The Pension Boards
United Church of Christ, Inc.

2024 - 25

Why Sustainability Matters

Sustainability Report

Our History

Since 1914, the Pension Boards-United Church of Christ, Inc. (PBUCC) has been a partner in ministry with those who serve the United Church of Christ (UCC). PBUCC offers comprehensive employee benefits programs for active and retired UCC clergy and lay employees and their eligible dependents, providing the highest standards of service, access, and options. PBUCC assists those who serve the church in achieving health and economic security through:

- thought leadership regarding faith-based, socially responsible investing;
- professional investment expertise that enhances returns;
- a comprehensive mix of products and services that meet diverse needs;
- innovative application of technology; and
- outreach to all settings of the UCC and the greater church.

Our Mission

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.

Our Vision

The Pension Boards delivers benefits and services from the intersection of faith and finance, providing clergy, lay employees, and all persons served with the peace of mind that comes through greater financial security and better health.

Contributors

David A. Klassen, Chief Investment Officer

Lan Cai, Deputy Chief Investment Officer

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Reflections on Our Sustainability Journey
People and Process Behind the Progress

The Pension Boards is sometimes known for frequent one-way communications, in which we inform you of our progress while letting you know how you can utilize our products. And so, the temptation is to do that again here—to outline all our accomplishments in Sustainable and Responsible Investing over the last ten years.

However much we might have to crow about in this report—particularly given the stellar evaluation we received recently from the United Nations Principles for Responsible Investing (UNPRI) that ranked our activities favorably on an absolute basis and relative to peer pension plan sponsors—that would be missing the point. Just as sometimes it's not the notes that count but the space between them, it is my hope that taking you behind the curtain will illuminate and reveal the process and people behind a decade-long journey and answer the question: How did we get here, and can we be trusted to continue?

A noteworthy but humble place to start would be in 2013, when General Synod addressed fossil fuel investment and called upon numerous entities related to the church to migrate toward best-in-class investments or divestment.

This created palpable tension with Pension Boards' oft-repeated but sometimes criticized focus on fiduciary duties (yes, the "f" word) to our members. While that stance was appropriate and important, it seemed at odds with being perfectly and consistently aligned with the values and activism of many in our denomination. But there were no manuals at the time and no clear way forward, particularly for those who were trained in fundamental principles of diversification and risk management. It was very helpful though, that a number of our trustees insisted there would be no financial sacrifice to our sustainable and responsible investing activities. And so the journey began.

Framing Faith and Finance

An important inflection point, clearly borne of a creative impulse to do better, was the way we rallied around a mission statement centered on “Faith and Finance” a decade ago. There were two major threads early on—inside and outside. One was the convening of a group of numerous stakeholders and advisors who helped us frame the apparent contradiction between the two concepts: being faithful stewards of the assets we manage on behalf of our members in alignment with UCC values in regard to people, planet, and principles (faith), and doing well for our members from a financial standpoint (finance).

Outside our walls, our journey included learning from others. I was lucky enough to go to the UK to meet with leaders of the Church of England pension plan and other faith-based investors to discuss ways by which organizational commitments to responsible investing ended up lasting. I left those meetings awake to the idea that a theological starting point and integration of beliefs were drivers to transformation and change, enabling the best organizations to fully embrace and sustain both a mission-aligned approach and good returns.

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Supported by this idea of faith and finance, armed with a new understanding of the importance of beginning with theology, our internal transformation gathered steam.
A few examples might help here.

- We introduced an option for accumulating (actively-employed) participants in the plan—the Northern Trust Global Sustainability Index Fund (GSIF). We were able to act because a reputable product became available at relatively low cost. The science underlying the portfolio construction and security selection was compelling to our staff and the Investment Committee of the Board of Trustees, who recognized and appreciated the best-in-class approach for investors interested in sustainability, while also improving our fund lineup for our participants.

- Not coincidentally, in 2016, we embarked upon a search for a new investment advisor. Of great importance was the ability to advise our staff and Investment Committee on sustainable and responsible investing. Underpinning our eventual selection of Goldman Sachs Asset Management (GSAM) was their newly-acquired capability from Imprint Capital, a leading, California-based impact investing pioneer. This further aligned mission, theology, and instincts with capabilities and cutting-edge tools. The new tools included a sustainability framework that remains today.

None of this happens without our people, many of whom you will hear from in this report. I've addressed Investment Committee members and stakeholders of the Faith and Finance Advisory Committee who guided us initially. Importantly, the Pension Boards became stronger as we intentionally focused on recruiting persons motivated to join an increasingly diverse, mission-oriented, faith-based organization and interested in moving faith and finance forward. As if we didn't have enough on our plates, new executive leadership moved us in the area of renewed strategic planning. One early initiative was the establishment of working groups comprised of cross-functional Pension Boards' staff colleagues. One of those first working groups was the Customer Advocacy Working Group, which quickly identified the ways in which we were indeed insular, and not proactively seeking feedback. This growing appreciation for feedback and the development of that muscle continues to this day.

Momentum became palpable.

The organization wrestled with the implications for faith and finance in various other organizational functions. In some ways the investment group had it easy, as tools became available, like the evaluation of external manager integration of risk factors such as environmental concerns, human rights violations in the supply chain, etc., which enabled us to begin evaluating existing and prospective managers more systemically.

Our internal team became leaders in efforts to add green bonds to our fixed income portfolios. We evolved our exclusionary screens to eliminate coal and tar sands companies. We explored emerging opportunities in private markets with a focus on positive societal impact in areas of climate, health, and educational access. We relaunched our Balanced Fund as the Sustainable Balanced Fund, and hired a new cohort of managers who are experts in the science and application of sustainability.

But you see, I'm bragging again.

If I really think about the ingredients necessary to bake this faith and finance cake on your behalf, I'm most proud of the sustainable nature of the processes and people as much as I am of the accomplishments. Our Board of Trustees have set visionary and aspirational policies born of theological refection, including foci on climate and Diversity, Equity, Inclusion & Belonging (DEI&B), and have insisted on mission-based metrics while meeting financial goals. Our leadership continues to focus on recruiting a diverse team of committed professionals. Our staff has led a cultural shift away from an ivory tower culture to one where we are insisting on getting feedback from participants. And our Investment Team continues to apply cutting-edge tools to analyze opportunities in both the active and lifetime retirement income portfolios.

