

Sustainable Investing

Transforming Companies through Environmental, Social and Governance Best Practices,
and Witnessing to Social Justice in the Tradition of the United Church of Christ



The Pension Boards
United Church of Christ, Inc.

Partners in Ministry Since 1914

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Message from the President and Chief Executive Officer



It is an honor and privilege to greet you as the new President and Chief Executive Officer of the Pension Boards–United Church of Christ, Inc., and to share with you how PBUCC is committed to sustainable investment on

behalf of Annuity Plan members and the whole church.

I am particularly pleased about a new sustainable investment strategy that will be launched in 2016. At its June 6, 2015 meeting, PBUCC's Board of Trustees voted unanimously to establish a new accumulation investment fund that incorporates environmental, social, and governance (ESG) factors. This new fund option, which will track the MSCI World ESG Index, will be offered to members with accumulation accounts in the Annuity Plan.

The ESG fund provides members with a socially responsible investment option, utilizing an internationally-recognized ranking of publicly traded companies with the highest standards of sustainable performance. A company that is good to its employees, the environment, and the community in which it operates is not only good for the Earth, but also good for long-term value and returns.

The new fund option complements our ongoing

efforts in shareholder engagement and advocacy in partnership with the Interfaith Center on Corporate Responsibility. Our corporate engagements in the latest proxy season reveal advances and transformation in environmental, social, and governance policies in the companies we challenge to do better.

As I begin my service with the Pension Boards, I look forward to meeting and working collaboratively with UCC leaders and members while maintaining PBUCC's high standards of service to the retired clergy and lay church employees who participate in our plans. Building upon the extraordinary heritage of excellence in this historic ministry, I look forward to further enhancing our relationships with you – our members.

Sincerely,

Brian R. Bodager
President and Chief Executive Officer
The Pension Boards–United Church of Christ, Inc.





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Message from the Director of Corporate Social Responsibility



We are pleased to offer this booklet to all those who call, write, and inquire of us, “What does the Pension Boards–United Church of Christ do about socially responsible investing?” When you first glance at the offerings here, you may

be surprised to discover how much that question covers.

The general assumption is that socially responsible investing, or “sustainable investing,” is solely a matter of stock picking, buying or selling. And so, it is a surprise for many that the depth and breadth of sustainable investment is far greater and more comprehensive than what individual equities a particular portfolio might hold. It also involves strategies, old and new, encompassing such things as shareholder advocacy, green bonds, private equity business development, infrastructure and individually tailored funds, such as our new SRI fund option for members in the accumulation phase. (See p. 13)

Furthermore, much of the sustainable investment we are engaged in is in response to actions taken by the General Synod of the United Church of Christ, which helps guide the prophetic witness of the church on ESG issues. PBUCC takes its covenantal responsibility and mutual accountability very seriously and seeks in every way possible to respond in faithfulness to the call of God and the church to serve all those whom God loves. The

balance required by a pension plan is to always hold high the members of the plan and their retirement interests as servants who dedicated their lives to service in the church.

This booklet was distributed prior to and during the Thirtieth General Synod of the United Church of Christ, held in Cleveland, Ohio. It accompanied our report to Synod regarding PBUCC’s efforts to address climate change raised at the Twenty-Ninth General Synod; our ongoing investment in Palestinian economic and social development being lifted up at the Thirtieth Synod; and, in support of a new resolution proposed jointly by United Church Funds, Inc. and The Pension Boards–United Church of Christ, Inc. on sustainable investing, which was passed overwhelmingly. (See pp. 15-19)

I hope that you will not only review this report carefully, but will contact me with questions and engage in discussion about what we are doing with sustainable investment. I encourage you to invite me to your church or organization or assembly to speak or to give a presentation or workshop. Visit the CSR section of the Pension Boards website (www.pbucc.org) for periodic updates. I look forward to meeting and speaking with you about the important work we are doing at PBUCC.

Sincerely,

Richard E. (Rick) Walters
Director, Corporate Social Responsibility
The Pension Boards–United Church of Christ, Inc.



Social Principles: Foundation For Sustainable Investing

Environmental, Social and Corporate Governance Guidelines
from PBUCC's Investment Policy

There is a growing recognition that financial performance is strongly linked to sustainable business practices. Environmental, social and governance issues (ESG) are coming forward as important considerations for investors and corporate managers.

The reason is simple: a company that considers ESG an integral part of its operations and strategy is more likely to perform well over the long term, because it reduces risk and cost while increasing efficiency and competitiveness.

The Pension Boards–United Church of Christ, Inc. (“Pension Boards,” “PBUCC”) advocates an incorporation of ESG factors into our investment policy guidelines and proxy voting policy guidelines based upon the sole purpose of the financial best interest of plan participants. The United Nations, along with 25 other leading practitioners of responsible investing practices, co-authored its Principles for Responsible Investment, asserting the importance of ESG issues in investment decision-making. There are more than 800 signatories to the initiative, representing approximately \$22 trillion in assets. Therefore, managers of funds should agree to become signatories to those Principles and incorporate them into their investment strategies on our behalf.

PBUCC sees the growing importance of ESG as affirmation of our belief that corporate responsibility and long-term performance are not mutually exclusive but are complementary. It reflects our central goal of providing returns aligned with values. We embrace ESG in our investment strategy, because it is an integral element of sustainable business practices and ultimately, profitability.

We believe that:

- Responsible investing should be a proactive, positive force, rather than the widely-held view that it relies solely on the negative, exclusionary screening of so-called “sin stocks.”
- We can influence corporate behavior through the encouragement of responsible actions, because a steadfast focus on ESG can help make a company's stock more desirable and profitable.

