

**POLICY FOR FAITH AND FINANCE
THE PENSION BOARDS–UNITED CHURCH OF CHRIST, INC. (2016)**

I. Background and Introductory Materials

Mission Statement

Operating at the intersection of faith and finance, we are caring professionals partnering with those engaged in the life of the Church, to provide valued services leading to greater financial security and wellness.

Objective

Become a recognized thought leader regarding “Faith and Finance”:

- Establish a clear written policy with regard to how the Pension Boards will differentiate itself through Faith and Finance.
- Develop a Faith and Finance “filter” for new products/services leading to a demonstrable point of difference.

Guidance

“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.”

– United Church of Christ’s Council on Financial Investments (1969)

“What cannot be yet is: a God who is at once permanent, unchanging ground of all that is and yet is affected and completed by what happens in the world. A world that is torn between good and evil, joy and sorrow, happiness and suffering, love and hatred, peace and violence, and where every achievement perishes into the past, yet is unified, transformed, healed and saved forever in the everlasting God: it cannot be, yet it is. It is the concept of God, primordial and consequent, that enables us to understand this incredible fact.”

– Thomas Hosinski, speaking about Alfred N. Whitehead’s *Process and Reality*

Introduction

The Pension Boards-United Church of Christ (PBUCC) began an intense strategic planning process in the summer of 2015. This process included input from trustees, staff, members, and stakeholders throughout the wider United Church of Christ (UCC). Out of that planning process emerged a new mission statement (above) that speaks to a key concept and core principle of PBUCC’s identity – “the intersection of faith and finance.”

But what does that concept mean? How is it lived out in real terms within a more-than-century-old organization dedicated primarily to providing health and retirement services to clergy and lay

church employees? What implications does it have for the wider faith community and a world so much in need of leadership, compassion, and love?

While there are no complete answers, we can begin here – with this policy statement that is meant to guide, inform, challenge, and point the way to more effective, caring, constructive, positive, and valued services leading to greater financial security and wellness for a greater number of persons. The intersection of faith and finance is both a theological/prophetic foundation for action **and** a compassionate and loving goal to be achieved, which will empower and enable leaders to provide trusted and valued ministry to future generations.

In a world we acknowledge to be torn by good and evil, joy and sorrow, happiness and suffering, love and hatred, peace and violence, God is the permanent source of our faith and hope, who longs for our co-creative efforts in bringing about unity, transformation, healing, and reconciliation.

Let us envision together what the possibilities might be ...

As both a financial services business and an affiliated ministry of the United Church of Christ, the programs and administration of the Pension Boards are rooted in Jesus' declaration: "I came that they may have life, and have it abundantly" (John 10:10b). This policy on faith and finance expresses core, distinctive convictions and practices that embody how God's abundance can best reach and benefit God's people. As such, these policies attend to faithful principles of inclusion, access, and fairness (the "they" to which Jesus refers), and to the sufficiency, equitable sharing, and just possession of God's blessings (the "abundance"). Jesus' revelation of his mission as bringing God's abundance to all is both a theological and prophetic foundation for acting, and a compassionate and loving goal to be achieved.

At the intersection of faith and finance, the rights and needs of God's people inform excellence in business practice, and the responsible creation, stewardship, and distribution of assets – both financial and human – define the relationships among participants in Pension Boards' plans and programs, staff, the wider Church, and the general public.

This document sets forth the principles upon which the services of the Pension Boards are created, maintained, and provided, and upon which its investments are faithfully made. Specifically, this policy articulates:

1. How the Pension Boards, through its practices, models faithfulness at the intersection of faith and finance, and serves the wider United Church of Christ as the thought-leader and significant conversation partner in this area;
2. Where the Pension Boards' services and programs are differentiated from other financial sector offerings, and why participation provides means to greater financial security and wellness, which is intentionally consistent with Christian discipleship, the traditions of the United Church of Christ, and the pronouncements of its Synods;

3. What faith and finance “filter” is applied to new products and services to ensure a demonstrable point of difference.

Executive Summary

This paper sets forth a policy called for by the PBUCC 2015 strategic planning process mission statement on “the intersection of faith and finance.” The policy includes:

- a historical overview of the relationship between PBUCC and faith, within the UCC and ecumenically;
- a definition of the intersection of faith and finance as sustainable investment both in terms of actual assets held in trust for the benefit of member participants and in the lives of persons serving the church and faith communities; and
- a listing and description of the target areas of sustainability for this policy and the types of products and services affected.