In summary, I hope you might take note of our United Nations Principles for Responsible Investing (UNPRI) results, which cap off a decade of organizational improvement toward sustainability and represent a watershed moment. We don't need to shout from the rooftops. The evaluation is an objective, third-party acknowledgment of where we have been and what we've accomplished over the last decade.

Equally as important is the how. With a solid foundation of people and processes that courageously wrestle with the contradictory concepts of faith and finance, an understanding of the value of diversity, the use of trailblazing investment tools, an appreciation for candid feedback, and a focus on positive societal investment impact, we will realize our commitment to serve you, our valued participants, reliably and sustainably over the next decade and beyond.

David A. Klassen

Chief Investment Officer

United Nations Principles for Responsible Investing (UNPRI) Reporting and Results

The historic involvement of the Pension Boards-United Church of Christ (PBUCC) in the United Nations Principles for Responsible Investing (UNPRI—the gold standard of sustainable investment globally— places us in the center of the discussion about why sustainability matters to us as an investor on behalf of our members. PBUCC has been dedicated to corporate social responsibility and responsible investing since its founding in 1914, while constantly evolving over the decades. To share our activities and progress, we became UNPRI signatories in 2018.

UNPRI was founded in 2005 when then-U.N. Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. UNPRI currently has over 5,000 institutional investors—both asset managers and asset owners—as signatories representing over $120 trillion in assets under management (AUM). As fiduciaries, signatories believe environmental, social, and corporate governance (ESG) issues can impact portfolio performance and align with broader interests of society. UNPRI signatories follow six Principles for Responsible Investment:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

The reporting process for calendar year 2022 opened on June 14, 2023 and closed on September 13, 2023. The three modules that were assessed included the following:

Policy, Governance, and Strategy (PGS)

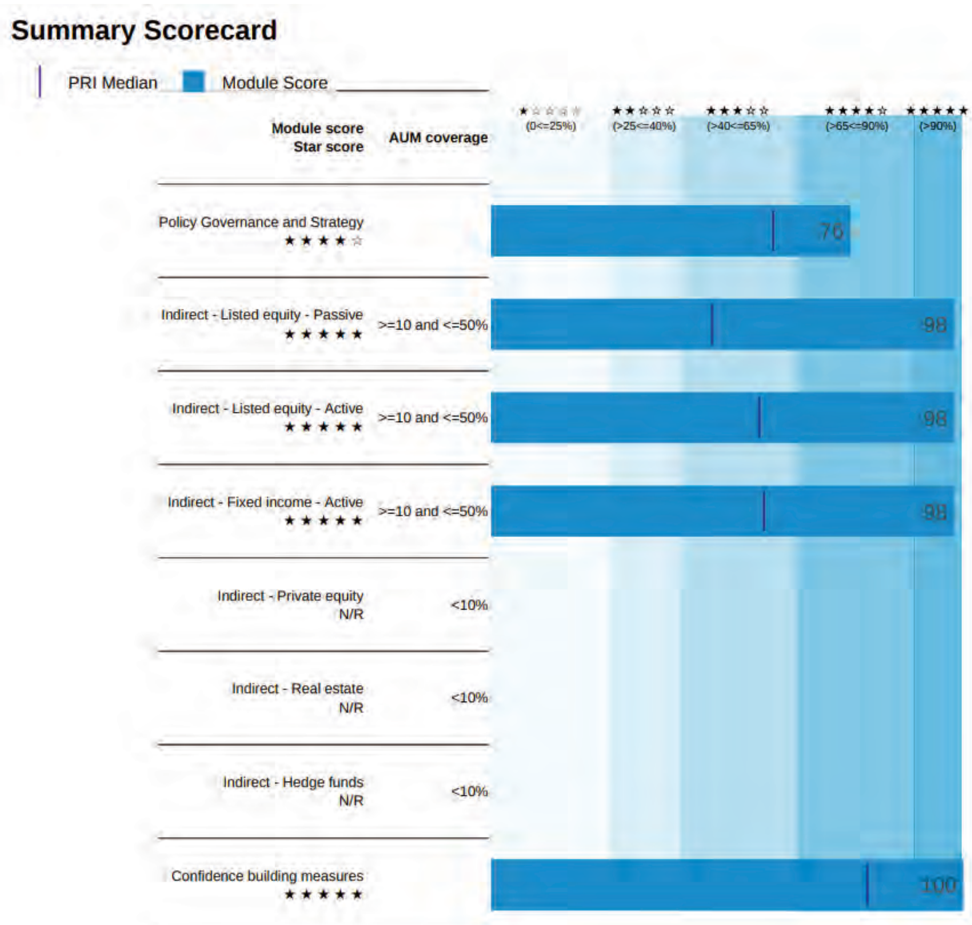
This module focused on the signatories' overall approach to responsible investment, including key themes that are applicable to most asset classes. Policy includes responsible investing policy elements and AUM coverage. Governance includes roles and responsibilities, and external reporting and disclosure. Strategy includes capital allocation, stewardship (strategy, proxy voting, escalation, engagement with policymakers), climate change, sustainability outcomes, and human rights.

Manager Selection, Appointment & Monitoring (SAM)

This module focused on the selection, appointment, and monitoring of external managers. This includes stewardship and proxy voting done directly by managers. It also shows the signatory's approach to assessing managers and engagement with managers during the monitoring process. The module is applicable when an asset class is over 10% of overall signatory assets.

Confidence Building Measures (CBM)

This module captures the signatory's approach in the review and verification of data reported. This includes senior staff, internal audit, etc., reviewing the entire document.



As you can see on the chart, PBUCC scored well above the median in all modules measured. We are proud of our accomplishments and take that as motivation to continue to be leaders in responsible investing.

To learn more about UNPRI and to see more details of our report, please click here.

Minoti Dhanaraj

Director, Responsible Investing

Our Responses to Climate Change
Why it Matters

PBUCC has made a bold new statement regarding our commitment to combating climate change and its potentially devastating impact on creation. To that end, PBUCC has, by the vote of its Trustees, instituted a new Climate Investment Policy to guide its work into the future. This new policy was announced and shared with General Synod in 2023.