Encouraging Desirable Corporate Behavior

Our sole obligation is to act as a prudent fiduciary, managing the investments of our participants in a manner consistent, so far as legally possible, with the historic social justice witness and polity of the UCC. Promoting ESG issues in the companies in which we invest serves both parts of our mandate – to generate good returns while honoring the values of the organization we serve.

Our activities include:

- Advocacy – Engaging management by promoting sustainable business practices that consider the impact of ESG policies.
- Proxy Voting and Shareholder Resolutions – PBUCC utilizes respected proxy advisers to help us analyze issues presented to shareholders for voting, and also to file shareholder resolutions. We exercise our votes in a manner that promotes long-term sustainability.
- Public Policy Engagement – We collaborate with like-minded organizations and officials to influence public policy as it affects the rights and long-term interests of shareholders.

The Investment Committee has decided that companies in the tobacco, liquor, and gambling industries should be avoided to the extent possible within the above policy. In its selection process, the investment manager should avoid securities of companies that derive a significant portion (as defined below) of their revenues from the manufacture, sale, or distribution of products or services in these industries.

Product/Service	Approximate Percentage
Alcohol	10%
Gambling	10%
Tobacco	1%



If an investment manager wishes to purchase securities of a company in an industry which the Investment Committee has determined should be avoided, that manager must first obtain permission to do so from the Investment Committee. Any request for permission must be submitted in writing to the Investment Committee by the manager, and it must include the research performed by the manager supporting the conclusion that no alternative with the same or superior risk/reward relationships compared to the security in question could be found.

- Partners – We engage shareholder advocacy alongside ecumenical partners, especially the Interfaith Center on Corporate Responsibility (ICCR), and other like-minded investor organizations, within our sole discretion, that share our values and concern for sustainability and good governance.

About The Pension Boards–United Church of Christ, Inc.

Mission Statement

The Pension Boards administers comprehensive employee benefits programs for the United Church of Christ, providing the highest standards of service, access, and options to active and retired UCC clergy and lay employees.

Vision Statement

To strengthen the church by helping participants achieve health and economic security

Core Values

In all we do, the core values of
The Pension Boards–United Church of Christ, Inc. are to:
Act ethically
Build trust
Communicate transparently
Demonstrate excellence



History and Services

The Pension Boards–United Church of Christ, Inc. is an Affiliated Ministry of the United Church of Christ (UCC), with the fiduciary duty to invest assets responsibly on behalf of active and retired UCC employees. As an Affiliated Ministry, PBUCC is an independent and separately incorporated nonprofit membership corporation with separate governance, and the assets held in trust are not church-owned assets, but funds held and managed on behalf of members that represent earned compensation paid into the plan on their behalf.

History

The Pension Boards' 100 years of service to its members and the church include a long and active history of social witness on political, environmental and human rights issues:

- In 1914, visionary stewards of one of the UCC's four predecessor bodies began establishing programs to assist clergy in achieving a level of economic security that allowed them to fulfill their callings without the additional stress of financial worry.
- Prior to this, the average 25-year-old minister fresh out of seminary could expect to earn an annual cash salary ranging from \$600 to \$1,800.
- Benefits such as health insurance or a retirement plan were rare. In all likelihood, a pastor's wife – most pastors were male – would assume an unpaid position in the church.
- The family would live in a parsonage throughout the pastor's career, only moving into their own home at retirement – if they could afford one.
- A great many clergy spent their "golden" years struggling to make ends meet.
- Today, the majority of seminary students are women.
- Health benefits, retirement plans, and housing allowances are standard in a pastoral compensation package.

100 YEARS PARTNERS IN MINISTRY

1914

Based on memorials received from churches in Southern California and Ohio, the National Council of Congregational Churches incorporates the Annuity Fund for Congregational Ministers. At the same time, the Evangelical Synod of North America is completing implementation of the Minister's Retirement Annuity Fund for their clergy.



anniversary of the landing of the Pilgrims, churches contribute to the Pilgrim Memorial Fund, which brings stability to the covenant that provides retirement income.

1931

To bring life to the Church's commitment to fair and just compensation, the Retirement Fund for Lay Workers is implemented. The first two ministries to enroll their employees are the American Missionary Association and Annuity Fund itself.



1957

The Basis of Union for the United Church of Christ outlines with care the details for the merging of the Annuity Fund with the Pension Fund of the Evangelical Synod and the Sustentation Fund of the Reformed Church. All new members will come into the Annuity Fund and the full merger of all funds' operations under the administration of the Pension Boards will come in 1988.



for Maximum Social Impact." The report is prepared with the support of the Annuity Fund and favors using stock ownership to improve corporate actions and behavior. The Pension Boards continues its leadership position in the Interfaith Center on Corporate Responsibility, working to improve corporate citizenship.



1977

Improvements to the design of the Annuity Fund are implemented to offer members and retirees choices in how their retirement accounts are invested. Later, in 2010, members will have an even wider range of investment options that can be used to create a personal risk profile. Looking forward, Trustees continually review possible improvements for members.

continues, providing shared ideas for benefit design and shared savings through group purchasing negotiations.

1995

Together with the retirement benefits of the Annuity Fund, plans of life, disability, health and dental coverages are made available to all UCC-related employers. Administrative efficiencies and the zero-profit premiums, still available today, help ministries shift benefit expenses to program support.

2014

Celebration of 100 years of partnership in ministry and a renewed covenant for the support of all ministries of the United Church of Christ!

1918

The first annuitant retires on November 1, 1918 at the age of 71. He continues to draw an annuity until after age 90. By the end of 2012 the number of annuitants will have grown to 10,139.

