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# I. Statements of Values

## Faith Values in Action: All Investing is Impact Investing

As fully committed Unitarian Universalists, we believe in Beloved Community—a diverse and loving community where everyone can belong and all people thrive. Our UU priorities work to center justice and liberation, within our communities and the wider world. We recognize the way in which injustice and oppression are rooted in history and identity, including race, gender, sexuality, ability, class and citizenship. With an explicit commitment to intersectional anti-racism, we are committed to uplifting the voices of Black, Indigenous, and People of Color (BIPOC) UUs, supporting BIPOC leaders, and creating a culture to support a diverse UU movement. We are committed to broadening the range of life experiences to which our Unitarian Universalist faith is relevant and life-giving.

Our Unitarian Universalist faith calls us to this anti-racist and anti-oppression work because we believe that all people are fundamentally interdependent and interconnected. We are called to amplify our values of love and justice. “Until we are all free, we are none of us free” (Emma Lazarus). All of us—BIPOC and white people—are wounded by racism and white supremacy culture (although differently). Oppression oppresses each and every one of us.

The Unitarian Universalist Common Endowment Fund (UUCEF or “the Fund”) will actively seek investments that have a strong values alignment with these UU principles. We believe the Fund’s investments and strategies should reflect the ideals and actions contained in the GA 2021-adopted Statement of Conscience which calls for “the Unitarian Universalist Association and Unitarian Universalist individuals and congregations/groups to actively engage in undoing systemic white supremacy in all of its manifestations. Systemic white supremacy refers to the embedded, institutional, and pervasive nature of racism, white privilege, and racial bias and oppression in our society.” The UUCEF’s work is also

guided by the adopted GA 2014 Business Resolution on “Fossil Fuel Divestment” and the GA 2020 Business Resolution on “Embodying Human Rights in our Investment Decisions.”

As investors in capital markets, we fully acknowledge the negative effects that systemic white supremacy and capitalism have had, particularly on BIPOC populations—including the extraction of wealth through stolen land and stolen labor and the unequal distribution of financial resources. As Unitarian Universalists, we decry the ways in which the intersectional impact of systemic white supremacy divides our human family by privileging some groups over others and thereby generating resistance to the common goal of universal equity and justice.

In implementing this Investment Policy Statement, we are committed to using our resources and our voice to redress these imbalances and to advance racial, social, economic, and environmental justice, support multiculturalism, and dismantle ableism, homophobia, transphobia, patriarchy and white supremacy culture. We seek to use the UUCEF funds to create a positive impact for UU congregations and other investor partners in the following ways:

- While we recognize that as fiduciaries we are operating inside a financial system that continues to maintain power for privileged white people, we also believe we can actively invest in firms and practices that can advance social, economic and gender justice, racial equity, diversity, and inclusion in their firms and in the communities in which they operate.
- We seek to achieve these goals by directing our investments toward those publicly and privately held companies, assets, and strategies that have demonstrated excellence in recruiting and retaining racially, geographically, gender, and ethnically diverse staff, boards, and

leadership—except as for any investments in separately managed accounts that may be needed for Shareholder Advocacy (see below).

- We will also invest in community organizations that have made measurable progress around diversity, equity, inclusion, and justice in their own operations as well as in the communities in which they work.
- Further, we explicitly aim to increase our investments in firms that demonstrate our values, and that are led by and benefit members of BIPOC and other marginalized groups that have historically been denied access to investment capital.

At the same time, we will actively seek to avoid investments in public or privately held businesses or strategies that significantly conflict with our values:

- Specifically, we are strongly opposed to making significant investments in publicly or privately held firms doing business in, or profiting from, tobacco, fossil fuels, private prisons, weapons manufacturing, human or labor rights violations, or other products and practices that have disproportionately harmed Black, Indigenous and other communities of color and other historically oppressed peoples.
- However, in some circumstances the Fund will use separately managed accounts to engage in Shareholder Advocacy with companies—whether or not they would otherwise meet our investing criteria—to bring collective pressure to bear on corporate policies and actions that conflict with UU values on issues such as diversity, equity, and inclusion (DEI); fair labor standards; and climate justice. The specific methods used to engage companies may include but are not limited to: proxy voting; letter-writing; direct dialogue; and the filing or co-filing of shareholder resolutions on DEI, environmental, social, or governance (ESG) practices, or other topics, with other religious or social-justice-oriented groups or allies.

Specific investment options and strategies in the Fund will further be governed by business resolutions passed by the UUA General Assembly, and by any further guidance or resolutions provided by the UUA Board of Trustees (“the UUA Board”). The UUA Board appoints the UUCEF Investment Committee (IC) to provide oversight of the Fund and to carry out these investment objectives (see Appendix C, Roles and Responsibilities, for further details).