Also included in this policy are:

- a systematic filter of sustainability and the witness of faith of PBUCC, to be applied to any existing or emerging product or service thereof;
- examples of the application of the filter for reference; and
- a report on various other items of the overall strategy and business plan of PBUCC related to faith and sustainability.

Background to Specific Proposals

The intersection of faith and finance begins with an acknowledgement of where we have come from as an organization within the United Church of Christ. Our past does not limit our future becoming; rather, it identifies and informs our vision for the future and so must be taken into account. Early in its formation, the UCC adopted a refrain of the Reformation: “In essentials, unity; in non-essentials, diversity; in all things, charity.” As it applies to the covenant between the Pension Boards and the United Church of Christ, the following list articulates these ideals, which continue to be intentionally affirmed and expressed.

It will be the policy of PBUCC to continue these historic relationships as long as they embody meaningful expressions of our witness of faith as an institution within the UCC.

- **An official ministry of the UCC.** PBUCC stands solidly within the tradition of the United Church of Christ and its predecessor religious traditions. PBUCC traces roots to over 100 years of service to clergy and lay church employees within the UCC tradition. The United Church of Christ Constitution designates the Pension Boards as an “Affiliated Ministry” of the United Church of Christ.
- **Direct services to leaders of the church.** Currently, PBUCC’s programs support authorized ministers and lay church employees by faithfully providing professionally managed retirement and employee benefit services dedicated to strengthening members’

health and financial security. Through PBUCC's Ministerial Assistance programs, special needs of members are addressed to facilitate their well-being. PBUCC facilitates the leadership of the church, vitalizing and revitalizing ministry in a variety of church and church-related settings. PBUCC also provides direct programming to authorized ministers and advocates for their well-being through legislative advocacy and financial support.

- **Provides direct leadership to other settings of the church.** PBUCC, by and through its executives and staff and the polity of the church, participates directly in the leadership of church institutions by voice, and often by vote, at UCC Board meetings, General Synod, committees, congregations, and important ecumenical and interfaith organizations.
- **Social justice witness and social responsibility.** PBUCC is a founding member and continuous participant in the Interfaith Center for Corporate Responsibility, and conducts an active program of social justice witness and ministry by leveraging assets for social and political change and transformation in cooperation with 300 ecumenical, interfaith partners.
- **Ecumenical and peer consultation and accountability.** Along with ecumenical members from many other faith traditions and denominations, PBUCC is a fully participating member of the Church Benefits Association, Church Alliance, Core Lawyer Working Group, and Association of Conference Attorneys. PBUCC regularly meets and consults with its partners on a broad range of common business, legal, and legislative concerns. Mutual interests and the development of high performance standards, as well as collegial relationships, are made and fostered through meaningful dialogue and sharing in these groups.
- **Moral discernment and policymaking.** PBUCC, through its governance and operational processes, discusses, strategizes, develops policy, and invests with the moral values of its UCC heritage and witness and the expertise and commitment of its trustees and staff. These moral, prophetic, and theological values are discerned from pronouncements and actions by all our related UCC ministries that engage in critical reflection on witness, including, but not limited to, the Officers and Covenanted Ministries of the national setting, General Synod, seminaries, multicultural and multiracial representative groups, ecumenical agencies, and congregations.
- **Developing relationships of servanthood that balance the needs of members and customers with the concerns and well-being of the whole church.** PBUCC sees itself clearly as a part of the whole church, committed to the health of the church and its leaders, rooted in service and caring, and informed by the witness of our Christian faith as well as sound and prudent responsibility and loyalty to its member/participants.
- **Vital education and information leading to healthier lives.** PBUCC is constantly engaged in a process of education, communication, and information sharing through webinars, website, social media, print, Conference Minister orientations, Next Generation Leadership Initiative, CREDO, financial planning services, Member Services representatives, and Annuitant Visitors – keeping members and the wider church

informed not only about PBUCC's products and services, but also about how to improve the health and well-being of individual participants.