1920

In support of the Annuity Fund's payments to retirees and to honor the 300th



1935

As the United States struggles through the Great Depression, the Trustees continue to invest in assets that support the dependable, steady flow of annuity payments to retirees. Through World War I, the Great Depression and all subsequent economic crises,



1966

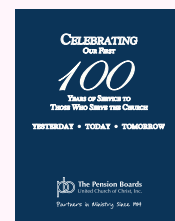
Clergy become eligible for participation in the federal Social Security program, but may choose not to be covered. General Synod 6 encourages clergy to participate and churches respond with supporting contributions to both the Annuity Fund and Social Security.

1970

The Executive Council of the General Synod receives the report "Investing Church Funds

1980

Through the Church Benefits Association, the Pension Boards joins with 26 other denominations and religious organizations to successfully preserve proper recognition of church benefits within the new federal regulations of ERISA. Still today, the ecumenical relationship



1914

1934

1954

1974

1994

2014

A Pension of Honor



- Thanks to advances in lifestyle and health care, the average life expectancy is now 78.
- Member Education – seminars, conference calls, and webinars for participants at all stages in their careers, offering financial education and information on a variety of employee benefits topics.

Services

The Pension Boards helps those who serve the church achieve health and economic security through multiple plans and programs:

- Annuity Plan for the United Church of Christ – a professionally managed 403(b) pension plan with eight investment fund options for members in their active years of employment. In retirement, members can annuitize all monies in their accumulation accounts or invest Tax-Sheltered Annuity contributions, rollovers, and up to 20% of employer contributions in PBUCC investment funds.
- UCC Medical and Dental Benefits Plan – comprehensive medical coverage including wellness and preventive care, pharmacy and mental health benefits, and optional dental and vision benefits.
- UCC Life Insurance and Disability Income Benefit Plan – provides financial peace of mind to survivors in the event of a participant's death, as well as short- and long-term disability income benefits.
- Flexible Benefit Plan for UCC Ministries – a tax-advantaged means of setting aside money, through salary reduction agreement, for anticipated medical and dependent care expenses.
- Long-Term Care Insurance – available to UCC employees at favorable group rates and with relaxed health screening through LTC Partners.
- United Church Board for Ministerial Assistance – a subsidiary corporation affiliated with PBUCC that provides annual visitation, pension supplementation, health premium supplementation, and Christmas gift checks to lower-income retired clergy and lay employees, as well as emergency assistance to active and retired employees facing unforeseen financial crisis; sponsor of the Next Generation Leadership Initiative (NGLI), for UCC clergy in their 20s and 30s.



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Rev. Richard E. Walters
Director, Corporate Social Responsibility



What Is Corporate Social Responsibility?

For PBUEC, corporate social responsibility (CSR) is a ministry of social justice witness that we pursue on behalf of our members, and of the church as a whole.

Through CSR, we strive to use our influence as shareholders to effect change that reflects the historic social justice priorities of the United Church of Christ. With our ecumenical partners, we use the power of ownership to encourage corporate change that promotes human rights, fair and humane working conditions, and environmental sustainability.

As a shareholder, PBUEC has a place at the table, and a platform from which we are empowered to speak, to engage, and to negotiate with companies with whom we invest, and in so doing, effect change from within.

Shareholder activism is a vital component of CSR because:

- Institutional investments have moved away from individual corporations or investment vehicles, but are now concentrated in commingled assets/portfolios.
- Strategies for effecting social change are increasingly diversifying, and the many paths to influence and change can be pursued simultaneously.
- Social justice advocates come from diverse communities, providing opportunities to form strong alliances with far-reaching influence.
- A new generation of corporate leaders and workers is increasingly interested in and committed to human rights and a thriving planet.



What is Fiduciary Duty?

PBUCC, in its capacity as Annuity Plan fiduciary, is bound by law to protect the security of the retirement assets of lay church workers and clergy.

What PBUCC can do:

- Act for the sole and exclusive benefit of Plan members: active and retired ministers and lay church workers of the United Church of Christ.
- Instill the social justice witness of the church into the business practices of corporations in which it owns stock.
- With our ecumenical partners, leverage assets by using the power of ownership, to encourage change, action, and investment in the earth and its inhabitants.
- Engage in direct dialogue with corporate management to promote socially responsible practices.
- Have PBUCC trustees and directors regularly monitor and reassess their investment decisions.
- To the extent possible, avoid investing in “sin stocks”: companies or industries that profit from exploiting human weaknesses (gambling, alcohol, and tobacco, e.g.).
- In all investment decisions, apply our investment policy to consider environmental, social (human rights), and governance factors related to companies in which we invest.
- Implement General Synod decisions to the extent permitted by our duty of loyalty to members, and in ways especially unique to our mission and institutional resources.



Shareholder Action

The Pension Boards utilizes shareholder activism, exercising PBUCC's rights as an owner to engage corporations in discussion about corporate social responsibility and influence decisions that will improve the quality of life worldwide. Although PBUCC does not run any of the companies the organization holds shares in, PBUCC leverages its shares to ensure that the retirement benefits held in trust for its members are invested in a socially responsible way.

Part of PBUCC's and the Interfaith Center on Corporate Responsibility's (ICCR) response to climate change is stepped-up shareholder activism and corporate engagement. More than 150 shareholder resolutions on climate change were supported by institutional investors, including PBUCC, in the 2014 season. The average votes for these resolutions were 23.76%. Twenty-five resolutions called for companies to provide sustainability reports with respect to fossil fuel use and emissions. The average votes in support of those resolutions were 38.8%. The adoption of the four policies recommended by the International Energy Association (IEA) below would curb climate change to sustainable goals by 2020 and is the focus of many future resolutions.

The IEA issued a "4-for-2" scenario that describes four policies for limiting climate change to 2 degrees C. In the 4-for-2 scenario, global energy-related GHG emissions are 8% lower in 2020 than levels otherwise expected.

