

# **The UUA Socially Responsible Investment Guidelines**

**March 1<sup>st</sup> 2008**

## **A. Introduction**

Socially responsible financial practice is both a science and an art, and in the context of an imperfect world, competent socially screening takes into account both qualitative and quantitative factors. It is the work of the Unitarian Universalist Association's Committee on Socially Responsible Investing to articulate those Guidelines which shall structure the conversations and decisions regarding UUA investments. In doing so, there will be both absolute and contextual elements, as well as process indications. This work continues in unbroken line the vision of those Unitarian and Universalists who have sought financial expression of justice. As articulated by the 1999 UUA Task Force on Socially Responsible Investing, "Socially Responsible Investing allows the UUA to harness the power of its financial resources to live out and express UU values."

### **I. Investment Selection**

The Sixth General Assembly in 1967 urged the UUA and member societies to exercise the power of stock ownership "as an effective instrument for promoting social justice..." Currently, investments of the Unitarian Universalist Common Endowment Fund or UUCEF monies in specific companies or aggregates are to be avoided or preferred according to their performance in the areas of environmental, social and governance (ESG) conduct.

## **A. Environment**

Investments are preferred in companies that (1) produce products or services that reduce waste generation or conserve natural resources; (2) show significant progress in reducing volume and toxicity of waste, emissions and effluents; (3) have innovative programs to reduce use of energy, water, materials and land; (4) have consistently good compliance records; (5) have strong environmental management systems including clear environment policies and audits; (6) are committed to standardized environmental reporting (e.g., CERES), (7) are committed to increased involvement in renewable energy sources and (8) are proactively addressing these and other issues of global climate change.

The UUA seeks to avoid companies that (1) show a pattern of serious environmental violations, (2) show a below-average record of environmental performance and/or responsible for major environmental disasters (3) are in industry sectors with high adverse impact on the environment (4) have been negligent in handling significant environmental problems, (5) are significantly engaged in practices with negative global impacts such as rainforest destruction and ozone depletion, and/or (6) contribute in significant ways to climate change.

## **B. Social**

The UUA favors investment in companies with explicit human rights principles and/or labor standards which guide their national and global operations in both owned and contracted facilities. Also favored are companies with (1) safe useful high quality products or services which 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, 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., sexual orientation, gender identity, 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; and (8) strong records of investing in local communities; e.g., as exemplified by outstanding Community Reinvestment Act ratings.

Direct violations of the most basic human rights to survival and integrity (e.g., the use of forced labor, child labor, sweatshops and other international labor organization standards) are to be avoided. UUA investments also avoid companies that negatively impact communities through (1) failure to invest adequately in local communities, or engage in predatory lending or redlining; (2) manufacture or sell products with adverse public health consequences; (3) conduct misleading or irresponsible marketing of products or services; (4) demonstrate patterns of equal employment opportunity (EEO) or Occupational Safety and Health Administration (OSHA) violations; and/or (5) demonstrate serious labor relations problems.

### **C. Governance**

Preference is given to companies with good performance in matters of ethical corporate governance principles: (1) accountability (independent monitoring and reporting on Environmental/Social/Governance performance); (2) democratic practices; (3) transparency (regular audits e.g., CERES; full disclosure of charitable giving and political activities); (4) embeddedness, i.e., ethical behavior is normative in corporate culture (e.g., above average representation of historically marginalized peoples on boards of directors and in senior management and pipeline positions; performance-based executive compensation that considers a company's impact on all stakeholders); and (5) responsibility (community investment; generous corporate philanthropy; policies and treatment of shareholder advocacy).

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

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### **D. Implementation**

In following these Guidelines, the UUA endeavors to access the widest possible scope of data and research, including patterns of conduct over time: whether companies have taken proactive measures to correct past problems or continue in misleading,

irresponsible, illegal or egregious behavior. It seeks companies that address Environmental Social and Governance issues openly and in way that demonstrates respect and concern. Of significant interest are those companies evidencing best practices within the most challenging industry sectors.

When applying the investment guidelines, the IC and the CSRI shall collaborate in the context of the entire fund, adapting to the characteristics of differing asset classes, and responding to developments in the field of socially responsible investment.

As of January 2008 there are two categories of investments particularly noted as historically prohibited by the UUA: tobacco and weapons, described as (1) those companies which engage in the manufacture of tobacco based products, with a UUA tolerance level of zero; and (2) those that produce or sell handguns and/or are major weapons manufacturers (among the top 50) or those companies where weapons represent over 5% of revenue. All managers are directed to avoid these investments. In case of investments in commingled funds (e.g. limited partnerships, mutual funds), the UUA seeks commingled funds with appropriate prohibitions if they meet relevant financial considerations.

In accordance with the SRI tradition of divestment, prohibitions against investments in repressive governments or states may be adopted. Currently, investments in companies indicated by the Sudan Divestment Task Force are prohibited.

The threshold of a company's involvement in activities that preclude investment by the UUCEF will be determined through collaboration between CSRI and the IC. Small holdings of such companies may be maintained in the corporate advocacy fund for the purpose of shareholder advocacy.

These prohibitions are reviewed as appropriate, and minimally once a year by the UUA Committee on Socially Responsible Investing, which discusses them with the Investment Committee and reports them to the UUA Board through the Board's Finance Committee.

CSRI and IC work collaboratively with investment consultants to develop rating systems. The committees then determine thresholds of investment (these may be by industry sector, investment vehicle, and/or other appropriate categories). Small holdings of such companies may be maintained in the corporate advocacy fund for the purpose of shareholder advocacy.