- The IC will work with the UUA Board, staff, Investment Manager, consultants, and other partners on selecting appropriate investment options that adhere to these objectives (see Appendix D). The IC will use positive screening definitions as well as a variety of tools to accomplish this goal. The IC will continue to assess additional tools to further these efforts.

We are committed to having the Common Endowment Fund serve as a part of the transformation of capital from solely profit-seeking to advancing racial and social equity, environmental and economic justice as well. These changes are taking place through collective action, and we commit to living out our values by working in collaboration with other investors in seeking a more just investment world.

## II. Purpose of the Investment Policy Statement

To meet our investment goals, this Investment Policy Statement (IPS) has been written and approved by the UUCEF Investment Committee (IC) and recommended to the UUA Board of Trustees for approval. The IPS sets forth principal objectives and procedures for the management of the Fund’s investment portfolio. The IPS is intended to provide direction and guidance to the UUA staff as well as to the Fund's Investment Manager, consultants, current and prospective investors, and other internal and external investment partners. It is also a statement for reference by members of the UUA Board, members of the IC, and the UUA community. While normally investment committees work solely for their investors, the IC works within a

nested framework where values and mission are central, surrounded by investors, Unitarian Universalism, future investors, and then the wider community.

### III. Portfolio Goals

The UUCEF is available for the investment of endowment funds, trust funds, and other assets of UUA congregations and other eligible organizations that have a long-term investment perspective and the need for income to support their missions. The UUCEF seeks to integrate our faith values with our investment practices. To achieve this goal, the Fund aims for a moderate risk, professionally managed, diversified investment portfolio.

The UUCEF does not have a specific numeric return target; we also do not make a distinction between returns generated by interest, dividends, or capital gains. We recognize, however, the need for the Fund to achieve a rate of return that in the long-term is adequate for providing financial support for our investor congregations and other current and future beneficiaries. As such, the IC strives to manage the portfolio so that it is able to supply a steady total rate of return to meet the payout needs of the community. The portfolio will be managed and evaluated with the following goals in mind over consecutive rolling ten-year periods:

#### A. Capital Preservation

Manage the portfolio's risk/return relationship in order to maintain the real (inflation-adjusted) purchasing power over time with a goal of outperforming an absolute benchmark of the inflation rate plus the approximate 4.5% payout ratio. For example, as of 5/31/23, with an inflation rate of 4.0% and a payout ratio of 4.5%, the absolute benchmark would be 8.5%.

## B. Moderate-Risk Profile

The UUCEF portfolio aims to maintain a “moderate” risk profile. That is, the portfolio will invest in a balanced mix of relatively safer and riskier investments, and these investments will be broadly diversified across publicly and privately held stocks/equities, bonds/fixed income, and other assets. In order to enhance portfolio diversification and minimize risk, the Fund shall be invested across many different individual investment managers and management companies. The purpose of diversification is to minimize risk and to provide reasonable assurance that no single manager, security, or asset class will have a disproportionate impact on the total Fund. (See Appendix A, Portfolio Structure and Allocation Policy, for more information.)

## C. Performance Relative to Market Cycles

Over a total market cycle (peak to peak or trough to trough) the Fund will strive to outperform a relative benchmark consisting of various market indices approximating the Fund’s asset allocation. To meet this standard, the IC, Investment Manager, and consultants may use standard industry benchmarks, such as the Standard and Poors 500 Index<sup>®</sup> and blended benchmarks, to compare Fund performance.

## D. Performance Relative to Peers

Peer rankings are important; however, they should not be the only way in which the UUCEF and its investors measure results, given our portfolio’s alignment with UU values and advancement of UU social justice goals. Instead, the Fund should be measured by its ultimate objective: to embody UU social values in ways that allow for long-term investment returns that are adequate for investors and beneficiaries to meet their spending needs.

Each participating investor can choose an annual payout rate between 0% and 6% of market value, and thereby make their own decisions about how

to balance income with capital gains. Given this flexibility, it is important for the Fund to remain flexible and to support many different requirements among these investors.

## E. Upholding and Advocating for UU Values with UU Assets

As the 2017 Statement of Conscience put it: “The escalation of income and wealth inequity undergirds many injustices that our faith movement is committed to addressing, including: economic injustice, mass incarceration, migrant injustice, climate change, sexual and gender injustice, and attacks on voting rights.”

The UU commitment to leverage our assets to remediate these injustices requires the IC:

- 1) To minimize holdings in the corporations whose policies and actions pose the greatest threats to human rights, Indigenous rights, worker rights, the environment, and public health and well-being via screening and selection wherever possible;
- 2) To use active ownership to advocate UU values with corporate and fund managers whenever and wherever possible—even (and maybe especially) when those corporate or fund managers demonstrate that they do not share our values; and
- 3) To use our assets to invest in capital-deprived communities and people to attempt to redress long-standing imbalances and injustices.