The four policies:

- Targeted energy efficiency measures in buildings, industry and transport account for nearly one-half the emissions reduction in 2020, with the additional investment required being more than offset by reduced spending on fuel bills.
- Limiting the construction and use of the least efficient coal-fired power plants delivers more than 20% of the emissions reduction and helps curb local air pollution. The share of power generation from renewables increases (from around 20% today to 27% in 2020), as does that from natural gas.
- Actions to halve expected methane releases into the atmosphere from the upstream oil and gas industry in 2020 provide 18% of the savings.
- Implementing a partial phase-out of fossil fuel consumption subsidies accounts for 12% of the reduction in emissions and supports efficiency efforts.



Campaign on Climate Change

The Pension Boards has long placed special emphasis on “sustainability” and on addressing climate change. In the past, together with other investor partners, PBUCC has spearheaded significant resolutions addressing greenhouse gas (GHG) emission goals; GHG emission disclosure; best practices in hydrocarbon production; addressing hydraulic fracturing, flaring and fugitive methane emissions; and sustainability reporting.

The Pension Boards’ Corporate Social Responsibility Committee approved three important resolutions with respect to fossil fuel:

- Trustees and staff commit ourselves to personally reduce our carbon footprint and to encourage our family members and our local churches to do the same.
- PBUCC will continue to make shareholder advocacy on climate change an immediate, top priority for the next five years.
- PBUCC will respond with creativity to seek out fossil fuel free investment vehicles and partner with other UCC bodies such as UCF to pursue this activity.

Moving forward, PBUCC is building on the foundation of past resolutions as well as raising new central questions about climate change with the business community as a whole and fossil fuel companies in particular. An approach utilizing a combination of requests that address different aspects of climate change is necessary. As part of the program, PBUCC is pursuing a number of initiatives to actively address climate change, including:

- Co-filing a shareholder resolution, along with other ecumenical partners, challenging the ConocoPhillips Company to disclose information about its lobbying efforts regarding active opposition to environmental regulations and regulation of greenhouse gas emissions.

- Co-signing letters to all the major fossil fuel companies requesting information about stranded carbon assets that affect the bottom line value of these companies and make them potentially bad risk investments.
- Requesting that all companies review climate change policies, goals, and strategies in light of the Intergovernmental Panel on Climate Change’s (IPCC) scientific findings and requisite public policies to reduce carbon emissions by 50% globally (80% in the U.S.) by 2050. In short, use the IPCC framework as the foundation to reframe GHG goals.
- Calling for companies (especially fossil fuel companies) to review their present public policy advocacy and move to support national, state, and local policy and legislation addressing climate change. Conversely, to reverse lobbying, directly and indirectly, opposing the EPA’s work on GHG emissions or legislation addressing climate change.
- Requesting that corporations review and assess public policy involvement related to climate change (e.g. membership in ALEC and Heartland Institute).
- Asking fossil fuel companies to study their carbon asset risk and its implication for their future balance sheet.

The complete *Report of the Pension Boards–United Church of Christ, Inc. to General Synod 30 and the United Church of Christ Board of Directors Concerning Its Response as of June 2015 to the Resolution Urging Divestment – Along With Other Strategies – From Fossil Fuel Companies to Address Climate Change* is available on the PBUCC website at <http://bit.ly/1HIVAD7>.



Economic Leverage Toward Peace In the Middle East

Economic leverage for social transformation has been the goal of the Pension Boards' corporate social responsibility ministry for more than 42 years, and continues to make a difference through multiple strategies called for by General Synod resolutions.

A resolution was passed in 2005 at the Twenty-Fifth General Synod of the United Church of Christ entitled "Concerning Use of Economic Leverage in Promoting Peace in the Middle East." One of the provisions of the resolution calls upon the church to "make positive contributions to groups and partners committed to the non-violent resolution of the conflict."

PBUCC has been engaged in this call through its investment in the private equity fund, Siraj Palestinian Fund LP1, in which PBUCC holds a 0.67% interest. PBUCC's investment in Siraj does not include pension or benefit plan funds.

The Siraj Palestinian Fund consists of direct equity investments in viable start-up, distressed, and relatively large enterprises in Palestine. Siraj was named the "Best Asset Manager in Palestine" in 2013, and has created more than 2,100 new Palestinian jobs since 2011, spurring economic growth and innovation in Palestine.

PBUCC also works with other activists and UCC mission partners in a comprehensive witness to peace in the Middle East.



Socially Responsible Investing (SRI) Initiatives

What are initiatives that PBUCC investment staff have undertaken?

There are a number of SRI categories of note that investment staff are involved in: 1) new investment fund option; 2) compliance and monitoring; 3) market knowledge and education; and, 4) due diligence and implemented investments.

New Investment Fund Option: The Northern Trust Global Sustainability Index Fund is a registered mutual fund vetted by PBUCC Investment staff and the Investment Committee of PBUCC's Board of Trustees. The fund, available to members with accumulation accounts in the Annuity Plan, incorporates environmental, social, and governance (ESG) factors and tracks the MSCI World ESG Index.

Compliance and Monitoring: The most routine and common of the PBUCC team's SRI work, buttressed by the positive revisions to the Pension Boards Investment Policy Statement. As part of regular diligence, the PBUCC team asks all existing and prospective managers to comment on their internal SRI/Environmental, Social, and Governance (ESG) initiatives and discussions. Specifically, the PBUCC team asks:

- Is the manager a signatory to the United Nations Principles for Responsible Investment (UNPRI)? Why not?
- How might the manager incorporate ESG diligence into investment decisions?
- Who/what are other clients, trends, and pressures for or against ESG investing?
- What portfolio return differential is caused by SRI screens?
- What recently open roles have been filled by minority or female candidates?

