



**UNITED CHURCH FUNDS**

**TRANSLATING FAITH INTO  
ACTION: THE GROWTH OF  
ESG INVESTING**

2022

Over the last two years, there has been a spectacular increase in investments that focus on or include environmental, social and governance (ESG) factors. Climate change and social justice are among the primary motivators for investors seeking to create impact and achieve returns, going well beyond the traditional – and lone – consideration of financial return.

This report examines the recent explosion of ESG investing universally, as well as the ways in which United Church Funds, on behalf of its clients, have participated in and contributed to that growth.

## A LEGACY OF RESPONSIBLE INVESTING

Long before ESG entered the common vernacular, United Church Funds (UCF) was practicing the basic principles of responsible investing since its founding over 100 years ago. UCF has been guided by the biblical and ethical principles of the Christian faith generally, and by the values and priorities expressed through General Synod resolutions and pronouncements specifically.

At the end of 2021, UCF was managing \$1.1 billion of assets for 1,100 clients in 11 professionally managed and responsible funds.

**11**

Well diversified,  
professionally managed  
and socially responsible  
funds

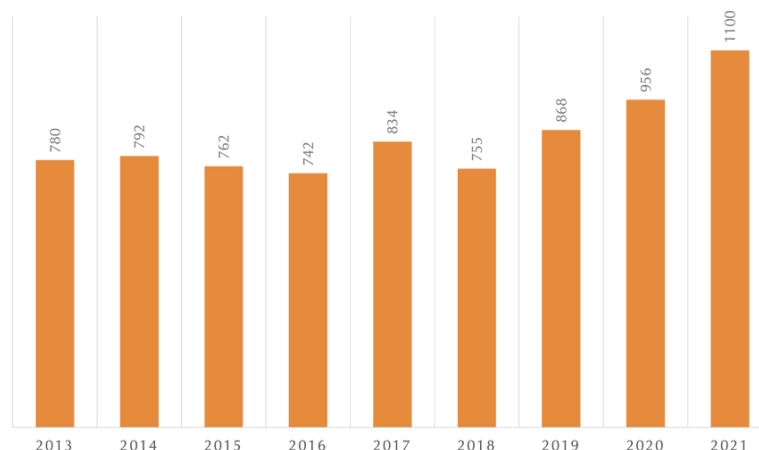
**1,100+**

Clients we serve, helping  
churches and faith-based  
organizations achieve  
their missions

**100+**

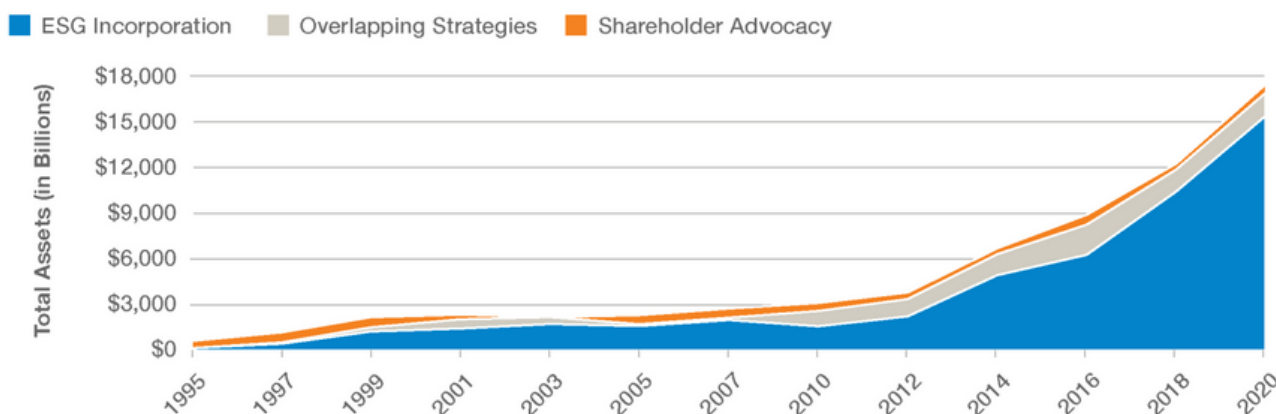
Years of responsible  
asset management

GROWTH IN UCF ASSETS (IN US \$ MILLIONS)



According to some estimates, nearly one-third of all global assets under management carry some form of ESG mandate. This is not new but continues a long and rapid increase over the last 25 years.