- **Vision of the future church and innovation of our program.** PBUCC has a vision of the future in which covenantal responsibility and relationships with the wider church are strengthened and nurtured; in which services are extended to a broader and more diverse constituency; where excellence in governance and quality of responsiveness and delivery are constantly improved; and where commitment to the church and innovation in a postmodern world come together to achieve the greater witness of a newly-emerging UCC and ecumenical faith community.
- **An ongoing process to assess the intersection of faith and finance in every aspect of our work, and apply it on an ongoing basis.** Now, imagine the ways that discussions and activities around the above intersecting circles of endeavor become a necessary part of our strategic planning, product development, joint ventures with other church-related organizations and investment processes and you will have imagined operating at the intersection of faith and finance.

II. Faith and Finance – An Operational Plan

The primary means of establishing, implementing and evaluating the application of this policy is through the work of the Faith and Finance Advisory Group. Their application of the faith and finance filter to our products and services, and our common life together, is what forms the active reality of our mission, vision, and values as PBUCC.

Definitions

Faith itself is not a differentiator. It is the conviction to live in a certain way. While my faith may be different from yours, I cannot differentiate the depth or desirability of my faith over and against yours. However, “witness” – what we say or do as a result of faith – **is** what differentiates one person or institution of faith from another. Witness is open to critical reflection and differentiation. I can react critically to your witness without questioning the integrity of your faith or the value and importance of your personhood. Witness can be in the form of products, services, or communications offered by church-related institutions such as ours.

The question for faith and finance policy therefore becomes, “If PBUCC operates at the intersection of faith and finance, how is faith manifested and demonstrated to others in tangible ways that differentiate us?”

Defining Terms

We propose that the witness of PBUCC at the intersection of faith and finance is “sustainable investment” defined as the “double bottom line” objective of “doing good” for creation and humankind as measured by ESG criteria, and “doing well” with financial performance, measured by accepted benchmarks, for our members, stakeholders, and faith communities. (See below for definition of ESG.)

Sustainable investment can be further defined as:

1. Socially responsible investment (SRI)
2. Engagement with publicly-traded companies (shareholder advocacy and policy reform)
3. A professional team distinguished by a profound commitment to the financial witness of faith (our caring professionals)
4. Dedication to the support and empowerment of the servanthood of ministry – whether by lay church workers or authorized ministers (our partners engaged in the life of the church and other faith communities)
5. It should be carefully noted that “sustainable investment” can refer both to financial investments on behalf of members of PBUCC **and** supportive investments in authorized ministers and lay church workers in the form of financial assistance, financial services and professional services and programs. Financial investments have noted benchmarks, and investments in ministry are evaluated by the effectiveness of that ministry measured in human terms.

Transition and Process

The intersection of faith and finance has often been seen as conflicting. Finance, seen at odds with faith either because of a negative view of materialism or because of negative associations with financial institutions, was perceived as the mammon that could not be served alongside the God of faith. Finance, though considered necessary to the function of the church, was sometimes not valued for its effectiveness of serving and fulfilling the witness of the church in new and exciting ways. The witnessing power of investment was relegated solely to the negative function of stigma and proclaiming dissatisfaction, instead of as a powerful force for ongoing leverage toward social change. But dramatic changes in the witness of faith and finance in global markets in the form of sustainable investment have transformed the possibilities, not only for a prophetic voice, but also for the power to create real and measurable change.

The three unique understandings that arise out of PBUCC’s expression of faith and finance in the modern context of a growing interconnected global market are:

- ESG/SRI (Environmental, Social and Governance/Socially Responsible Investing)
- Comprehensive financial services
- Provided to a broad range of both religious and secular potential clients.

Why do we say that?

ESG/SRI. Our desire to emphasize socially responsible investing is both faith-based and financially prudent. Socially responsible investing expresses our concern for human rights and the environment, which is a direct expression of faith for many religious groups including, but not limited to, the UCC. Good governance of publicly-traded companies, especially those that

contribute to the well-being of communities and the environment, has been proven to produce more sustainable and profitable companies. And, the market for specific SRI products and features is growing, thus providing opportunities to expand investments in socially and environmentally impactful ways, and also grow the client base of PBUCC.

Comprehensive financial services create more opportunities to serve church institutions in ways that stabilize them through financial security, develop talented leaders, and provide attractive products for other religious groups, particularly those that share our values – cultivating change in the broader faith community.