Market Knowledge and Education: Meetings, webinars and conferences to keep the team abreast of the latest thinking, market trends, and best practices

that are being pursued/implemented in the SRI space. Often these meetings are purely educational but have also led to actual investments. Illustrative meetings include:

- TIAA-CREF Socially Responsible Investing Webinar
- RFK Compass Conference

Positive Investments Implemented: Active investments within one or more PBUCC funds, which have been implemented by PBUCC staff, include:

- Green Bonds – the PB core fixed income team purchased a “green bond” from Nordic Investment Bank, a supranational, the proceeds of which must be used for renewable energy infrastructure or generation, transportation based on renewables, green buildings, wastewater treatment, or energy efficiency. This security is currently being held in the Stable Value and the Core Fixed Income Funds, as well as the UCF Fixed Income Fund. As of end-October 2014, a total of \$20 million in green bonds had been purchased by the PBUCC fixed income team.
- RREEF – a building retrofit strategy that addresses a financing gap with an environmentally sustainable business strategy. RREEF finds buildings that have antiquated electrical systems (e.g. HVAC), parts of a building's capital expenditure that are often overlooked and hard to finance; RREEF partners with the building to finance and upgrade the HVAC, etc. and then splits the cost savings from significantly reduced energy consumption. This investment is in final due diligence and slated for the Participating Annuity.





Resolution Urging Socially Responsible Investment Practices

A Resolution of Witness

Adopted by the Thirtieth General Synod of the United Church of Christ, June 2015

Summary

Almost 50 years ago, the struggle of apartheid in South Africa brought socially responsible investment to new awareness in the life of the church universal and the United Church of Christ – germinating the seeds of three widely recognized tenets of socially responsible investing:

- the financial assets of the faith community could become a powerful tool in bringing about social and political change (sustainable investment)
- as shareholders in publicly traded companies, faith communities could leverage change by taking their witness directly to management, board and other shareholders through the power of ownership (shareholder advocacy)
- if a community so chose, it could sell its holding in a company to make a statement about disapproved practices (divestment).

As time went on, techniques for leveraging assets for change became more sophisticated, varied and influential as a new coalition formed around the Interfaith Center on Corporate Responsibility, of which the UCC is a founding member. But while this group grew and was nurtured by Covenanted, Affiliated and Associated Ministries – principally the United Church Board for World Ministries (Wider Church Ministries), The Pension Boards and United Church Funds – it labored in obscurity to its wider church community.

This resolution seeks to encourage a comprehensive understanding of socially responsible investing by:

1. Naming the full range of complementary strategies of asset leverage
2. Encouraging each body and ministry of the church to employ socially responsible investing strategies according to its own purpose, charter and legal responsibilities
3. Calling upon the General Synod to recognize the diversity of strategies, and the particular resources and obligations of each ministry, to avoid creating unnecessary conflict or adopting future resolutions that will unduly encumber partner ministries.

Biblical, Theological and Ethical Rationale

Our biblical, theological and historical heritage calls us to responsibility in all areas of life – recognizing the holiness of all of God’s gifts and honoring our obligation to love as Jesus loved. Our responsibility extends to management of our financial gifts and to ensuring the sustainability of the resources over which we are stewards.

In the Bible, prophetic ministry is not limited to the contentious confrontation of evil or moral wrongdoing in order to make bold witness, proclamation and statement. Prophetic witness includes the welcoming of transformation, changes to structures of society and political power, and negotiation of peaceful resolution and reconciliation of peoples and institutions with their rightful calling and responsibility. Jonah tries to escape and evade direct witness to Nineveh, but is drawn by God to return and speak directly with those affected by their own condition. Jesus, under protest from his disciples wishes not to avoid the tax collector Zacchaeus, but to enter his home, sit at his table, break bread and seek the healing and transformation that can only come from a welcoming encounter. Through a ministry of conversation and communion, Paul journeys out from those of his own community to seek transformation in a broader community to whom the love of God may extend, using language and symbols native to each community’s understanding. Addressing church conflict in Corinth, Paul affirmed the diverse gifts of the members, correcting the tendency to give primacy to one gift over another, and calling for the body to be united by love which was neither rude nor demanded its own way.



The Biblical witness speaks to a form of dialogue and resolution beyond protest alone, and into the hard work of engagement directly with the people whom we would seek to influence and change. The unbounded love of God knows no particularity – God’s love extends even to those with whom we disagree. Failing to engage in meaningful ways relegates these fellow travelers to a status of “lost” – a characterization our extravagant hospitality cannot tolerate. Redemption, and the possibility for transformation, belong to all when we are called to love as God loves.

Engagement with those with whom we invest our assets offers a direct witness that stands beside bold proclamation. After the sin or evil has been named, the work of transformation into actions for good is just beginning. Working together in coalitions to pool assets to leverage influence for change can and has resulted in new policies, better working conditions, an increase in human rights, a decrease in human suffering, and care for the well-being of Creation.

The United Church of Christ has historically embraced congregational polity and autonomy, balanced by – and sometimes in tension with – covenantal responsibility and mutual accountability to the whole church and among its members. Employing the surfeit of tools of sustainable investment and financial management may amplify the response of ministries to social and political challenges. At the same time, sensitivity may be required to permit others the freedom to act in response to an authentic calling, within the limits of cooperative ministry and covenant.

For these reasons, socially responsible investing practices must be lifted up as a vibrant and powerful component of the work for social justice.

Mutual Accountability

A StillSpeaking church must use its voice in myriad ways to do God’s work of transforming the world. There is a seat at the table for all who use the abundance of their faith to advocate for peace, justice, and a hopeful future for creation and humankind. Socially responsible investing offers an established and internationally recognized way to concurrently call for change while respecting the economic realities of resource stewardship. We welcome those of our churches that have not explored or accessed the benefits

of socially responsible investing practices to join this movement and commit to transformation.