Background

PBUCC affirms the goal of the alignment of its portfolios with the Paris Agreement's goal of maintaining global temperature rise below 1.5°C. This alignment includes attention to the impact on workers and communities of a rapid transition to a Paris-aligned economy. These concerns, generally characterized as relating to a "just transition," are also relevant to enterprise risks. Many investors, including PBUCC, Interfaith Center for Corporate Responsibility (ICCR) members, and other investment organizations, currently recognize that if issues of human capital and the impact on workers and communities in the transition are not effectively managed, the disruptive effect on livelihoods and public well-being will serve as social headwinds against the rapid transitions necessitated by climate change. To wit, PBUCC has adopted several strategies, each of which are enumerated and defined, with examples shown below. These strategies apply not only to the mitigation of climate change, but also to ESG integration generally throughout the portfolio. They include:

- alignment (exclusionary investing or screens, i.e., coal and tar sands);
- ESG integration (integrating ESG factors into active investment analysis, i.e., investment in Lombard Odier Climate Transition fund);

- impact investing (strategies to generate measurable environmental impact with market rate return, i.e., NB Impact Fund, Encap Energy Transition Fund, etc.);

- engagement through direct corporate engagement, collaboration with investors who share our values, and universal ownership strategies.

An example of the effectiveness of engagement is a 2022 proposal at Boeing Inc., which encouraged the company to address an aspect of the Climate Action 100+ Net Zero Benchmark, and called on companies to develop targets and a plan to reduce their Scope 1-3 GHG emissions to net zero, improve climate governance, and provide specific climate related financial disclosures. The Climate Action 100+ initiative is a coalition of more than 617 investors with over $55 trillion in assets.

Our Historical Commitment to Climate Action

A major change for PBUCC in ESG investing came in 2014 with the adoption of Socially Responsible Investment Guidelines in the Investment Policy. Then, in 2015, PBUCC adopted a general policy called, "Faith and Finance," clearly stating the values and direction of a serious company-wide focus on climate, human rights, and governance issues, not only in investing, but throughout all company activity.

Also in 2015, the Northern Trust Global Sustainability Fund (ESG-focused) was first offered to participants in the Annuity Plan who are still in the accumulation phase. In 2016, the investment team began integration of ESG and impact into advisor selection, and Imprint Capital, subsequently bought by Goldman Sachs, was brought in to consult on this process. Several direct investments in private equity and other funds, including fixed income investments in Green Bonds, followed in 2018, and continues to the present. These were capped by the creation of the Sustainable Balanced Fund in 2021. That year marked the first Climate Symposium intended to educate and inspire trustees and staff alike in the possibilities of climate solutions and commitments; a second climate symposium followed in 2022.

PBUCC investments in sustainable bonds including green and social bonds reached $465 million, as of March 31, 2024. PBUCC, with assistance from Goldman Sachs Asset Management (GSAM) analysts, completed an ESG integration review of 20 outside managers with a detailed assessment of their ESG integration, which has formed a baseline for proceeding with additional measurement of the climate-related effectiveness of these investments. While four of these managers ranked "high" in ESG integration, there is growth and development possible in the moderate scores of other managers assessed. A complete diagnostic of the Sustainable Balanced Fund was also undertaken, with the key takeaway that it is outperforming its benchmark on environmental impact themes.

Policy

The Climate Policy incorporated into PBUCC's Statement of Investment Policy will guide us into the future. As faith-based investors working to provide a just and sustainable world for all, PBUCC understands the urgency and dire risk, both transition and physical, to investments, people, and the planet from climate change, thus requiring a more defined policy to guide our journey. Representing the international scientific community under the auspices of the United Nations, the 2023 Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report warns that "Climate change is a threat to human well-being and planetary health."

There is a rapidly-closing window of opportunity to secure a livable and sustainable future for all. The choices and actions implemented in this decade will have impacts now and for thousands of years to come. As documented in the Climate Investment Policy Background Paper, the impact of climate change will substantially and materially challenge the world economy, global capital markets, long-term sustainability of the planet, and have numerous "effects" on many areas such as biodiversity, under-represented communities, health and safety, and a host of other potential risks, some of which are already being felt. The sacredness of creation is affirmed by the proclamation of God as witnessed in the book of Genesis, "It is good." The reference in Hebrew scriptures to the inherent goodness of creation is further maintained by the special call to humanity to be good stewards and to care for the earth and all that is within it, and that love is the greatest commandment, even love of all living things.

Recognizing our important role in PBUCC's March 2024 Statement of Investment Policy is promoting a just and sustainable transition to a low-carbon future (see page 25).

Rev. Richard Walters

Director, Corporate Social Responsibility

Partnering to Achieve Investment Returns and Impact

Lan Cai, Deputy Chief Investment Officer, interviews Kellie Metcalf, Managing Partner, EnCap Investments L.P., on the Pension Boards-United Church of Christ's investments in the EnCap Energy Transition Fund (EETF), which supports the decarbonization of the utility industry and corporations by providing renewable power generation and battery storage.

Lan: Before launching EnCap Energy Transition Fund, you and other founding partners including Tim Rebhorn, Shawn Cumberland, and Jim Hughes have accomplished so much in your previous careers. For example, Jim was the former CEO of First Solar. What motivated you to embark on this journey?

Kellie: We've each had varied careers in energy. Starting in conventional power from 25-30 years ago, and moving to different realms in renewable energy—Jim and Tim in manufacturing and development at First Solar; Shawn investing in renewables at Arctas and Quinbrook; and me developing and commercializing renewable projects at Pattern. For all of us, the move to investing in and managing a portfolio of companies in energy transition marked a new opportunity to take our collective experiences and relationships to the next level. We really enjoy the challenge of working with high-caliber management teams to execute their strategies. We're able to leverage our experiences across the renewables landscape and the renewables value chain to add value as partners and Board members.

Lan: How have your past experiences played a role in your current endeavor to not only deliver returns for investors but also in solving climate issues?

