been primarily reinvested in the Acadian Fossil Free Emerging Markets fund. The IC is committed to a regular cycle of evaluation and reporting for its outside pooled fund managers.

IV. Investing in BIPOC companies and communities

In the last few years, we have moved into strong community-based investing with a racial justice framework. We’ve made investments favoring small banking institutions over multinational banks including [Inclusiv](#), our partner in funding community development credit unions. In the past year, we have made a \$2 million investment in [Oweesta](#), our largest ever community investment. Oweesta directs investment into Indigenous communities that have borne much of the impact of oil and gas extraction.

V. New consultants for shareholder advocacy

The IC is partnering with [Investor Advocates for Social Justice](#) (IASJ) to prepare its annual shareholder filings this year. IASJ works with a number of faith-based and secular groups on shareholder activism, with specific expertise in climate action, racial justice and supporting Indigenous communities.

VI. Updated Investment Policy Statement

Following the call from the 2020 UUA Business Resolution on Human Rights and Investing, the IC has drafted a new Investment Policy Statement that integrates financial performance and ESG commitments for the first time into a single document. Under the leadership of our former UUA Financial Advisor, Lucia Santini-Field, the Socially Responsible Investment Committee merged with the Investment Committee in July 2022, a precedent-setting change that emphasizes the UUCEF’s dual bottom line. The combined committee significantly increased the percentage of the Common Endowment portfolio dedicated to community investments from 1% to 5%. This new policy statement is an essential foundation for the combined committee because it incorporates the full range of current ESG commitments. This includes the 5% community investment goal, the classification of fossil fuel companies as prohibited securities, and the UUCEF’s core commitment to racial justice and dismantling white supremacy. Pending approval from the UUA Board of Trustees, this policy statement will be finalized this fall.

Prepared by the UUA Investment Committee members and UUA staff. For more information, email responsibleinvesting@uua.org.