The details of how we seek to implement this commitment is set forth in Section IV below.



## IV. Accomplishing UU Portfolio Goals Via Investing Strategies

Managing all of the portfolio goals of the UUCEF simultaneously is a difficult proposition that requires a high level of due diligence regarding each aspect of how a particular investment will affect the portfolio as a whole. At times, certain portfolio goals will be elevated and others deprioritized as the IC attempts an overall holistic approach that is as much experience and art as it is evaluation of statistics, past performance, and investment manager philosophy. Overall, the IC hopes and expects that the blend of all of the funds included in the UUCEF will provide the correct overall balance of the portfolio goals, which sometimes compete and conflict.

The securities held in the UUCEF fall into two fund categories, and the incorporation of UU values is handled differently for each type:

- Commingled, or pooled, funds, including private commingled funds, mutual funds, ETFs (Exchange Traded Funds) and similarly structured vehicles. With these assets, the UUCEF has no direct influence over the securities included in the portfolios. In these cases, the UUCEF brings UU values to bear in the selection of the managers.
- Separate accounts, which hold individual securities. These securities are managed by specialized investment managers, and the UUCEF can direct those managers to eliminate specific companies or industries from the portfolios.

## A. Fund Types and UUCEF Strategies

### 1) Pooled Funds and Exchange-Traded Funds

The majority of the Fund's assets are invested in pooled investments and are chosen as investment vehicles when the complexity of financial strategies requires hiring fund managers with specialized knowledge and skills not possessed by UUA personnel or IC members. The IC often takes advantage of economies of scale by choosing pooled funds in order to minimize administrative costs and investment risks, and maximize fund manager expertise on behalf of UUCEF investors. For commingled funds, the IC will assess the fund manager's values alignment with the UUA values during the selection and performance monitoring processes.

The IC endeavors to choose, to the greatest extent possible and with due regard to the social values emphasized by General Assembly and UUA Board guidelines, to invest in pooled vehicles that best reflect our UU values. However, the IC recognizes that it is not possible to give specific policy or advocacy directives to pooled fund managers whose policies are already well established and who offer products to a wide variety of investors whose values may diverge from ours. More tailored funds do, at times, offer investments that embed some aspect of socially responsible investing (e.g. fossil-fuel free, or diverse-owned) and in cases where fund options are competitive on other dimensions of performance, the IC will select the fund aligned with UU values.

The IC will also, to the greatest extent possible, work with our Investment Manager, consultants, and other partners to give priority to pooled vehicles that are owned, operated, or managed by firms that represent BIPOC communities.

To the greatest extent possible, all of the mutual funds, ETFs, and other vehicles selected for inclusion in the UUCEF will use security selection and screening to determine their underlying investments. Investment screening is the practice of excluding investments from portfolios based on

environmental, social, and governance (ESG) criteria. It also includes weighting portfolios toward companies or strategies that perform better on these criteria and avoiding the lowest performers.

## 2) Separate Accounts

Separate accounts contain a single customer's funds, allowing for a deeper integration of UU values. For example, because these securities are managed by specialized investment managers, the UUCEF can direct those managers to eliminate specific companies or industries from the portfolios. The administrative burden on the Investment Manager and the IC of implementing a separate account (checking screening data and screening implementation, checking tracking error to a target index, rebalancing to an investment target) is significantly higher than the administrative burden of selecting and overseeing performance of investment managers. The usual rationale for adding this burden on the IC is because the IC would like to more fully integrate UU values into the portfolio.

When corporate securities are individually held in a separate account, the UUCEF employs three major strategies to advance UU values, as expressed in General Assembly resolutions and UUA Board requirements and decisions: a. Security Selection, Screening and Divestment; b. Shareholder Advocacy and Corporate Engagement; and c. Community Investing.

### a. Security Selection, Screening and Divestment

#### i. Prohibited Securities

Unless specified in a General Assembly resolution or Board decision, the threshold of a company's involvement in activities that precludes investment by the UUCEF will be determined by the Investment Committee. Holdings of such companies may be maintained in the Advocacy Portfolio for the purpose of shareholder advocacy, unless a General Assembly resolution or Board decision specifically prohibits such

holdings or the Investment Committee determines that shareholder advocacy with certain companies and/or sectors is no longer a priority for the UUCEF.

The Investment Committee may exclude industry segments where the entire industry places profits above the extreme levels of social, environmental, or governance damage they do. Exclusion of such industries may occur if the Investment Committee can sufficiently minimize fiduciary risks or replace the industry segment with a similarly performing industrial segment (e.g., renewable energy in lieu of fossil fuel energy). Further, unless otherwise prohibited by UUA General Assembly or UUA Board of Trustees resolutions, small investments may be held for the purposes of shareholder advocacy (see Section II).