Kellie: I made the decision in 2002 to move from electricity trading and investment to renewable energy. I began work as a developer with a wind development start-up company. At that time, wind was a relatively new source of electricity, and the owners of the wind company invested their own equity and were quite idealistic. That was my first exposure to combining solving climate issues while creating a valuable business. (That Company was sold to Goldman Sachs at a significant return on investment.) While I had roles in finance and power origination in the interim period, I joined renewable development company Pattern Energy at its inception. Pattern was formed out of Babcock & Brown's renewable advisory business and is another great example of how solving climate issues (via deployment of wind and solar facilities) can also create great returns for investors. I'm excited to now be using my experience to invest our investors' capital into portfolio companies that are developing and operating renewable projects that are helping to resolve our country's climate problems.

Lan: Could you share examples of how EETF investments are making the world more sustainable?

Kellie: We see transformation of the energy sector as one of the key enablers of a more sustainable world. Our portfolio companies are tackling this challenge from a number of different angles. Fund I, Triple Oak, Solar Proponent, and Catalyze are focused on building new renewable generation projects to provide clean, sustainable energy to our communities. The influx of intermittent, renewable energy requires balancing for grid stability, which is the thesis behind Jupiter and Broad Reach. Arbor Gas is focused on providing more sustainable fuels to the transportation sector. Fund II is aimed at continuing this approach and tackling sustainability and decarbonization from some additional, new angles. PowerTransitions is redeveloping retiring or retired fossil fuel plants into renewable energy or energy storage assets. Linea and Parliament are focused on building new renewable generation. Bildmore is enabling more energy transition projects to be built by providing project developers with unique financing that facilitates tax credit transfer transactions. We are in the process of evaluating several other promising investments, as we are consistently looking at new ways to tackle the challenges of a transition to a more sustainable future.

Lan: At the Pension Boards, we believe in partnering with managers like you to achieve not only good financial results for our members, but to also achieve impact in line with United Church of Christ values. The returns on your EnCap Energy Capital Fund I are phenomenal. Can you tell me about its impact?

Kellie: Impact is at the core of what we do, not just through decarbonization, but by promoting business practices that account for a variety of project stakeholders. Our Parliament Solar project is a great example of how we encourage our portfolio companies to do business. Once completed, Parliament will be one of the largest solar projects in Texas, producing enough clean, renewable energy to power roughly 140,000 homes. While a great outcome in its own right, we want to ensure that we are stewards of the community and of the environment where we are doing business. We are using local labor. We are facilitating construction of a public park, community garden, and pollinator garden at the site. We believe that being a good partner to the community and steward of the environment creates better, lasting results. That's why we want to go beyond just the project to ensure that we're creating strong outcomes for both our limited partners and the communities in which we invest.

Lan: Excellent. What is your future plan for sustainable investing? Is sustainability a criterion when you make investments?

Kellie: While our Energy Transition practice is still relatively young, we've fortunately been able to establish ourselves as leaders in the space by holding ourselves to high standards and always looking to improve how we do business. Our view toward sustainability coincides strongly with this ethos and permeates through our entire team. We currently have a strong sustainability monitoring framework in place, but we continue to work on ways to strengthen it to not only help us improve our practices but help us make better investment decisions. We continue to implement and adapt policies that focus on sustainable procurement decisions. This not only helps us ensure that our equipment is sourced responsibly, but also reduces the risks of it being subject to tariffs or confiscated by U.S. Customs. We are in the process of strengthening our pre-investment ESG diligence screening to take a more thorough look at project sustainability throughout the project lifecycle. We are looking at land impacts, cultural impacts, biodiversity impacts. On a forward-looking basis, we want to understand how we can build projects that are robust to climate risks. We believe that by integrating sustainability and sustainable business practices into our decision making that we will ultimately make decisions that are better for our investors and the community.

Before joining EnCap, Kellie Metcalf was a Senior Director at Pattern Development, a renewable energy and transmission development firm, from 2010 through 2019. During her tenure at Pattern Development, the management team successfully developed over 4000MW of wind and solar assets across a global footprint and raised over $8 billion in capital.

Learn more about Energy Transition | EnCap Investments.

Sustainable Fixed Income
Transition to a Lower Carbon Footprint

Burning fossil fuels for heat, electricity, and transportation via power plants, factories, farms, and cars, creates greenhouse gas emissions and global warming that threatens the sacredness of creation. According to the World Health Organization (WHO), changes in temperature and weather patterns driven by heatwaves, wildfires, floods, tropical storms, and hurricanes, as they increase in scale, frequency, and intensity result in climate change that is directly contributing to humanitarian crises such as food and water insecurity.

Research projections from scientists at NASA, and Columbia and Duke Universities, show that reductions in emissions from burning fossil fuels could improve air quality and human health, and lessen economic losses. According to a Duke University climate scientist, "Reducing global emissions over the coming years to meet the goal of the Paris Agreement to keep global warming under 2° Celsius through the end of the century could prevent 4.5 million premature deaths, 1.4 million hospitalizations and emergency room visits, 300 million lost workdays, 1.7 million incidences of dementia, and 440 million tons of crop losses in the United States."

The Pension Boards is both an active proponent and active participant in climate change mitigation and last year issued a revised Investment Policy Statement containing an updated approach to sustainable investing and climate policy. It reads, in part:

"We will continue to seek and procure investments that are consistent with the transition toward a low-carbon future economy…and avoid investments that are moving in the opposite direction."

The Pension Boards' Fixed Income Investments team has been investing in sustainable bonds since 2014. We proactively invest in climate-friendly green bonds where capital raised from investors finances projects that support efforts to mitigate climate change. In concert with the Pension Boards' 2023 Climate Policy update, and in recognition of the Climate Action 100+ Net Zero Company Benchmark, particularly emissions reduction, we affirmed our commitment to the Pension Boards' Faith & Finance initiative, and formalized a two-pronged approach to our fixed income sustainable investing:

- Seek deliberate investments in green bonds, where the use of proceeds will provide capital to benefit environmentally-friendly projects.
- Favor bond investments where issuing companies using key performance indicators have low-carbon intensity or have begun reducing greenhouse gas emissions or have a credible plan to reduce to net zero by 2050.