A broader client base can be achieved by appealing to other religious organizations and secular clients with similar values by expressing our commitment to SRI, and by strengthening the financial security of other organizations in a challenging economic time, responding not only to the needs of a changing leadership, but also to the emergence of innovative faith communities in transition to new ways of being. Special attention will also be given to underserved members of our potential expanded client base.

Further, we can tailor our products and services to target specific areas of sustainability as well as make appropriate investment decisions, operational procedures, and organizational goals guided by those particular values.

Targeted Areas of Sustainability

Our world, and thus our mission, is ever-changing. Therefore, target areas of concern over sustainability may change and evolve over time. Currently, the following areas have been identified as most important for our focus and mission in the context of faith and finance:

Ministry

Historically, PBUCC has been focused primarily on supporting authorized ministers and lay church employees by:

1. *Providing high quality, professionally managed retirement and benefit plans, as well as financial planning services.* From the aid societies formed in the 18th and 19th centuries grew the Church's witness that those who have served it, though they may no longer be working, still stand in special relationship with God and God's people. Through its mission to those who have served the Church, the Pension Boards affirms the words of the Psalmist: "The righteous... are planted in the house of the Lord, they flourish in the courts of our God. They still bring forth fruit in old age, they are ever full of sap and green" (Psalm 92:12-14). PBUCC affirms this ongoing bond, and through its programs, serves to ensure that active and retired authorized ministers and lay church workers have sufficient resources for their lifetimes.
2. *Offering additional direct financial support, through the United Church Board for Ministerial Assistance, to those not able to have baseline security or who are facing circumstantial hardship.* PBUCC understands that the covenant between those called to

ministries in the church and those who are served is unique. Paul asked the church at Thessaloniki to “respect those who labor among you and are over you in the Lord and admonish you, and to esteem them very highly in love because of their work” (1 Thessalonians 5:13). When servants of the church are in need, the Pension Boards works to respond with love through direct assistance. Further, to ensure the sustainability of this ministry, PBUCC invests resources to empower individuals and congregations in the wider United Church of Christ family to financially share this covenantal responsibility.

3. *Strengthening young leaders in ministry through the Next Generation Leadership Initiative.* Recognizing the attrition of young leaders in the United Church of Christ, in 2009 PBUCC established the Next Generation Leadership Initiative: Target 2030 (NGLI), a 20-year initiative to invest current resources in future leaders by providing tools and understanding for effective and life-long ministries in parish settings of the Church. PBUCC takes seriously the words of the Psalmist, that God “established a testimony in Jacob, and appointed a law in Israel, which he commanded our fathers to teach to their children; that the next generation might know them... and arise and tell them to their children, so that they should set their hope on God” (Psalm 78:5-7a).

Planet and the environmental imperative. The looming threat and urgency of climate change have once more brought to the fore the importance of preserving and caring for the well-being of our environment. Because “the earth is the Lord’s and the fullness thereof, the world and those who dwell therein” (Psalm 24:1), we are accountable to God for how we care for it. Our responsibility to the whole of creation broadens our scope of moral concern beyond the human community to all living things.

Faith communities. Although PBUCC products and services have historically focused on member participants, support for the work of local congregations and faith communities has always been an important part of our concern. Now more than ever, PBUCC sees opportunities to provide financial education and support to local faith communities and their lay leaders, particularly those engaged in financial decision making and business operations, in new and exciting ways. PBUCC accepts the call to continually “consider how to stir up one another to love and good works” (Hebrews 10:24).

Global community and human rights. Since the days of the struggle against apartheid in South Africa and the resulting formation of the Interfaith Center for Corporate Responsibility (of which the Pension Boards is a founding member), PBUCC has expressed its concern for human rights and the global community by leveraging assets for social change. Working alongside ecumenical partners and other values-based investor coalitions, we engage publicly-traded companies through the meaningful influence we have as a leading global investor. In addition, PBUCC invests for impact through its Global Sustainability Index Fund and multiple investments in Green Bonds, Palestinian business development, and other positive investments.

Ethical conduct governing internal and external relationships. Within the unique work and witness of PBUCC, the faithful conviction that Christ calls us to look not only to our own interests but to the interests of others (Philippians 2:4), demands we examine how staff and trustees relate to one another, as well as how they relate to members and the wider church and

world. Therefore, some basic principles governing these relationships are offered as guidelines in the attached Appendices to this policy. (See Appendix 1.)