There are four categories of investments prohibited by the UUA, except for small dollar amounts for the purposes of engaging in shareholder advocacy:

1. companies listed on the Carbon Underground 200 (formerly the Carbon Tracker 200);
2. companies that are consistently, knowingly and directly complicit in egregious human rights violations and violations of international law;
3. companies that produce or sell handguns and/or are major manufacturers of weapons (among the top 50 based on revenues in the U.S. or worldwide) and companies for whom weapons represent over 5% of revenue;
4. companies doing business in, or profiting from, private prisons; and
5. companies that engage in the manufacture of tobacco-based products, with a UUA investment tolerance level of zero.

## ii. Positive and Negative Screening

The Investment Committee may utilize various systems or service providers to assist in the implementation of positive and negative

screening, including robust research and evidence brought to the committee's attention by UU social justice groups, congregations, or individual UUs concerned about social justice. Emphasis should be given to a broad scope of data and research, including performance over time (being preferred over cross-sectional snapshots in time) as well as consideration of corporate approaches to transparency and remediation. Given comparable alternatives, implementation should favor investments that address Environmental, Social, and Governance (ESG) issues openly and in ways that demonstrates respect and concern, particularly those evidencing best practices within sectors or market segments with significant environmental and social impacts.

See Appendix E, Positive and Negative Screening Criteria, for Environment and Climate Change; Social (including Human Rights and Racial Justice); and Governance factors that guide UUCEF security selection in separate accounts.

#### b. Shareholder Advocacy and Corporate Engagement

The IC fundamentally believes that active ownership, including voting proxy shares, collaborating in broad partnerships of investors attempting to change corporate policies, advocating for positions consistent with our values, and meeting and advocating with corporate boards and executives are all essential components to improving our world and setting guardrails to prevent corporate abuse and misconduct.

The UUCEF will use separately managed accounts to engage companies and regulatory agencies—primarily in collaboration with other faith-based and socially responsible investors, or independently where we can play a catalytic role, in support of front-line community and movement partners who are bearing the particular burdens of the effects of irresponsible and harmful corporate policies or actions.

Shareholder advocacy allows the UUCEF to engage companies on issues such as equal opportunity employment, board diversity, non-discrimination based on sexual orientation, sex, gender identity or expression, global labor standards, and climate change. The specific methods used to engage companies may include but are not limited to: proxy voting; letter-writing;

direct dialogue; and the filing or co-filing of shareholder resolutions on environmental, social, or governance topics. Holdings in the Advocacy account may include equities in companies that do not otherwise meet our ESG/SRI criteria.

The UUA's strategy is to focus our limited shareholder advocacy and engagement capacity on issues where the UUCEF, as a relatively small investor, can be on the cutting edge and move larger players in the investor community to follow our lead. To maximize our impact, we seek to support and amplify UU social justice organizing with our investor voice and leverage.

The Investment Committee will set shareholder advocacy priorities annually, in consultation with UU social justice leaders and in coordination with other faith-based and values-aligned investors. The Investment Committee will report on results and impact of shareholder advocacy through its communications channels, including quarterly calls and the UUCEF website.

The Investment Committee will review, update, and publish proxy voting guidelines and proxy voting reports annually. The UUCEF will vote in favor of shareholder proposals aligned with the environmental, social, and governance criteria that guide our securities screening, and may vote against directors on the basis of climate change, human rights, and other concerns.

### c. Community Investing

The UUCEF will invest in strategies that create resources and opportunities for economically disadvantaged people and communities. As defined by the UUCEF, Community Investing (CI) supports development initiatives in low-income communities in the United States and low- and middle-income countries. CI institutions include: community development banks, credit unions, loan funds, venture capital funds, and other institutions offering investment products that support community development. These investments may also be deposited with micro-enterprise lenders, which

make small loans around the world to persons or projects with the goals of building self-sufficiency, addressing violence, and alleviating poverty.

The UUA Board of Trustees voted in 2006 that 1% of the UUCEF would be allocated to CIs; in 2020, the Board voted to increase the CI allocation to 5%. In reaching the 5% goal, the IC is currently focusing on undercapitalized Community Development Financial Institutions (CDFIs), working through umbrella organizations, and prioritizing investments led by and benefiting Black and Indigenous people and communities. The IC will work with the Investment Manager, other consultants, and other partners in selecting appropriate groups and strategies to receive new or additional investments to reach this goal.

**Community Investing** (CI) is financing that creates resources and opportunities for economically disadvantaged people and communities. CI supports development initiatives in low-income communities both in the United States and in developing countries.

**Community Investments** are offered by community investing institutions and include checking accounts, savings accounts, certificates of deposit, loan notes, equity investments in community development, and money-market funds.