We evaluate green bonds based on their use of proceeds and by assessing projected environmental benefits, such as the financing of renewable energy or the funding of climate adaptation projects. We also review and monitor carbon emissions at both the security and portfolio level via carbon intensity indicators that reflect the amount of carbon dioxide emissions produced per unit of revenue. Lower-carbon intensity indicates that less carbon dioxide, the primary greenhouse gas emitted from human activities, was emitted per unit of output. Low-carbon intensity indicates greater energy efficiency that, in turn, promotes an environmentally-friendly and sustainable economy. Carbon intensity is reported via three different scopes:

Scope 1 relates to emissions from owned or controlled resources of a firm.
Scope 2 relates to the indirect emission from the generation or purchase of energy.
Scope 3 relates to all other indirect emissions, and is challenging to determine/calculate.

The Pension Boards' fixed income investments lean heavily toward public investment-grade securities including U.S. Treasury notes and bonds, other government-related securities, corporate bonds, and securitized assets. Certain financial corporations, including those whose bonds are held in the Pension Boards' fixed income investment portfolios such as Bank of America and J.P. Morgan Chase, support climate mitigation with various initiatives including financing for renewable energy projects such as solar and wind farms.

Additionally, several underwrite green bonds and have set goals for their own emission reduction targets. Unlike financial corporations that typically have extremely low carbon footprints, those of industrial corporations are typically higher due to manufacturing processes and emissions associated with production. The utility sector's carbon intensity reflects the energy sources used for electric generation with fossil fuel-related utilities having higher carbon intensity than those relying on renewable energy. Power producers, particularly electric utilities, can often be the largest emitters of carbon emissions in an investment grade bond portfolio.

Historically, the Pension Boards' fixed income investments within the utilities industry were never that prevalent, yet following the organization's update to climate policy we reexamined the internal fixed income portfolios' holdings across each of the sectors—financials, industrials, utilities—and took a closer look at carbon intensities. We considered the value proposition for those bonds/companies whose carbon intensities were unappealing. We ran correlation analysis to estimate how the portfolios might be affected under various scenarios if the higher-carbon intensity bonds were liquidated. We determined we could maintain a similar risk profile with thoughtful sales of certain bonds while in their place purchasing others with similar risk/return characteristics but with lower-carbon intensity. We accomplished this without sacrificing yield or potential outperformance opportunities or moving away from our risk guidelines and targets.

We are pleased to report that as of March 31, 2024, carbon intensity of our internally managed core-fixed income portfolio is 31 tons .[1] By comparison, the carbon intensity for the Bloomberg Government/Credit Index, a broad-based benchmark with which we compare our portfolio's risk, return, and carbon intensity, is 234 tons. With a carbon intensity of just 13% of our index benchmark, our transition to a lower carbon footprint has been successful.

[1] *At the portfolio level the weighted average of constituent companies most recently reported or estimated Scope 1 plus Scope 2 greenhouse gas emissions per million dollars of revenue.*

Andrew Russell

Director, Fixed Income Investments

Diversity, Equity, Inclusion, & Belonging (DEI&B)

Policy to Create a Just and Equitable World for All

Diversity, equity, inclusion, and belonging (DEI&B) are at the heart of sustainability in corporate behavior and access to capital as a matter of justice, and why sustainability matters to us. The Pension Boards-United Church of Christ (PBUCC) has a long history of being committed to DEI&B in our responsible investing activities. As faith-based investors with diverse membership working to provide a just and equitable world for all, we believe making capital accessible to everyone will bring positive benefits to our investments and society at large. Within investments we believe diverse teams, committed to DEI&B with varied perspectives and experiences, can deliver superior returns to our members and align with our core values.

Over the last few years, we have met with over 60 diverse investment managers across asset classes. Our DEI&B activities have included the development of a pipeline of investment managers through conference attendance, meeting directly with diverse investment managers, conversations with the heads of DEI-related initiatives, monitoring our current managers on their goals and progress via a survey, understanding the impact of our current managers' investments and initiatives on diverse communities, collaborations with peers, and our engagement and proxy voting activities.

Recently, the investment team, in partnership with the Corporate Social Responsibility Committee and Investment Committee, developed an Investment Policy on Diversity, Equity, Inclusion, and Belonging with a supporting background paper. At PBUCC, diversity encompasses all the ways in which people are different. That includes visible differences like race, ethnicity, gender, and age, as well as invisible aspects like cultural background, class/caste, religion, sexual orientation, disability, and socio-economic position.

The policy consists of three main sections:

1) PBUCC's definition of diversity;
2) criteria for an investment manager to be considered diverse;
3) ten statements PBUCC will abide by to promote a just and equitable world for all within investments.

The ten statements include areas of governance; advocating and supporting new managers; monitoring of existing managers; a review of our consultant; continuing to broaden our network and pipeline; utilizing diverse brokerages; engagements and proxy voting; expanding evaluation methods; and advocating and supporting the adoption in associated organizations of the United Church of Christ to create a larger impact.

To further support our position on DEI&B being an important addition to our policy, we created a Diversity, Equity, Inclusion and Belonging Background Paper. This document consists of the following sections: how diverse managers are not fairly represented in the global asset management industry; why there is substantial reason to act now; evidence that diversity is a performance driver; showcasing how the Pension Boards has been historically and continues to be involved in DEI&B; resources to learn more; and peer examples.

Currently, we are invested in Channing Capital Management, Lumos Capital Group, Neuberger Berman, and Generation Investment Management Just Climate, which are either managed by diverse teams and/or investing to positively impact diverse communities. We recently re-increased our investment with private equity impact manager Lumos Capital Group, which invests in companies within the global $10 trillion human capital development sector focused on education technology; human capital technology and services; and knowledge sector focused on education technology; human capital technology and services; and knowledge services and training. The team is led by a group of individuals that includes both gender and ethnic diversity. Their portfolio companies can bring positive impact by addressing equity gaps for persons of color in learning and workforce development. Approximately 30% of opportunities in their pipeline include diverse and underrepresented founders.

To view more details on our DEI&B related activities, please view the following reports:

- Statement of Investment Policy Statement
- Diversity, Equity, Inclusion and Belonging Background Paper.
- 2023 Diversity in Our Workplace Report

Minoti Dhanaraj

Director, Responsible Investing

The Northern Trust Global Sustainability Index Fund (GSIF)

Managing Environmental, Social, and Governance Risks

The Pension Boards' Northern Trust Global Sustainability Index Fund (GSIF) is among the eleven investment choices for Lifetime Retirement Income Plan participants in the accumulation phase. Through this fund and others, United Church of Christ investors can meet their retirement goals while investing in the wellbeing of both people and the planet.

