

Corporate Social Responsibility

Screens are just the beginning

Maybe you've heard the phrases "corporate social responsibility" and "socially responsible investing" referred to in the media. Maybe you've read United Church Funds' quarterly newsletter, Review of Socially Responsible Investing and Corporate Social Responsibility and you've learned more about investing with a social lens. But what does United Church Funds' Corporate Social Responsibility (CSR) ministry comprise? What practices are considered essential for socially responsible investors like United Church Funds? With whom does United Church Funds align to amplify its voice calling for change? In this issue of our Investor Education Series we offer an overview of the United Church Funds' implementation of CSR. United Church Funds' corporate social responsibility ministry is founded on the belief that good corporate governance, social justice, and environmental sanctity should be taken into consideration when investing on behalf of church entities. For more than three decades, the CSR ministry has evolved to encompass three procedures that express these core values: screening, proxy voting, and shareholder engagement.

1. **Screening**, a baseline tactic, is the practice of including or excluding companies from a portfolio based on nonfinancial criteria. Screening can involve products, country-specific matters, or CSR policies. United Church Funds screens its investments and does not invest in companies which receive a significant amount of their revenues from the production, distribution, or sale of alcohol, tobacco, gambling services, military products or services in the form of conventional weapons and nuclear weapons.

2. United Church Funds' CSR ministry exercises **the power of the proxy**, voting the ballots (proxies) of companies in which we have holdings, in accordance with our Proxy Voting Guidelines. These guidelines are designed to promote board diversity, equitable pay structures within companies, global and human rights, and many other improvements.

Our Proxy Voting Guidelines (available at ucfunds.org) are a "living" document; we adapt and change them as new information on best practices becomes available. In 2009, we expect to vote more than 400 proxies — and you can see how we vote our proxies on the website as well. You can also use the proxy tools we provide to guide the way you vote the ballots of any investments you hold.

3. The phrase **shareholder engagement** includes the techniques of shareholder resolutions and corporate

dialogues in concert with other concerned investors. A corporate dialogue is an ongoing discussion with a corporation's management where investors make recommendations to a company about how to make positive changes or provide more transparency. If the company takes those recommendations, CSR advocates will help the company through the implementation phase by providing best-practice information learned through the process at other companies, or by creating a bridge between activist groups, researchers, and companies. A shareholder resolution is a recommendation in the form of an item on the ballot of the annual meeting of a corporation, and offers a great way to educate investors to issues of a corporation's environmental impacts, social impacts or needed governance improvements.

KEY ELEMENTS OF CSR

- **Screening** avoids investments in companies that derive significant revenue from products that undermine human health and well-being.
- **Power of the Proxy** empowers UCF to use its shares to promote board diversity, equitable pay structures within companies, global and human rights, and many other improvements.
- **Shareholder Engagement** includes the techniques of shareholder resolutions and corporate dialogues in concert with other concerned investors to encourage better corporate practices.

United Church Funds undertakes shareholder engagements because we believe that sustainable corporations will be good long-term investments. This year, United Church Funds co-filed resolutions with IBM on an advisory vote on executive compensation, and with Chevron on greenhouse gas emission reductions. As part of its dialogue with Hershey, United Church Funds staff helped coordinate a summit including chocolate companies, activists and investors concerning inappropriate child labor in West Africa. United Church Funds has also been hard at work on water scarcity issues in India with Coca-Cola, learning more about the

situation on the ground in order to enrich the dialogue with the company. Our shareholder engagement is done in partnership with ecumenically linked socially responsible investors. In 2006, the United Church of Christ was recognized as a founding member of the Interfaith Center on Corporate Responsibility (ICCR), a coalition of nearly 300 faith-based institutional investors representing more than \$100 billion in assets. ICCR recently reorganized into three working groups: People, Place, and Policy. United Church Funds' CSR ministry contributes to all three working groups.

CSR Successes

- United Church Funds was part of the #WeAreStillIn campaign that includes more than 1,000 governors, mayors, businesses, investors, and colleges and universities – declaring our intent to continue to ensure the U.S. remains a global leader in reducing carbon emissions by contributing to the international commitments of the Paris agreement.
- United Church Funds leverages its membership in several organizations, including the Interfaith Center for Corporate Responsibility (ICCR) and USSIF (the Forum for Sustainable and Responsible Investment) to amplify the power of our shareholder actions. We are a signatory to the CDP (formerly the Carbon Disclosure Project) and to the United Nations Principles for Responsible Investment.
- We are part of a coalition of investors that launched the RE100 initiative in 2014 that persuades corporations to make a public pledge to move to 100% renewable electricity for their international operations. **Presently, 96 corporations have committed to this initiative**, including Facebook, H&M, Microsoft, Nestlé, Starbucks, Unilever and Walmart.
- United Church Funds was compelled to view the construction of the Dakota Access Pipeline as an environmental and a social risk. We hosted a meeting of investors with the Standing Rock Sioux Tribal Chairman Dave Archambault II and co-filed a resolution with Marathon Petroleum Corp., pressuring the company for better environmental and social due diligence on projects in which they partner. We also sent a member of the tribe, Ms. Jody Gillette to attend the Marathon Petroleum annual meeting and speak directly to the management and board of directors of the company. **The resolution received 35% support.**

- United Church Funds created the Beyond Fossil Fuels Fund and Beyond Fossil Fuels Balanced Fund in response to the 2013 resolution. Since our last report, UCF's Beyond Fossil Fuels Balanced Fund now more closely mimics our Moderate Balanced Fund in that it is now a globally diversified fund divested of fossil fuels companies in both the equity and fixed income assets, improving what was a domestic equity fund paired with our Fixed Income Fund. In this way we are anticipating and responding to our clients interested in divested options.
- We also eliminated coal and tar sands from all our funds, and our Fixed Income Fund is now 9% invested in green bonds dedicated to energy conservation and other climate solutions.

What's Next?

United Church Funds pledges to remain in covenant with the resolution. In order to achieve the goals of reversing climate change, UCC advocates must demand that their settings also be in compliance with it. Have a conversation with your church or organization and learn if your current investments reflect your values in support of this resolution.