**Community Investing Institutions** include community development banks, credit unions, loan funds (including microenterprise lenders), venture capital funds, and other institutions which offer investment products that support community development, e.g., the [Community Investment Note offered by Calvert Impact Capital](#).

See Appendix 2 for resources for U.S. Treasury certified community development financial institutions (CDFIs) and other community investing institutions.

Additional information about CI may be found in Appendix B.

## B. Necessary Partnerships to Manage Fund Goals

The Investment Committee will work in partnership with the Investment Manager, consultants, and other partners to balance the stated investment goals to the best of our ability. The partnership among these these groups will include, but not be limited to the following objectives:

- Management of passive assets, such as publicly traded index funds or ETFs, should be used in the most efficient areas (such as U.S. stock/equity and bond/fixed income mutual funds or ETFs); management of active assets such be emphasized in areas of greater potential risk (e.g., privately held assets or funds).
- All partners should be aware of any investment management fees and expenses, but fees should not be the sole criterion used to decide on the merits of any potential new or continuing investment strategy.
- The partners should review and prioritize specific diversity, equity, and inclusion identifiers and seek to increase the share of diverse managers in the Fund to meet the IC goal of having Black, Indigenous, and Persons of Color (BIPOC) firms managing at least 20% of UUCEF assets. Currently, the IC defines BIPOC firms as investment management companies with 30% or more of owners, executive leaders, and/or members of the boards of directors who identify as Black or African American, Latinx or Hispanic, or people of Indigenous descent. In future years, as the potential number and types of investment companies within the UUCEF portfolio expands, the IC may consider increasing the share of ownership or leadership of investment managers eligible for inclusion as BIPOC-led firms to 51%. (Creating a Due Diligence 2.0 section in the Appendix is an Investment Committee goal for the future.)
- The partners may be more accommodating about selecting new investment strategies or managers where constraints around typical



manager selection are loosened, such as (but limited to): atypical risk/return profile, limited liquidity, higher tracking error, shorter track record, smaller fund assets under management, and manager tenure.

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# Appendices

## Appendix A. Portfolio structure and allocation policy

It is understood that a single Investment Manager may have discretion to invest across a range of asset classes. The Investment Committee will select a team of Investment Managers to minimize the risk that multiple Investment Managers will become concentrated in any particular asset class.

### **Asset allocation targets and ranges:**

| Asset Class              | Target Commitment % | Range %   |
|--------------------------|---------------------|-----------|
| Equities                 | 55%                 | 23% - 76% |
| Domestic – Large Cap     | 27%                 | 17% - 27% |
| Domestic – Small/Mid Cap | 6%                  | 5% - 13%  |
| International Developed  | 14%                 | 10% - 26% |
| Emerging Markets         | 8%                  | 6% - 12%  |
| Fixed Income             | 26%                 | 24% - 38% |
| High Quality             | 6%                  | 7% - 21%  |

|                           |     |           |
|---------------------------|-----|-----------|
| Flexible                  | 14% | 10% - 24% |
| Opportunistic Investments | 10% | 0% - 10%  |
| Private Markets           | 5%  | 0% - 10%  |
| Community Investments     | 5%  | 0% - 5%   |
| Cash                      | 1%  | 0% - 5%   |

## Appendix B. Community Investment Guidelines and Policy

### 1. Apportioning the Target Allocation.

The target allocation for Community Investments will be as set forth in Appendix A. Up to 50% of the Community Investing allocation may yield a below market return (concessionary rate) and the remaining 50% must return the greater of 1.5% or a “cash” rate of return as determined by the U.S. 91-day T-bill yield (market rate) (**^IRX on Yahoo Finance**). The CI allocation shall be counted within the fixed income asset class when at market competitive rates and separately when concessionary.

## 2. Characteristics of Community Investments eligible for investment by the UUCEF.

### 2.1. Community Investments Approval Criteria.

Referrals for Community Investments will undergo review and approval by the IC. An investment memo will be prepared and circulated for each proposed investment.

The memo will include the following information.

- Applicant Info (Organization Name, Address, Website, Contact Person)
- Proposed Investment Terms (Amount, Term, Interest Rate, Note Type/Payment)
- CDFI Fund Status, including CDFI certification and awards.
- CI Trade Association membership status
- Fund Background and management overview.
- Product Offerings, Portfolio Holdings, and Community Lending Impact
- Financial Statement/Audit Overview
- Risk Factors & Mitigators
- Impact Measurement (to be suggested and determined by the organization)
- UUA Match, referral source, or other connection(s), if any
- Other Info: Any other information that may be helpful in demonstrating organization's community development impact, financial growth, or other development that may not be addressed in factors above.

## 2.2 Other Community Investment Characteristics

2.2.1. Recognizing the greater demand for capital experienced by Community Investment Institutions operating outside of the federally regulated financial system (i.e., loan funds vs. banks and credit unions), the UUCEF will favor investments in uninsured institutions over investments in regulated banks and credit unions.