GSIF focuses on companies that are leaders in implementing Environmental, Social, and Governance (ESG) factors, while eliminating companies primarily involved in the weapons, tobacco, gambling, and alcohol industries.

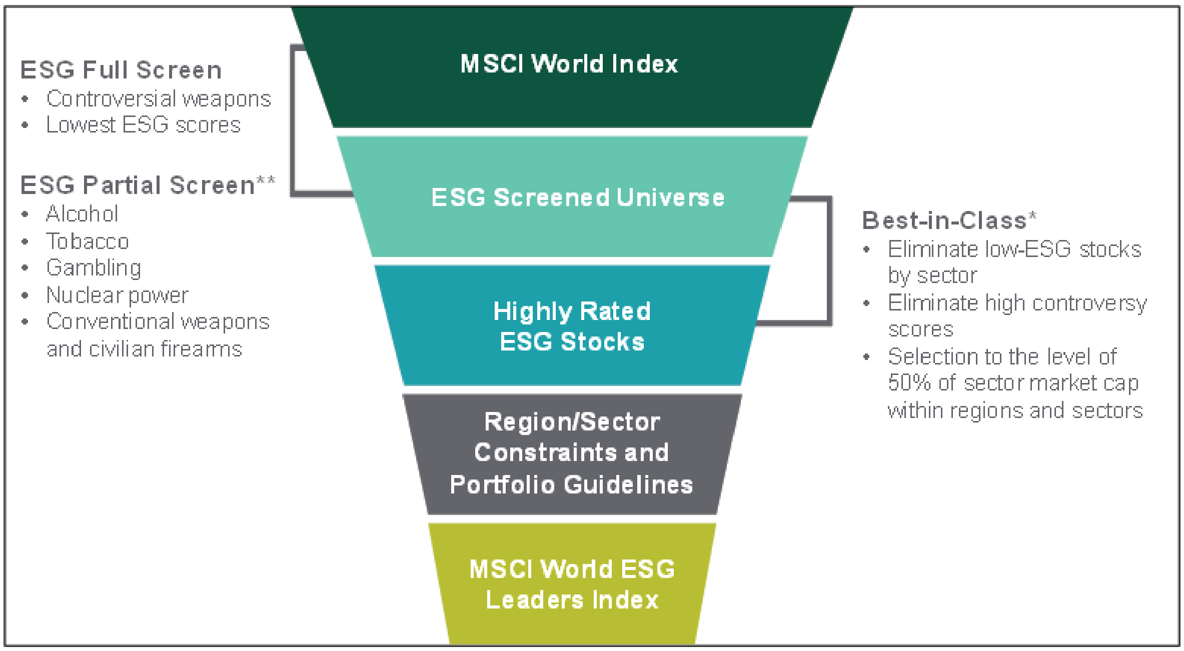
The Pension Boards provides access to GSIF in two ways: 1) as a standalone accumulation stage option, and 2) through the Sustainable Balanced Fund, where it is largest of the four underlying equity strategies.

GSIF and the MSCI World ESG Leaders Index

GSIF seeks to provide investment results that approximate the overall performance of the securities in the MSCI World ESG Leaders Index, which is designed to represent the performance of companies that have high ESG ratings relative to their sector peers. It aims to achieve this goal by investing at least 80% of its net assets in equity securities in the MSCI World ESG Leaders Index. The fund is broadly-diversified, investing across large- and mid-cap developed market companies in Asia Pacific, Europe and the Middle East, Canada, and the United States. It selects from the companies that are rated within the top 50% on ESG factors within MSCI World Index. The fund aims to maintain a tracking error within 2 basis points (bps, 0.02%), and sector weights within the range of +/-5 bps (0.05%) relative to MSCI World ESG Leaders Index.

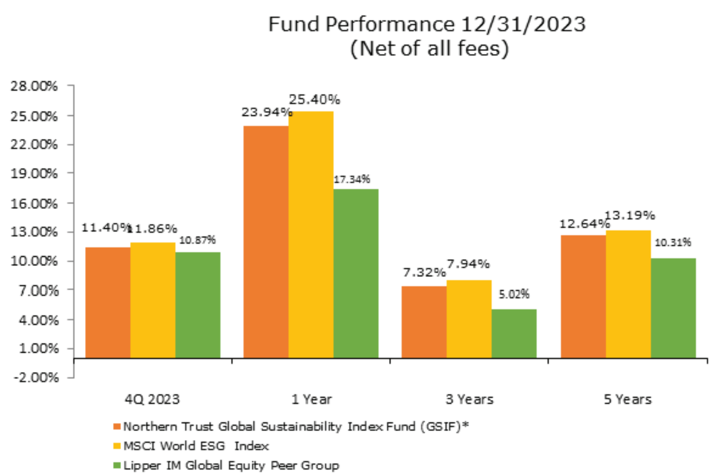
ESG Methodology to Derive Investible Universe

GSIF aims to replicate the performance of MSCI ESG World Leaders Index, which is derived from the MSCI World Index. The MSCI World Index is first screened to eliminate businesses that are primarily involved in industries like weapons, tobacco, gambling, and alcohol. Following that, the index is further screened for low ESG score stocks and high controversy stocks. The top ESG stocks are selected to a level of 50% of the sector market cap within regions and sectors, which provides the investible universe—MSCI ESG World Leaders Index.



GSIF Performance

GSIF has demonstrated strong performance over the short- and long-term after accounting for management fees and other administrative costs. As of December 31, 2023, the fund has strongly outperformed the non-ESG peer universe over a 3-month, 1-year, 3-year, and 5-year basis. It has slightly underperformed the benchmark on a net basis over those periods largely due to the management costs associated with administering an index fund.



Impact in Action

GSIF follows the Institutional Shareholder Services—Socially Responsible Investments (ISS SRI) proxy voting services, and one of the ways the fund aspires to make an impact is by recognizing and holding the portfolio companies responsible for their Human Rights practices. Below is one example of manager engagement.

Company Sector: Packaged Foods

The Challenge

A global producer of agricultural commodities encounters a range of social supply chain risks inherent in the agricultural industry. Specifically, the International Labour Organization has identified agriculture as a sector highly vulnerable to forced labor, modern slavery, and human trafficking. This vulnerability is heightened for companies that heavily depend on high-risk commodities like palm oil, cocoa, and sugar in their supply chain.