It is helpful to think about services and products offered by PBUCC, whether existing or proposed, in terms of the decision making process for their development in light of our witness of faith and target areas of concern.

Services and Products

Existing – Currently-offered products, services, and investment options are designed to faithfully provide security for PBUCC members today and in the future. For active members, PBUCC dedicates its talents and resources to growing their accounts, balancing expected returns and risk, according to the sensitivity of individual members, and providing responsible health, life, and disability insurance programs. For retired members drawing annuity distributions, investments are effectively managed using best practices to assure that the expected distributions can be maintained over the members’ lifetime.

Entrepreneurial – Proposed products, services, and investment vehicles that expand or reach beyond the current offerings, including those anticipated by the strategic plan.

Empathetic – New products, services, and enhancements to existing plans that take into account the special needs of member participants and/or underserved persons and groups, and provide meaningful assistance to those who find it difficult to access financial, health, and educational opportunity.

How might PBUCC assess, address, and apply its faith witness to the areas of sustainability **and** the specific products, services and investments it offers in the future?

The Question, and Filter, for Faith and Finance

It shall be the policy of PBUCC to apply an analysis, outlined below, as the primary means of living out its witness to faith at the intersection of finance.

The basic question/filter to be applied to all products, services, appropriate investment decisions, and such operational activities as determined by management for inclusion with respect to faith and finance is this:

Does this decision support in a meaningful, substantive, practical, and cost-effective (stewardship of resources) way the following values?

- Moral, theological, and biblical reflection
- Target areas of sustainability (Planet, Ministry, Faith Communities, Human Rights)
- Underserved persons and groups
- Duty of trust and loyalty to clients to protect them in the future

This filter is not meant to be exclusive of other operational, legal, or fiduciary and due diligence reviews that may be applied to any product or service, but rather are in addition to those otherwise required, including the possibility of financial return, budgetary process and controls, accounting standards, and actuarial soundness. It is meant to provide another layer of review through the lens of sustainability.

The Faith and Finance Advisory Group

The development of all existing, future (entrepreneurial), and/or compassionate (empathetic) products and services should be subject to an analysis to determine if they are responsive to target areas of concern, practical tests of feasibility and effectiveness, and values characteristic of our faith and witness as a faith-related institution within the historical witness of the United Church of Christ.

The application of this policy will be facilitated by a Faith and Finance Advisory Group, to be named by the President/CEO of PBUCC in consultation with the Executive Committee of the Board of Trustees. The Advisory Group should comprise staff persons representative of the full operational scope of PBUCC and include representation from the CSR and Ministerial Assistance programs, with at least one clergy member. In addition, the Advisory Group should include at least one member of the Board of Trustees and one member from the wider church. In order to facilitate the work of the Group, staff may meet without the representatives from the Trustees or wider church when necessary to expeditiously carry forth the work of the Advisory Group, with the understanding that there will be full transparency, communication, and input from such representatives before any final recommendations are made.

The Advisory Group will meet regularly to review existing and proposed PBUCC programs and apply the filter to each. Protocols for the development of any product, service, appropriate investment decision, or applicable operational procedure shall be altered to reflect the necessity of review by the Advisory Group prior to implementation.

The Advisory Group may also discuss and propose new initiatives based upon its experience in reviewing existing programs in order to make them more responsive to the target areas of concern on which they regularly work.

The Advisory Group will report directly to Management, which shall have the final approval for any change, acceptance, or rejection of the Advisory Group's recommendations with regard to any item it reviews. This policy is subject to review and update based upon the ongoing experience and learnings of all participants, to improve process and outcomes. That is, the Advisory Group may propose changes to the policy based upon its ongoing experience.

Changes to Pension Boards' Bylaws shall be made and implemented, if necessary, to effect the work of the Advisory Group and this policy.

Examples of products and services affected by this process are as follows.