2.2.2. The UUCEF will favor investments in Community Investing Institutions that support improvements in basic living standards such as access to jobs, micro-enterprises, affordable housing, and affordable financial services.

2.2.3. Maximum investment amount in one CI institution will be no greater than 10% of the total amount of the UUCEF allocated to Community Investments unless the institution is federally insured or the investment is approved by the Investment Committee.

2.2.4. Each CI will generally have a three-year term not to exceed a maximum term of five years. Investments may be renewed. Matching Program investments may be renewed for a total investment term of up to ten years. Longer terms may be considered by the IC, if appropriate.

2.2.5. Each CI up to a maximum of 2.5% of the total value of the UUCEF will have a minimum rate of return of 1% unless otherwise approved by the IC. The remaining 2.5% of CI assets must earn the greater of 1.5% or a “cash” rate of return as determined by the U.S. 91 Day T-Bill yield.

2.2.6. Each CI will meet the criteria listed in Appendix 1.

2.2.7. Any other Community Investment, regardless of whether it meets the terms in 2.2.1 to 2.2.6 above, if approved by a majority of the Investment Committee.

### 3. Investment process.

The UUA Treasurer shall invest UUCEF funds in Community Investments as approved by the Investment Committee. UUCEF Community Investments may be recommended through a member of the Investment Committee or Treasurer.

### 4. Reporting

#### 4.1. Diversity Due Diligence

Prior to any new or renewing Community Investments, the UUA will collect data to determine the investment's fit within the CI portfolio's diversity goals. The IC may focus and seek out investments that meet diversity goals such as geography, underserved populations, under-represented leadership, and lending products such as affordable housing, for example.

#### 4.2. Reporting to Investment Committee

The UUA staff will maintain a regular record of the UUA's Community Investments including the UUCEF, operating fund, and any other funds used for Community Investments. The data, which will be maintained on the UUA website, will include, at a minimum, the following information for each investment:

Organization Name, investment type (CD, loan, etc.), term, maturity date, interest rate, payment terms (i.e., quarterly interest payments), Investment Amount, Date of investment, and Match source, if applicable (congregation/district name and state).

## 4.3 Important Examples of Community Investment Institutions

The following information and resources are compiled and summarized to assist the Investment Committee in its oversight of the Community Investment portfolio for the UUA's Common Endowment Fund. While CDFI certification is not a requirement for UUA Community Investments, certified institutions have undergone formal screening to demonstrate that they meet the federal CDFI criteria below. The table following includes Community Investing trade associations. Each has its own standards for membership which may or may not include CDFI certification.

### 4.3.1 Requirements for Federally Certified CDFIs

[http://www.cdfifund.gov/documents/CDFI\\_Certification.pdf](http://www.cdfifund.gov/documents/CDFI_Certification.pdf)

- Has a Primary Mission of promoting community development
- Is a Financing Entity
- Serves principally an eligible Target Market
- Provides Development Services in conjunction with its financing activities
- Maintains Accountability to its defined Target Market
- Is a Non-Governmental Entity, and is not controlled by one or more governmental entities (with the exception of Tribal government entities)

### 4.3.2 Community Investment Trade Associations



Community Investment Institution Trade Associations & Other Resources

| Organization Name  | Specialty/Membership Base  | Due Diligence Tools   |
|--|--|---|
| <p>Opportunity Finance Network<br/><a href="http://www.ofn.org">www.ofn.org</a></p>  | <p>Membership association for all CDFI types, most of their approximately members are nonprofit loan funds</p> | <p>Use <a href="#">CDFI Locator</a> to view member loan fund profiles. Publishes Side by Side – annual report of peer data on the industry. Developed <a href="#">Aeris</a> – CDFI Rating System.</p> |
| <p>Community Development Venture Capital Alliance<br/><a href="http://www.cdvca.org">www.cdvca.org</a></p>   | <p>Membership association for community development Venture Capital Funds</p>                                  | <p>See list of member venture capital funds and profiles on website.</p>  |
| <p>Inclusiv (formerly National Federation of Community Development Federal Credit Unions)<br/><a href="http://www.inclusiv.org">www.inclusiv.org</a></p> | <p>Membership association for community development Credit Unions.</p>   | <p>Find all U.S. based credit union data including public financial reports (5300s) at <a href="http://www.NCUA.Gov">www.NCUA.Gov</a>.</p>  |
| <p>Community Development Bankers Association<br/><a href="http://www.cdbanks.org">www.cdbanks.org</a></p>  | <p>Membership association for community development FDIC insured banks</p>                                     | <p>See list of member banks and profiles on website. See FDIC.gov for public financial reports.</p>   |

| Organization Name  | Specialty/Membership Base   | Due Diligence Tools  |
|--|---|--|
| The Community Development Financial Institutions (CDFI) Fund<br><a href="http://www.cdfifund.gov">www.cdfifund.gov</a><br><u>v</u> | Federal bureau within U.S. Treasury Department that certifies and invests in all types of CDFIs | <a href="#">Download list of certified CDFIs</a> or use <a href="#">searchable awards database</a> . Awardees (vs. simply certified) undergo a financial safety and soundness check. |