In order to fully accept the call to responsible ownership, the church must seek to engage in all aspects of socially responsible investing, judiciously limiting the call for divestment to those issues with little hope of being addressed effectively by other methods. Collectively, the church must exhaust all possibilities for personal accountability, coordinated activism, sustainable investment and economic leverage to address social and environmental issues. However, to further our goals of a Just Peace, we must create the space to hold our varying responsibilities as parts of our ministries, recognizing that our paths are in part defined by law, regulation or moral obligation in addition to covenantal responsibility.

The financial world, like the rest of society, has evolved tremendously. (See the book, *Evolutions in Sustainable Investment*, by Cary Krosinsky.) A faithful response to issues of justice and investment must include meaningful efforts – including robust conversation, education and dialogue – to evaluate the most effective methodologies for achieving a particular social transformation while maintaining the resources needed to achieve mission priorities and sustain ministry. Faith-based socially responsible investors are both the vanguard of sustainable investing as well as creators of novel ways to use assets for addressing societal needs. It is in this knowledge that our church can acknowledge that socially responsible investing is one powerful way to further the transformational ministry of the United Church of Christ.

Institutional Capacity

The resolution would require no additional financial or staff support. The resolution advances the wholeness and fulsomeness of the public witness of the UCC, and provides a new focus for partnership and advocacy on sustainable investing and financial responsibility.

Probability of Influencing Social Change

With this Resolution of Witness, the General Synod affirms its shared commitment to the responsible utilization and application of financial resources and sustainable investment. The resolution also affirms the maximum effectiveness of multiple, evolving strategies,



and acknowledges mutual respect for the unique witness of ministries according to their purpose, charter and calling. By multiplying the impact of cumulative strategies, the probability increases of influencing social change and moving a step closer to God's vision for the world.

The Text of the Resolution

Whereas the historic social justice witness of the United Church of Christ (UCC) has manifested itself in multiple strategies for social, political and environmental change inspired by the biblical writings, the prophets, the teachings and life of Jesus, the historic cloud of witnesses to the Christian faith, and the leaders and the witness of transformational movements for peace, justice and equality for all, and in the light of God's unbounded love for all creation;

Whereas we who are blessed with financial assets – from those with modest incomes to those entrusted with substantial wealth – bear a God-given responsibility to use our economic power to further the realm of God: From everyone to whom much has been given, much will be required; and from the one to whom much has been entrusted, even more will be demanded. (Luke 12:48, NRSV); and

Whereas the economic power derived from the ownership of financial instruments presents a unique opportunity to speak truth to power and advance the cause of justice for the earth and the women, men and children of every nation; and

Whereas the principles of socially responsible investing – using the power of ownership to improve environmental, social, and governance (ESG) behaviors – align with the mission of members and ministries across the United Church of Christ; and

Whereas the United Church of Christ's Council on Financial Investments (1969) recognized that in order to invest in a manner that lives out our faith in the marketplace, "All Instrumentalities and Conferences should actively seek involvement consistent with General Synod policies to achieve socially beneficial change in corporate practice through their ownership" of financial instruments; and

Whereas widespread acceptance of the benefits of socially responsible investing have led to a growing amount (currently over 12%) of the investable assets in the United States being intentionally invested in a way that is socially responsible; and

Whereas the United Church of Christ is recognized as a founding member of the Interfaith Center on Corporate Responsibility (ICCR), a vanguard organization dedicated to engaging the assets of faith-based and values-driven investors in calls for corporate change; and

Whereas the witness of the United Church of Christ through ICCR continues through the work of current members The Pension Boards–United Church of Christ, Inc. (PBUCC), an Affiliated Ministry of the United Church of Christ, and United Church Funds (UCF), an Associated Ministry of the United Church of Christ, both of which have practiced the principles of socially responsible investing for more than 40 years on behalf of plans and assets of the UCC, respectively; and

Whereas socially responsible investing includes many practices and actions taken at many levels, including but not limited to –

- proactive investment in socially beneficial endeavors, behaviors and opportunities
- dialogues with corporate leadership in pursuit of ESG changes
- shareholder resolutions that call for better practices and more complete disclosures
- exclusionary screens which seek to limit or avoid investment in certain industries for moral or performance bases
- divestment as a last resort, when other means of engagement and witness have failed over time to achieve the desired goal(s); and

Whereas shareholder advocacy, alongside other strategies of economic leverage for social justice witness, is important because of its direct engagement of publicly traded corporations with the witness of the church and



the particular call to justice that the prophetic voice may bring to other shareholders, boards of directors and managers of companies in ways that cannot be duplicated by other forms of social justice action by the church; and

Whereas socially responsible investors use internationally accepted guidelines and norms to determine the environmental, social and governance impacts of corporations and invested assets and do not rely on anecdotal evidence; and

Whereas UCF and PBUCC seek to invest in ways that are consistent with the resolutions of General Synod and the witness of the United Church of Christ while maintaining the fiduciary controls appropriate for the particular kind of assets entrusted to each organization; and

Whereas, UCC polity permits and encourages different ministries of the UCC to advocate and be a witness in ways that are unique to each ministry;

Whereas socially responsible investing — alongside personal and corporate activism, intentional purchasing decisions, legislative improvements, awareness raising and prayer; all established parts of the United Church of Christ's witness of faith — demonstrates the commitment of individuals, churches, ministries and institutions to the work of justice to which all believers are called.