1. Existing product or service –
2. Proposed product or service (entrepreneurial) –
3. Proposed or existing compassionate response (empathetic) –
4. Operational procedure –
5. Investment decision-making process – See Appendix 2

A Note on Operational Flow

The primary means of establishing, implementing, and evaluating the application of this policy is through the work of the Faith and Finance Advisory Group. Their application of the *Definitions of Sustainability*; the *Target Areas of Sustainability*; and the *Faith and Finance Filter* to our *Products and Services*, and our common life together, is what forms the active reality of our mission, vision, and values as PBUCC. But this policy can also serve as a living document that reminds us generally of who we are, where we came from, and where we are going as persons, staff, trustees, members, and church. Let it be so.

Other Faith and Finance Initiatives and Actions

The whole of PBUCC's policy with regard to the intersection of Faith and Finance cannot be contained within a single policy or document. Faith and finance find many expressions in other policies and operations of PBUCC because it is so pervasive and important to our overall mission and work. The Appendix to this policy references other areas related to faith and finance that should be coordinated with this policy to the extent possible.

Conclusion. This policy should be considered a work in progress to be modified by experience, new insights, product testing, and coordination with other developments in the life of PBUCC over time. It needs a period of testing and evaluation. The enabling staff team recommends that this policy be regarded as provisional for one year, after which it should be reviewed and amended accordingly. The attached Appendices reference further areas of work and interest related to faith and finance but not specifically within the scope of this document.

APPENDICES

Appendix 1. Ethical Considerations

Relationships and responsibilities of the staff and Trustees toward members:

Wherever possible, strive to match solutions to meet members' needs – Pension Boards representatives (including channel partners) must always put the needs of members ahead of the needs of the organization. Members' needs come ahead of sales quotas or profit targets.

- Strive for Integrity and Full Disclosure in Marketing – Misleading statements regarding product performance, features, or business reputation must be avoided. Marketing materials should not be “deceptive by omission.”

For investment services, all fees must be disclosed. Explanations regarding risks of investment products need to be fully and clearly explained. Members also need to know when their money is (or is not) available to them.

For health insurance products, deductions, co-pays, and other charges that are the responsibility of the insured need to be fully disclosed. Information regarding procedures and medications not covered by the policy also must be made available to the insured.

- Conflicts of Interest – Need to be avoided.
- Rights of Appeal – An appeals process should be available to members who have a disagreement with the company.
- Minimizing Administrative Costs – Administrative costs and fees charged to members should be consistently in the bottom quartile when compared to industry statistics.
- Transparency – Members have a right to accurate and timely information about their investments.
- Eliminate Stereotypical Biases – Assure that programs address the diverse needs of the member base.
- Confusing Legal Behavior with Moral Behavior – Just because a practice or behavior may not be illegal does not mean that it is ethical.
- Independent Review – Operations should be subject to audit and independent review.
- Compliance and Internal Processes – Need to operate in a manner consistent with the highest standards.

Relationships and responsibilities of the staff and Trustees toward each other (to be developed).

Appendix 2. Notes on ESG Investment Practices

Sustainability and investment products and services. The opportunity arises each time an investment decision is made to reflect not only on the wisdom, prudence, and risk-reward benefits and downsides of the decision, but also on the impact that such an investment will make on the targeted areas of ESG concerns specified in this policy. There are several classes or cases of analysis of ESG concerns that may be appropriate.

1. What risks to long-term value and return are posed by a particular company related to its relationship to the environment, its employees, and the local communities it works in, including downstream supply chains?
2. In addition to analyzing whether or not a particular investment meets all the business criteria for choosing it, the question should be asked, “Is there another investment opportunity that would meet the same objectives, have the same or better risk-reward characteristics, and have a more positive impact based upon the application of the faith and finance filter?”
3. Are there characteristics of a particular investment that have both a negative impact on one of the targeted areas and on the future earnings or sustainability of that particular investment? For example, if an investment in thermal coal would be both ill-advised from an environmental perspective and additionally had a poor earnings outlook on account of regulations as well as trends toward alternative fuel sources, it would fall into this analysis and an alternative investment should be strongly considered.
4. Thought should be given to an overall, comprehensive, and systematic policy for sustainable investment that focuses on a thoughtful plan rather than proceeding case by case or randomly through various individual investments. This step would include coordination with the engagement process.