#### Sustainable Investing in the United States 1995-2020



The Forum for Sustainable and Responsible Investment (US SIF) estimates that in the U.S. alone, at the end of 2020, total investments incorporating ESG factors stood at about \$18 trillion. While 2021 figures have yet to be released, we expect to see even more growth and a continuation of the overall trend into coming years.

At UCF, a similar trend in the rapid growth of interest in ESG investment has played out over the last decade, and especially so in recent years. To illustrate this, it is helpful to understand that UCF carries out its sustainable and responsible investing activities through five “tools.”

## FIVE TOOLS

### in the RESPONSIBLE INVESTOR TOOLBOX



**Manager Selection**  
with proven performance and commitment to responsible investing, diversity, equity and inclusion (DEI)



**Invest in High Impact Ventures**  
that seek to solve social and environmental problems



**Corporate Engagement** with the companies in which we invest, holding them accountable for their actions



**Proxy Voting** to support fairness in executive pay, corporate transparency, and DEI

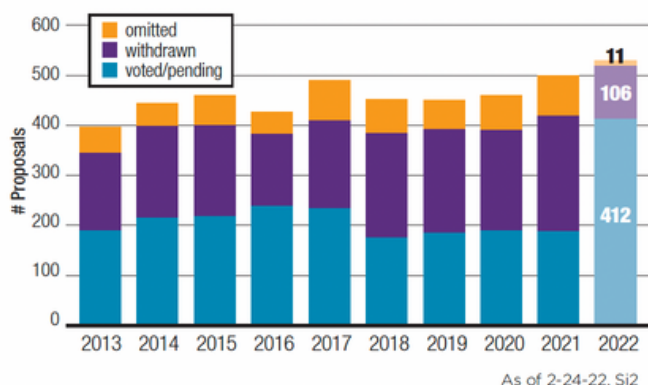


**Screening out** companies that do not respond to engagement or are incompatible with our faith-inspired values

Shareholder engagement and proxy voting are two areas where there have been major surges brought on by ESG-aware investors.

A recent report from Proxy Review showed that in the 2022 proxy season, 529 shareholder resolutions on ESG issues were filed, which is up more than 20 percent from 2021.

Environmental & Social Policy Shareholder Proposal Outcomes



Each year, a significant portion of these resolutions are withdrawn before they go to a vote. By the time Proxy Review captured the data in the chart above in late February, already 106 resolutions were withdrawn. This is considered a “win” for shareholders as withdrawing typically means that a company has implemented a significant amount of what the shareholders were calling for in the resolution.

UCF’s level of corporate engagement has increased over the last few years. The figures below show UCF’s current level of engagement.

**22**

corporate engagements meetings on environmental, social or governance issues

**8**

shareholder resolutions filed

**48.7%**

average support for UCF resolutions going to vote

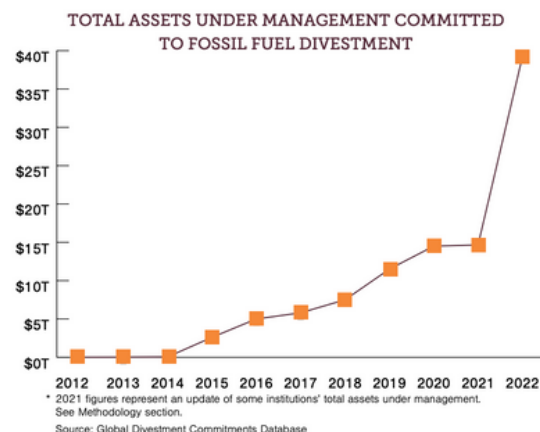
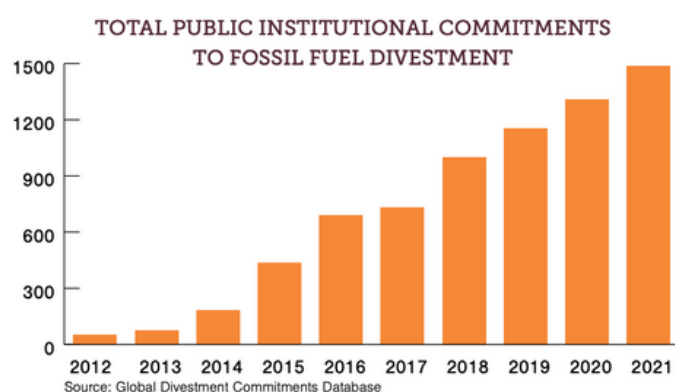
**22**