THEREFORE BE IT RESOLVED that the Thirtieth General Synod of the United Church of Christ calls upon all Members, Local Churches, Associations, Conferences, Agencies, and Associated, Affiliated and Covenanted Ministries to examine and adopt socially responsible investing practices appropriate to their individual assets, retirement accounts, and endowments, as guided by the Holy Spirit's call for justice; and

BE IT FURTHER RESOLVED that the Thirtieth General Synod urges all settings and ministries of the United Church of Christ to implement investment and financial policies and practices that promote socially responsible investment, guidelines and commitments, and to continue socially responsible investment for social justice witness on issues that the UCC has made known in past pronouncements and resolutions of

General Synod in ways that are appropriate to each one; and

BE IT FURTHER RESOLVED that the Thirtieth General Synod of the United Church of Christ calls for a range of Socially Responsible investing practices and actions taken at many levels, including but not limited to —

- proactive investment in socially beneficial endeavors, behaviors and opportunities
- dialogues with corporate leadership in pursuit of environmental, social, and governance (ESG) changes
- shareholder resolutions that call for better practices and more complete disclosures
- exclusionary screens which seek to limit or avoid investment in certain industries for moral or performance bases
- divestment when deemed appropriate; and

BE IT FURTHER RESOLVED that the Thirtieth General Synod acknowledges, recognizes, respects and affirms that each setting and ministry of the church has unique and appropriate ways of responding to the call to implement strategies of socially responsible investing within each setting's particular charter, purpose, restrictions and resources; and

BE IT FURTHER RESOLVED that the Thirtieth General Synod recommends to all settings and ministries of the United Church of Christ the partnership inherent in the ministries of United Church Funds and the Pension Boards of the United Church of Christ, which offer socially responsible investing vehicles; and

BE IT FURTHER RESOLVED that in order to bring to life God's vision for the world, a choice to invest in a socially responsible manner should not stand alone, but should be complemented by those other acts of witness that speak truth to power — using the ways and means available to each individual or organization to demand justice, by sharing efforts, policies, results and experiences of social justice witness through socially



responsible investing and through regular reporting and presentations at future General Synods as an important overall witness of the UCC to advocate for justice, peace, human rights and the environmental well-being of the planet; and

BE IT FURTHER RESOLVED that the Thirtieth General Synod, affirming its covenantal relationships, requests future General Synods develop a procedure to allow for collaboration and communication between authors of resolutions concerning socially responsible investment practices and appropriate implementing bodies prior to committee consideration.

Funding

The funding for the implementation of the resolution will be made in accordance with the overall mandates of the affected agencies and the funds available.

Implementation

The Collegium of Officers of the Church, in consultation with appropriate ministries or other entities within the United Church of Christ, will determine the implementing body. tion will be made in accordance with the overall mandates of the affected agencies and the funds available.



Recent Advances In Shareholder Advocacy

In a typical proxy season, over 100 climate-related resolutions are filed by institutional investors including PBUCC, other partners at the Interfaith Center on Corporate Responsibility (ICCR) and Ceres. In response to these resolutions, many major international corporations have committed to set goals to reduce greenhouse gas (GHG) emissions. Many companies are also committed to sustainably produced palm oil that does not result in deforestation. Additional corporate commitments have been secured related to sustainability reporting, energy efficiency and carbon asset risk.

Critics of shareholder advocacy in oil and gas often ask for examples of carbon reserves that have been abandoned or depleted. Dialogues with oil and gas companies have indeed resulted in changes in policy by companies leading to abandonment of carbon reserves. ConocoPhillips has made an ongoing and significant commitment to abandoning carbon and

carbon exploration without the free, informed consent of indigenous peoples in exploration areas such as the Amazon Basin, Western Canada, and Alaska.

More recently, dialogues with Statoil resulted in the closing of their Tar Sands operations in Alberta, Canada, a multi-billion dollar project.

Significant gains have been made in human rights through shareholder advocacy and corporate dialogues conducted by ICCR, in which PBUCC participates, along with other institutional investors. Whether it is participation in the Investor Network on Climate Risk, or the Bangladesh Accords on Supply Chain Worker Rights, or voting over a thousand proxies a year on significant issues such as board diversity, environment, and human rights, PBUCC is at the forefront of social justice witness on behalf of our members, and the United Church of Christ.



Worker Safety

In 2013, the Pension Boards, together with nearly 200 institutional investors with combined assets of over \$1.5 trillion, signed on to the Interfaith Center on Corporate Responsibility's (ICCR) statement calling for systemic reforms to ensure worker safety:

Investor Statement on Bangladesh May 16, 2013

In light of a series of recent calamities in Bangladesh apparel manufacturing plants resulting in an overwhelming loss of life, we, the undersigned investors and stakeholders including 118 organizations representing over \$1 trillion in assets under management, are calling on industry leaders to implement systemic reforms that will ensure worker safety and welfare, and to adopt zero tolerance policies on global supply chain abuses.

The November fire in the Tazreen garment factory, the collapse in April of the Rana Plaza, and a second deadly fire on May 8th in a sweater factory in Dhaka have resulted in the deaths of over 1,500 garment workers and at least another 1,000 seriously injured. While these individual incidents have different root causes, collectively, they are a grave indictment of the human rights record of Bangladesh, and an illustration of the failure of the global companies that manufacture and source their products there to ensure humane working conditions.

The current model, which assures global customers will have a ready supply of inexpensive and up-to-the-minute fashion, incentivizes corruption and lax oversight as low-cost producing nations compete in a race to the bottom for garment manufacturing contracts. Local governments can turn a blind eye to audit irregularities in an attempt to attract investment to their struggling economies. Global companies have seen their valuable brands put at risk by a shell game that makes oversight near-impossible, as local suppliers move manufacturing to unsafe factories without their clients' knowledge. Caught in the middle are poor and largely unskilled factory workers with no recourse but to risk their lives by continuing to report for work every day in factories they know to be hazardous, only to earn a wage considered indecent by any international standard. Clearly, the current model is broken.