## Appendix C. Roles and Responsibilities

### Internal roles at UUCEF

- **UUA Staff.** The day-to-day management of the UUCEF is the responsibility of UUA staff, notably the Treasurer and other staff who work in the Treasurer’s Office. This includes investing UUCEF funds in Community Investments as approved by the Investment Committee.
- **Investment Committee.** The Investment Committee (IC), which is appointed by the UUA Board of Trustees, is responsible for the overall investment strategy of the UUCEF and for making specific investment decisions including hiring and terminating the Investment Manager (described below) and individual investments. They act in accordance with commonly held fiduciary duties (Duty of **care** to facilitate prudent stewardship of the Fund’s capital, Duty of **loyalty** to ensure the impartial execution of all of Fund’s dealings; and Duty of **obedience** to benefit the public and the values of the UUA). The IC’s approach to investment strategy and decisions is both expressed in

and guided by this investment policy statement, which was developed by the IC and approved by the Board. The IC is made up of volunteers, with the exception of the Treasurer who sits on the IC ex officio.

- **UUA Board of Trustees.** The UUA Board is charged with implementing the will of the General Assembly and creates and oversees organizational structures and processes designed to do this. In this capacity the Board determines the charter of the IC and appoints their membership. The Board also is responsible for assessing and approving the Investment Policy Statement.
- **General Assembly.** GA is the ultimate authority on the policies governing investment of the UUCEF, though as a practical matter this authority is delegated to the Board and IC. Over the years numerous resolutions concerning the UUCEF have been adopted at GA and have become part of this policy.

#### Advisory roles external to UUCEF

- **Investment Manager .** The Investment Manager (“the Manager”) shall assist the IC and the UUA staff in developing and modifying investment policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation targets and investments, and the appropriate mix of individual investment manager styles and strategies. The Manager shall also provide assistance in identifying new individual fund manager searches and strategies, in investment monitoring, performance calculation, evaluation, and other analysis and reports as requested by the IC or the UUA staff. In addition, the Manager shall provide timely written and oral information on investment strategies, instruments, managers and other related

issues, as requested by the IC and the UUA staff. Whenever performing these duties the Manager shall continually abide by the letter and spirit of the investment policies, restrictions, and guidelines are described in this Investment Policy Statement. Selection and oversight of the Investment Manager shall be left to the discretion of the IC, in consultation with the UUA staff and Board of Trustees.

- **Other consultants.** When necessary, the IC may utilize various systems or service providers to assist in the implementation of these guidelines. Emphasis should be given to a broad scope of data and research, including performance over time and approaches to transparency and remediation. Given comparable alternatives, implementation should favor investments that address ESG and diversity, equity, and inclusion issues openly and in a way that demonstrates respect and concern, particularly those evidencing best practices within sectors or market segments with significant environmental and social impacts.

When the Committee selects the Investment Manager and other consultants to manage assets of the UUCEF, factors to be considered shall include, but not be limited to: the stability and suitability of the investment organization, staff and client base, consistency of the investment process, style and philosophy, competitiveness of risk and return versus indices and peers, and reasonableness of fees.

The IC can, in consultation with the UUA staff and Board of Trustees, terminate the Manager and consultant based on significant changes to the organization, staff and client base; significant changes to the investment process, style, philosophy, and performance over the long term versus benchmarks; significant non-compliance with investment guidelines; or other factors deemed appropriate by the Committee.

## Appendix D. Goals and Accountability Process for Implementing, Updating and Evaluating This Investment Policy Statement

If and whenever deemed necessary, this Investment Policy Statement may be reviewed and amended by the UUCEF Investment Committee, based on, but not limited to, the criteria noted below:

- Substantive changes in internal or external SRI, ESG, or other policies and practices, as deemed necessary and appropriate by the UUA Board of Trustees, UUA staff, the Investment Manager, or the Investment Committee
- Substantive changes to SRI goals or policies, as judged by the IC, UUA Board, or General Assembly.
- Substantial failure to meet objectives of minimum investment of 20% of UUCEF assets invested in individual funds led by African American, Native American, or other BIPOC-led fund managers within the Fund by June 2025.
- Substantial failure to meet objectives of minimum 5% of UUCEF assets in Community investments within the Fund by June 2025.
- If there have been no substantial changes, the Investment Committee will do a review every third year to reflect on progress and determine if updates are necessary.