Proxy ballots voted at annual and special meetings

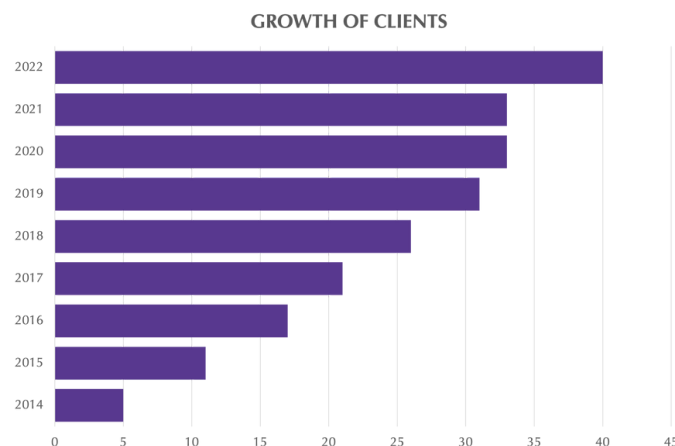
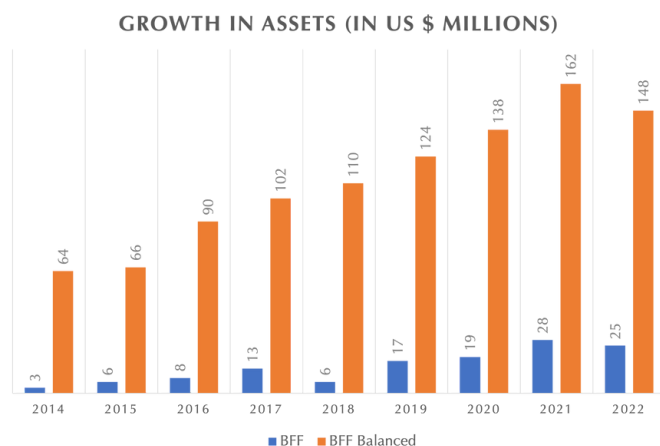
\*As of 12/31/2021

These numbers represent increases over previous years, reflecting the overall surge in corporate engagement. For many of these engagements and resolutions, UCF works with partners such as ClimateAction 100+ and the Interfaith Center for Corporate Responsibility to amplify our voice.

The widespread fossil fuel divestment movement is a prime example of the spectacular growth in ESG investing. The Global Fossil Fuel Divestment Commitments Database reports that while the first three years of the campaign (2012-15) netted 181 public commitments, that number has grown to 485 in the most recent three years. Total assets under management of institutions committed to divesting from fossil fuels is now up to nearly \$40 trillion.



During this period and complementing this trend, UCF, in 2014, created the Beyond Fossil Fuels Fund (BFF) as part of a response to the UCC General Synod resolution, “Urging Divestment – Along with Other Strategies – from Fossil Fuel Companies.” BFF is a domestic core equity fund free of investments in corporations that produce or explore for fossil fuels. Since the fund was first introduced eight years ago, UCF has seen 131% growth in BFF assets and 566% growth in the number of BFF clients.