What Northern Trust Did

Northern Trust expressed the importance of addressing human rights and modern slavery risks in the supply chain and asked the company about the methods they were using to mitigate these risks. The company discussed their work on the issue, and where they were working to address the root causes of child labor in cocoa supply chains. The company highlighted their child labor monitoring system and their goal to implement it across 100% of their cocoa farms by 2025.

The Outcome

A quarter of the company's farms were covered by their child labor monitoring system in 2020, and the number has since increased to 74%. They continue to publish the work they are doing through relevant programs. Although they are committed to addressing human rights risks in their cocoa supply chain, the company's efforts across their other high-risk commodities are weak. Northern Trust will continue to engage with them on the issues to strengthen their responsible sourcing practices.

Through GSIF, the Pension Boards employs best-in-class strategies to discern whether companies, in which we invest on your behalf are in line with UCC values; optimize resources efficiently; employ safety seriously; have transparent accountability and corporate strategies that take human rights into consideration; along with other environmental, social, and governance factors.

About Northern Trust

Northern Trust Asset Management is one of the global leaders in the sustainable investments space, offering some of the leading solutions within the industry. As of December 31, 2023, the firm manages approximately $162 billion in sustainable investments across a spectrum of strategies including exclusionary strategies; integration strategies; and thematic investing strategies. The firm has a tenured history within sustainable investments that began in 1988, and sustainability continues to be their strategic focus.

Azim Ahmed

Associate, Investments

Why Corporate Engagement is Important

Corporations are in a particularly powerful position to address public policy, climate change, worker and human rights, diversity and inclusion, and development in emerging markets. Why? Corporations, through their directors, managers, and shareholders can decide how political spending and lobbying expenditures are made in the interest of stated policies on climate, human rights, impact on communities, and indigenous peoples. Many assume that corporations will always act negatively to these issues, but in reality, publicly-traded companies are sensitive to shareholder pressure and influence. Shareholder coalitions, like the Interfaith Center on Corporate Responsibly (ICCR), of which PBUCC is a founding member, is composed of 300 faith-based members who began their work during apartheid about 50 years ago, and who were extremely effective in ending that terrible practice in South Africa. ICCR is even more effective today in influencing corporate behavior.

This powerful testament to shareholder action for good is documented each year in the "Catalyzing Corporate Change" report found on the ICCR website. As stewards of investors in the Lifetime Retirement Income Plan for the United Church of Christ, PBUCC has represented in the furtherance of the values of the UCC—compassion, justice, human rights, diversity and inclusion, and climate justice—on their behalf by utilizing the power of their shares to effect corporate change.

Although PBUCC works diligently to increase influence through coalitions like ICCR and others, and through engagements with large asset managers with millions of investors, we also engage directly. Here are some examples:

- We have had some exciting corporate engagements, directly, through our external manager resources and through ICCR, with many more to come. We conducted joint conversations with Phillips 66 and United Church Funds after filing a Shareholder Resolution calling for the company to make fuller disclosure of their political spending and lobbying in alignment with net zero transition by 2050 and the Paris Accords. The company made dramatic changes to their reporting in response, and we were able to withdraw our objections.

- On December 13, 2023, we joined with other ICCR investors in a day-long conversation, where we discussed and reported on the issue of the rights of indigenous communities impacted by oil and gas exploration. I attended virtually to represent PBUCC.

- We have also continued investor action on forced labor in the Xinjiang Uyghur Autonomous region, where 83 well-known global brands in the technology, clothing, and automotive sectors are known to have business relationships with factories across China that use forced Uyghur labor. We are participating in an ICCR engagement with Adidas on forced labor. In addition, we have signed a new investor letter supporting the rights of supply chain workers.

- Matthew Illian, Director of Responsible Investing for United Church Funds, and I met with FedEx in response to a need for a new reporting framework on political spending and lobbying, particularly with trade organizations where the company's policy conflicts with the actions on climate change by the trade organization. We were encouraged by the company's response and continue to be in dialogue with them. I am pleased that Mr. Illian and I will be engaging with FedEx again this proxy season to monitor the ongoing commitments made in our last engagement.

- I also participated with the Presbyterian Church USA and United Methodist Church in special engagements with major asset holders on their commitment to resist anti-ESG push-back and to vote ICCR and other sustainable proxies.

- I met with BlackRock, State Street, Goldman, J.P. Morgan Chase, and others to urge sustainable proxy voting and to hold a course in the face of anti-ESG movements in red states and elsewhere. These engagements are important to our initiatives to enhance the scale of our work to larger and more powerful impact beyond the number of individual engagements we are limited to.

These are just a few of the engagements we are involved in, but we also expand our reach through ICCR and Climate 100+ led engagements with hundreds of companies. New engagements this year are with Bank of America and Entergy.

I urge you to read the reports of shareholder success at www.iccr.org for more examples. Also read, "The Importance of Shareholder Activism" here.

Rev. Richard Walters

Director, Corporate Social Responsibility

Economic Leverage Towards Peace in the MIddle East

The Pension Boards-United Church of Christ (PBUCC) is deeply saddened by the ongoing crisis in the Israel-Palestine region, a situation that has caused immeasurable suffering for countless innocent victims of terror. In recent years, several PBUCC leaders have visited the region and witnessed first-hand the pain and hardship experienced by the individuals and communities affected. Our hearts are heavy by the violence that continues to unfold in the land held sacred by the three Abrahamic religions—Judaism, Christianity, and Islam. We mourn the thousands of women, children, and men whose lives have been lost.

As a global community, we are all connected with one another. PBUCC is committed to making a positive impact that recognizes our connectedness and interdependence with our siblings throughout the world and the inherent value and dignity of all human life. We believe in the fundamental principle that every individual deserves the right to protection and autonomy. It is a core value that guides our work, and we advocate for a peaceful resolution that upholds the rights and dignity of all people so that they may be free from the agony of terrorism and war.

Economic leverage for social transformation has been the goal of the Pension Boards' Corporate Social Responsibility ministry for more than 42 years, and it continues to make a difference through multiple strategies called for by General Synod resolutions.