While the decision to invest or not is primarily vested in the Chief Investment Officer (CIO) and Investment Committee of the Board of Trustees, based upon the investment policy and guidelines (which themselves have SRI provisions and implications), the Advisory Group could nonetheless make recommendations that would shed light on the overall decision from the faith witness perspective. (Coordination among the CIO, Investment Committee, CSR Committee, and Advisory Group needs to be carefully worked out and added to this policy to avoid conflict and bureaucratic overlay.)

Appendix 3. Calls from the Wider Church Concerning Faith and Finance

Pronouncements and resolutions of the General Synod of the UCC, and from Conferences, constituency groups, leaders and congregations.

While PBUCC is not legally bound by such guidance, it is bound by covenantal responsibility and mutual accountability to consider it seriously, advisedly, and to respond appropriately to the best of its ability. Therefore, the Advisory Group should be regularly informed of such

pronouncements, participate in their formulation, and communicate with other parts of the church about them.

Rather than being seen as the subject of such guidance, it is far more positive and healthy for PBUCC to be a part of making such guidance, and even leading in areas of concern in which it has special experience. This necessitates a change in culture, reputation, and collaboration between PBUCC and the wider church, and requires listening and understanding from all corners to achieve. This policy is not intended to facilitate responding to the concerns of the wider church as much as to lead the way in responding to the issues important to the church and to PBUCC in mutual solidarity of witness wherever possible, and independently where leadership is compelled to act upon its own calling.

Investment guidelines and screens.

This policy is not intended to replace or amend existing policies with regard to investments or screens, but rather to create a dialogue and informed discussion that may lead to changes in light of the work of the Advisory Group and the experience of working with the criteria of the filter.

Engagement.

PBUCC is actively engaged in ongoing dialogue about climate change, human rights, board diversity and governance, and a host of other important ESG issues with the world's largest publicly traded companies. These discussions mean asking tough questions – and demanding answers – about the long-term sustainability of company business models and the plight of human life, and indeed all life, on this planet. We also are engaging public policymakers through our influence on companies to promote “smart policies” that advance the response to targeted areas of concern. This work needs to continue and receive the programmatic and budgetary support necessary to sustain it as a matter of this policy. It is the most powerful means at PBUCC's disposal, and uniquely so – although United Church Funds (UCF) and other partners also have strong programs of engagement – to effect change for the good at the intersection of faith and finance.

Divestment.

It is important for PBUCC to be transparent, clear, and outspoken on the issue of divestment as a social justice strategy for faith witness. In one sense, divestment is a process that every investor, whether individual or institutional, engages in every day, because to the extent such investors invest in publicly traded companies, they, or their custodians and managers, are making daily buying and selling decisions based upon a host of criteria. Every decision to sell is a decision to divest. But as an institutional investor charged with a duty of loyalty to a beneficiary in a retirement plan, PBUCC is subject to restrictions on buying and selling that other church-owned funds are not. Any faith community decision to ignore this reality is simply unresponsive to the potential impact on those whose assets are held in trust. So what is the solution to this conflict?

The first step is to be aware of the facts of modern institutional investing. It may do nothing to change a particular perspective, but it is extremely important to be informed before taking action.

1. Unlike 40 to 50 years ago, when divestment was employed during the struggle against apartheid in South Africa, modern non-profit institutional investment is now primarily in commingled and non-equity instruments. This means it is not practical or possible to divest a single company out of the many within each fund. The General Synod has affirmed that such action is indeed not actionable by incorporating exclusions of commingled funds into its two latest resolutions on divestment.
2. The moral universe is not circumscribed by publicly-traded companies. Publicly-traded companies share a relatively small degree of complicity and/or economic impact on social problems compared with other factors, requiring a more comprehensive strategy to bring about change. Ownership of natural resources and businesses by sovereign countries, governmental and legislative regulation and policy, privately-held companies, and consumer appetite and sales all contribute far more to key solutions and influence than the stock of public companies. Without a strategy to deal with these other factors, divestment has little impact.
3. There is a difference between the sale of stock in the capital markets and the revenues from the sales by a publicly-traded company. Selling stock in a global capital market will have little impact because there are always other buyers. In fact, the buyers are not likely to care as much about the ESG record of a company as the church owner. Boycotting sales can have an impact, but it is difficult to organize enough consumers to do so and there are some products and services that are inapplicable to ordinary consumers, such as heavy equipment or large civic construction projects.
4. There is a sharp distinction between church-owned funds and member-/participant-owned funds in a retirement plan. The assets do not belong to the church but to the individuals in the plan. That is why there is such a strict duty placed upon those responsible for administering the plan. A plan in which funds are held in trust for others as a retirement benefit requires the trustees of those funds to exercise special care. Liability for breach of that duty could result in costs and penalties to all the participants in the plan.
5. The key component for change is the influence of shareholders. PBUCC, through its ecumenical partners and secular coalitions that share its values, can muster \$3 trillion in publicly-traded assets with direct influence on companies. This direct witness, even when it fails to achieve a desired result immediately, is far more effective in reaching the actual decision makers and eventually persuading them to change. Studies done on the effectiveness of this method show measureable results.
6. The process of implementation of a restricted buying or selling strategy is extremely complicated and costly due to the uncertain nature of managing complicity. Lists must be created, certain research to identify appropriate companies must be completed and maintained in perpetuity, criteria for inclusion and exclusion must be formulated. A better alternative is to invest directly in a growing number of companies in each asset class that represent the values of the organization and slowly build the portfolio over time with these well-considered choices.