\*As of 04/27/2022

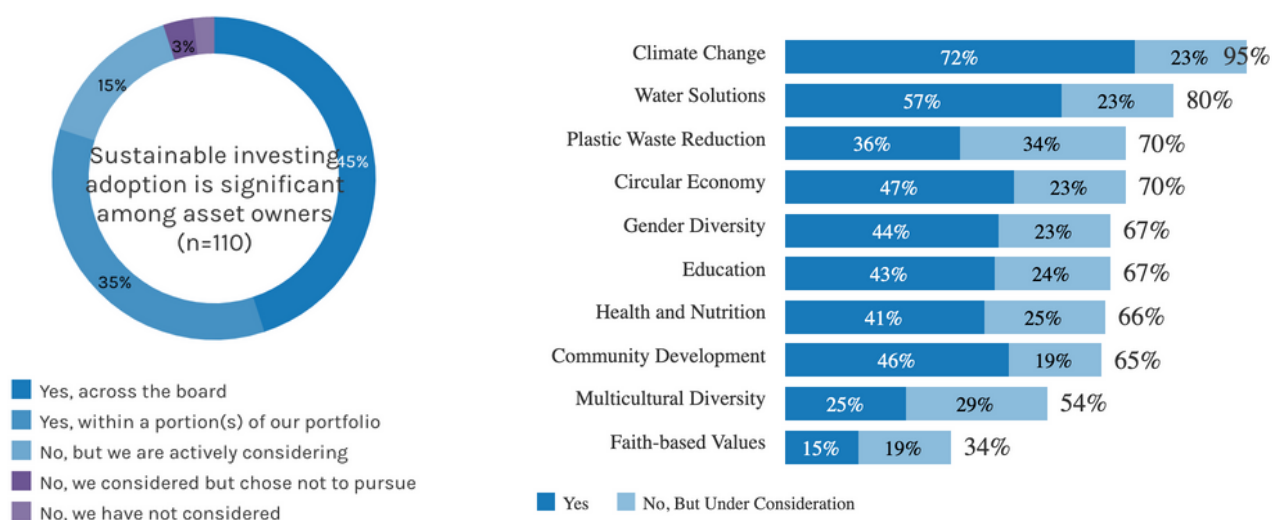
Among the first investors in the BFF Fund was the Massachusetts Conference of the United Church of Christ, which sponsored the 2014 General Synod resolution.

“The Massachusetts Conference UCC was delighted to be among the first investors when the BFF Fund was created. Realizing the Massachusetts Conference’s vision for financial security without reliance on fossil fuel investments is extremely gratifying. Being a beacon for extending our values to our endowment is an important part of leadership for Conference.”-- Jim Antal, MACUCC Minister

More broadly, UCF employs ESG-related screens across all of its investments, directing managers to exclude corporations involved in extraction of thermal coal or oil from tar sands, or whose practices call into question worker safety, human rights, greenhouse gas emissions and water use.

At the start of 2022, the combination of high inflation, extreme market volatility, and global disruption caused by the Russian invasion of Ukraine has led some to question if ESG investing has reached its peak and if investors' appetites for sustainable investing are waning.

At UCF, we believe that despite current global and economic challenges, the trend in and the need for ESG investing will continue to gain traction as more investors become aware of the larger importance of considering positive social or environmental impact. A recent Morgan Stanley survey of investors showed a wide embrace of sustainable investing (Chart 1) and the practice of thematic or impact investing to address environmental themes (Chart 2).



At UCF, we remain committed to our basic mission of responsible investing by actively engaging with corporations on their ESG performance and providing optimal returns for mission. This commitment includes a number of ESG issues, especially systemic racism, human rights, global warming and environmental degradation.

Regardless of how global trends wax or wane, UCF is committed to serving the mission and values of the UCC and all other faith-based clients. As such, we remain committed to responsible investing and ESG engagement that create a more just world. To learn more about the ESG investing that we do at UCF, visit our website, [ucfunds.org](https://ucfunds.org), or contact our Director of Responsible Investing, Matthew Illian at [matthew.illian@ucfunds.org](mailto:matthew.illian@ucfunds.org).