## Appendix E. Positive Investment Screens

The Investment Committee works to build a portfolio to reflect UU values and societal concerns by screening opportunities to invest in companies that seek societal good with competitive returns. Through screening, the IC intends to avoid companies that are serious polluters, employ sweatshops, or discriminate on gender or race, for example. Categories that are screened include items like accounting policies and board structure; employees, workplace diversity and labor relations; customers, business

ethics and product safety; planet, greenhouse-gas emissions; and community, and human rights along the supply chain. Data providers including Institutional Shareholder Services (ISS)<sup>™</sup>, Sustainalytics<sup>™</sup>, and Thomson Reuters Asset4<sup>™</sup> can be used to accomplish these goals.

## **Environment and Climate Justice**

Investments are preferred in companies that

1. produce products or services that reduce waste generation or conserve natural resources;
2. reduce the use of energy, water, fertilizer, pesticides, and hormones in food production;
3. show significant progress in reducing volume and toxicity of waste, emissions and effluents;
4. have innovative programs to reduce use of energy, water, materials and land;
5. have consistently good compliance records;
6. have strong environmental management systems including clear environment policies and audits;
7. are committed to standardized environmental reporting (e.g., Global Reporting Initiative, CDP, UN Guiding Principles on Human Rights),
8. are proactively addressing global climate change by aligning their long-term strategy with the goals of the Paris Climate Agreement including a just transition; and
9. publicly support policy solutions to climate change and other environmental threats.

The UUCEF seeks to avoid investing in companies that

1. show a pattern of serious violations of environmental regulations;
2. show a below-average record of environmental performance and/or are responsible for significant environmental damage;
3. are in industry sectors with high adverse impact on the environment and have no mitigation strategy;
4. have been negligent in handling significant environmental problems;

5. are significantly involved in practices with negative global impacts such as rainforest destruction and ozone depletion;
6. contribute in significant ways to climate change, and/or
7. oppose directly and/or through third-party affiliates policies addressing climate change and other environmental problems.

## **Social, including Human Rights and Racial Justice**

The UUCEF favors investment in companies with explicit human rights principles, encompassing the rights of Indigenous peoples and immigrants and addressing racial justice. We seek to invest in companies that fulfill the responsibility to respect human rights as articulated in the UN Guiding Principles on Business and Human Rights. Furthermore, we will favor companies with fair labor standards including freedom of association, allowing their employees to form unions that guide their domestic and global operations in both owned facilities and their supply chains. Also favored are companies with

1. safe, useful high-quality products or services that enhance the quality of life;
2. responsible pricing and marketing practices;
3. high performance in addressing product safety;
4. strong policies and programs in recruiting and development for historically marginalized people;
5. innovative labor policies demonstrating commitment to quality of life (paid time off for volunteering, sabbaticals, employee recognition, company sponsored volunteer programs, flex-time, part-time benefits, job sharing, telecommuting and dependent care);
6. inclusive nondiscrimination policies (e.g., race, ethnicity, national origin, religious affiliation, disability status, sexual orientation, gender identity and expression, same sex partner benefits, positive union relations or employee participation) and adherence to those policies;
7. strong emergency and on-going safety programs and performance
8. strong records of investing in local communities (e.g., as exemplified by outstanding Community Reinvestment Act ratings); and

9. business ethics standards that are clear, widely disseminated, and enforced.

The UUCEF seeks to avoid investing in companies with direct violations of the most basic human rights to survival and integrity (e.g. the use of forced labor, child labor, sweatshops and other violations of International Labor Organization standards). UUCEF investments will also avoid companies that

1. negatively impact Indigenous peoples, immigrants and local communities
2. fail to obtain free, prior and informed consent for projects affecting communities;
3. fail to invest adequately in local communities;
4. engage in predatory lending or redlining;
5. manufacture or sell products with adverse public health consequences;
6. conduct misleading or irresponsible marketing of products or services;
7. demonstrate patterns of violating equal employment opportunity (“EEO”) or Occupational Safety and Health Administration (“OSHA”) rules or comparable recognized international standards; and/or
8. demonstrate labor relations problems.

## **Governance**

Preference is given to companies with good performance in matters of ethical corporate governance principles:

1. accountability (independent monitoring and reporting on ESG performance);
2. democratic practices including equal voting rights for all shareholders;
3. transparency (regular audits e.g. full disclosure of charitable giving and full disclosure of election and lobbying policies, practices, oversight and amounts contributed, including through third parties);
4. embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., performance-based executive compensation that



- considers a company's impact on all stakeholders, and policies that hold perpetrators of sexual violence accountable);
5. Above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions; and
  6. responsibility (e.g., community investment, generous corporate philanthropy, positive engagement with shareholders and other stakeholders).

The UUCEF seeks to avoid investments in companies which have demonstrated disregard for these corporate governance standards.