As shareholders who have been engaging apparel companies and retailers to foster responsible sourcing practices, including human rights due diligence with robust audit oversight in global supply chains, we see the events in Bangladesh as a watershed moment for the industry. Regardless of whether products are being sourced from Bangladesh, Guatemala, China or the Philippines, morality dictates that the price/value calculus for all manufactured goods must begin with the fundamental human rights of workers, including health and safety, freedom of association and collective bargaining and a living wage.

We call on brands and retailers to collectively pledge to implement the internationally-recognized core labor standards of the International Labor Organization. Further, we expect companies to acknowledge their human rights responsibilities as delineated in the "protect, respect and remedy" framework of the UN Guiding Principles on Business and Human Rights. These principles affirm the duty of governments to protect the human rights of their citizenry and the responsibility of companies to respect human rights regardless of where they do business, and further, to provide remedy in the case of human rights abuse.

Acting alone, companies can and do bring about meaningful and positive changes in human rights in the countries where they source and manufacture, and we encourage companies to be part of the solution to ensure better working conditions in Bangladesh. But when faced with intransigence of the type we have historically seen in Bangladesh on worker safety issues, we are convinced that systemic change will only occur when companies take action together. They must use the full force of their commercial power to press for reforms. The Bangladesh Garment Manufacturers and Export Association has a special responsibility to bring its members into compliance with basic safety measures.

As an immediate response to the crisis in Bangladesh we appeal to companies to:

- Join the multi-stakeholder initiative—the Accord on Fire and Building Safety—that includes



the International Labor Organization, non-governmental organizations, trade unions and companies, to implement plans with measurable goals to address all aspects of fire and building safety in a timely manner.

- Commit to strengthening local trade unions and to ensuring a living wage for all workers.
- Publicly disclose all their suppliers including those from Bangladesh, the programs they have in place to ensure the safety and health of all their workers and their performance against these goals including any corrective action.

- Ensure that appropriate grievance mechanisms and effective remedies for affected workers and families, including compensation, are in place.

The horrific loss of life in Bangladesh serves to once again highlight the difficulties in building accountability into global supply chains. As investors, we also bear responsibility to enhance the power of the private sector to effect positive change by engaging companies to ensure that human rights remain at the core of their business models.

We will engage the relevant companies we hold, asking for meaningful and transparent implementation of safeguards to prevent future Rana Plazas from occurring.



Governance

(Board Diversity)

The CSR/SRI witness of the Pension Boards extends to governance issues such as the diversity of boards of directors for the publicly-traded companies in which we invest. A coalition of many leaders and investors has called for real goals and action by companies to increase the diversity of their governing boards in order to further sensitivity to the environment, human rights and community impact where business is located.

For example, on behalf of the United Church of Christ, PBUCC is a proud signatory to the October 2014 letter from the Thirty Percent Coalition, a national organization committed to the goal of women holding 30% of board seats across public companies. Founded in 2011, the Coalition includes more than 70 members – senior business executives, national women’s organizations, institutional investors, corporate governance experts, and board members – who are influencing corporations to strengthen their

efforts to increase the number of women on their boards.

Most recently in October 2014, the Thirty Percent Coalition, in its latest initiative led by the California State Teachers’ Retirement System (CalSTRS), sent letters to 100 companies in the Russell 1000 Index that lack women on their boards of directors, urging them to embrace gender diversity. The institutional investor initiative of the Thirty Percent Coalition includes CalSTRS, along with other institutional investors representing more than \$3 trillion in assets under management, and has seen significant change over the years – 17 companies have appointed women to their boards of directors.

For more information on the Thirty Percent Coalition, please visit: www.30percentcoalition.org.



Glossary

Corporate Social Responsibility: CSR is a corporation's need to take into account the social, environmental, and human effects it has on the community and its employees. CSR is driven by shareholder activism that brings perspective, education, and awareness to corporations, and leverages ownership of shares in the company to make the voices of those less powerful heard.

Environmental, Social, and Governance (ESG) factors: Companies with good ESG factors have environmentally sound practices, are sensitive to social impact and human rights, and have good corporate governance. One way of achieving a good sustainable portfolio is to invest in companies that already have a good track record in these areas. But another way is to use the leverage of ownership in a company to seek reforms that improve the company's ESG factors. That can be achieved through shareholder advocacy.

Fiduciary duty: PBUCC has a legal responsibility to act on behalf of its members' financial interest.

Interfaith Center on Corporate Responsibility (ICCR): ICCR is a coalition of 275 faith-based institutional investors that advocates for corporate social responsibility and files shareholder resolutions and engages in dialogue with corporate management on issues such as global warming, human rights, corporate governance, and other social and environmental concerns.

Pension funds: Unlike church-owned funds, pension funds are not owned by the church but rather are held in trust and managed on behalf of beneficiaries in individual accounts in their names. These accounts hold the deferred compensation clergy and lay church workers earned during their lifetimes.

Proxy voting: This is a form of voting utilized by PBUCC so that members may delegate their voting power to other members to demonstrate the faithful stewardship of investments. The social issues proxy voting guidelines encompass our stance on the environment, labor issues, and equality.

Shareholder advocacy: This involves direct conversation by shareholders with the management of a company to set goals for the improvement of ESG factors, and follows through to their implementation. This is accomplished through direct dialogue, shareholder resolutions, and proxy voting. This is an extremely effective strategy that helped to end apartheid in South Africa, led to the abandonment of carbon assets in the Amazon basin, and stopped child labor in American companies in Ghana, to name just a few examples.

Sustainable investment: This refers to both the long-term sustainability of the value of a particular investment, and the benefits to the sustainability of the environment and human rights brought about by the practices and operations of a particular investment. If a company is good to its employees, and to the environment and the communities it operates in, it should not only be good for the earth, but also good for long-term value and returns in the market place.





The Pension Boards
United Church of Christ, Inc.



Partners in Ministry Since 1914



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