These are just a few of the many considerations that have to be made related to a decision to divest.

The second step is to include PBUCC as early as possible in discussion with the wider church any time broader action is contemplated. No autonomous unit of the wider church would wish for any less consideration in actions directly affecting it.

The third step is to recognize the concept and the power of multiple strategies. This principle was affirmed by the Thirtieth General Synod of the United Church of Christ meeting in Cleveland, Ohio in 2015 in a resolution passed entitled *Urging Socially Responsible Investment Practices*:

“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;”

The fourth step is to recognize the importance of the legal and moral duties to the beneficiaries of a retirement plan and to be able to distinguish them from the duties owed with respect to church-owned funds, European and extra jurisdiction duties, and prospective duties.

The stated policy of PBUCC with regard to specific calls for divestment is the investment policy of PBUCC as set forth in its socially responsible guidelines section as follows:

Socially Responsible Investment Guidelines

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.

We advocate 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, but 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 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%

Thermal Coal and Oil Sands – 50%

If an investment manager wishes to purchase securities of a company in an industry that the Investment Committee has determined should be avoided, the 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 for Corporate Responsibility (ICCR), and other like-minded investor organizations, within our sole discretion, that share our values and concern for sustainability and good governance.

Calls for divestment are addressed by the overall strategic approach to ESG undertaken by PBUCC to address issues of social transformation through investment processes and leverage of assets. This is the way in which PBUCC can actively respond to such calls, and protect the interests of members at the same time. Not only is this a powerful and effective way to incorporate the concerns of the General Synod and the Wider Church into the investment process of PBUCC, but it is also done in accordance with the *Resolution Urging Sustainable Investment Practices* passed by General Synod in 2015.

It should be noted that as it relates to existing screens, a new policy was adopted by the investment committee on February 19, 2016 excluding individual investments in thermal coal and oil sands.

Commingled funds are specifically excluded from this policy.

Appendix 4. Communications

The role of branding, public relations, governmental affairs and Church and faith community relations to faith and finance. An important part of the implementation of this policy is to communicate it clearly and effectively to others through branding, public relations, marketing, and wider church and ecumenical contacts. It is suggested that an additional action plan be undertaken to coordinate this effort and to consider the adoption of a new branding identity to carry through the distribution and implementation of this policy.

Appendix 5. Existing Impact Investments

Special investment opportunities. A description of the GSIF, impact investments, Siraj Palestinian Fund LP1 would be included here.

Impact investment. References may be made here to existing policies of PBUCC related to these areas.

1. Our Investment Process in Action – Investment Policy and the Investment Committee
2. Our Engagement in Action – Shareholder Advocacy, Shareholder Resolutions and Proxy Voting
3. Our Stewardship in Action – Personal and Institutional commitments to ESG issues and solutions

Appendix 6. Education

Promoting stewardship and financial education. PBUCC seeks to be a recognized leader in the faith community regarding faith and finance by not only supporting and promoting the work of financial institutions but also by innovating and developing products, services, and educational resources that assist grassroots faith communities in promoting stewardship, sustainable investment, and financial education. It shall be the policy of PBUCC to develop such congregational, personal, and educational connections in furtherance of its mission.

Additional Appendices (to be developed)

End Document