A resolution was passed in 2005 at the Twenty-Fifth General Synod of the United Church of Christ entitled, Concerning Use of Economic Leverage in Promoting Peace in the Middle East. One of the provisions of the resolution calls upon the church to "make positive contributions to groups and partners committed to the non-violent resolution of the conflict."

PBUCC has been engaged in this call through its investment in the private equity fund, Siraj Palestinian Fund LP1, in which PBUCC holds a 0.67% interest. PBUCC's investment in Siraj does not include pension or benefit plan funds.

The Siraj Palestinian Fund consists of direct equity investments in viable start-up, distressed, and large enterprises in Palestine. Siraj was named the "Best Asset Manager in Palestine" in 2013, and has created more than 2,100 new Palestinian jobs since 2011, spurring economic growth and innovation in Palestine.

PBUCC also works with other activists and UCC mission partners in a comprehensive witness to peace in the Middle East. Primarily among these partners are Peter Makari, Global Ministries Team Leader for Global Advocacy and Sponsorships and Global Relations Minister, Middle East and Europe; and Palestine Israel Network (P.I.N.), a ministry of activists in the UCC for peace. Both CEO Brian Bodager and Trustee Chair the Rev. Dr. Rodney Franklin traveled to the Middle East with Peter to visit mission partners there and learn firsthand the complexities and dire needs of Palestinians living in occupation.

PBUCC's investment policy reflects our commitment to the principles of non-violence. We believe it is our responsibility to encourage and persuade corporations with business operations throughout the world and in which we invest to lead the way in adopting sustainable and humanitarian practices. By leveraging our influence, PBUCC aims to create a ripple effect that benefits society as a whole and contributes to the greater good. PBUCC engages with corporations operating in illegal settlements or otherwise contributing to the suffering of the Palestinian people.

In these challenging times, we also commend the efforts of the United Church of Christ (UCC) in advocating for a ceasefire and providing humanitarian assistance. The UCC's dedication to promoting understanding and alleviating suffering is a beacon of hope in the midst of this tragic adversity.

We are proud to be a voice, speaking boldly for change that is essential for the wellbeing of humankind. Our advocacy extends beyond financial decisions; it encompasses a broader vision of social responsibility and ethical leadership. We will continue to advocate for a future where compassion, understanding, and peace prevail, and where the rights of all individuals are respected and protected.

Rev. Richard Walters

Director, Corporate Social Responsibility

Letter from the President and CEO and the Chair of the Board of Trustees

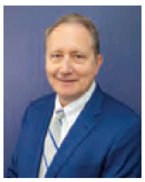
Why Sustainability Matters

The theme of sustainability is central to the mission and work of the Pension Boards, and not just with reference to the many ways it is being fleshed out in our investment policies and actions on behalf of our members. The Pension Boards has striven to create sustainability in the products and plans of the United Church of Christ such as the Lifetime Retirement Income Plan, an annuity plan designed to provide lifetime income to our retirees. We seek sustainability in the caring professionals we recruit, hire, and support throughout their careers at the Pension Boards, and through our commitment to diversity, equity, inclusion, and belonging—including opportunities for professional growth and advancement. We also seek the long-term sustainability of the Pensions Boards through strategic planning, diversification, and commitments to our members and participants in our plans and offerings, including ministerial support and assistance. We do all of this in service of providing a strong foundation from which those engaged in the life of the church can answer their calling, in turn promoting the sustainability of ministry, and more broadly, the United Church of Christ.

We heartily recommend this 2024-2025 Pension Boards Sustainability Report for all the reasons above and more. It represents the best of our investment staff's work, as well as the leadership and staff that support and manage the operations of our organization. We are constantly thinking, planning, and innovating around our dual purpose of doing well for our members in financial returns, while also doing good for the planet, people, and the United Church of Christ, in terms of our shared values of faith, justice, compassion, and diversity.

Our Trustees are purposely involved in the oversight of the many investment strategies described in this report. They were actively involved in drafting, developing, and supporting two new policies added to our Investment Policy Statement in recent years. The Diversity, Equity, Inclusion and Belonging (DEI&B) policy and the Sustainable Climate policy both express the best of our forward-looking vision of a Just World for All. These policies clearly state our commitments and our action plans for many years to come. We encourage members and stakeholders to reflect upon the policies and accompanying background papers to get a sense of our next steps in sustainability.

We are constantly grateful for the opportunity to serve our clergy, lay church workers, and the United Church of Christ, and we thank you for your attention to the best efforts represented in this report.



Brian R. Bodager

President and CEO

Rev. Dr. Rodney Franklin

Chair, Board of Trustees

Meet Your Investment Team

David A. Klassen, Chief Investment Officer

Dave Klassen has significant experience in the fields of investment and finance. His Wall Street credentials include working as V.P. and portfolio manager at Morgan Stanley Dean Witter and Managing Director and Head of Equities at J.P. Morgan Chase. In a productive decade away from Wall Street, he graduated from divinity school, and was Partner of Springboard Leadership LLC, working with top leaders and organizations to build leadership capacity in the finance, not-for-profit, and government sectors. Dave has been Chief Investment Officer of the Pension Boards-United Church of Christ and Chief Investment Strategist for the United Church Funds since 2011, and is a CFA® charterholder.

Lan Cai, Deputy Chief Investment Officer

Lan joined the Pension Boards-UCC in 2015, bringing with her extensive experience in investment and asset management. Over the last 15 years, she has served in portfolio management positions at Millennium Partners and PineBridge Investments in New York. Lan received her MBA from the University of Chicago and is a CFA® charterholder.

Minoti Dhanaraj, Director, Responsible Investing

Minoti joined the investment team at the Pension Boards in 2018. Minoti has over 15 years of experience in the financial services industry, most recently as a Senior Investment Officer at The Employees' Retirement Fund of the City of Dallas and a Research Analyst at Neuberger Berman. Minoti received her BBA in Finance from the University of Texas at Austin and an MBA from the University of Chicago.

Meet Your Investment Team

Rev. Richard Walters, Director, Corporate Social Responsibility

Rev. Richard (Rick) Walters has served as Director of Corporate Social Responsibility for the Pension Boards for eleven years. He is an ordained minister and licensed attorney and has a broad background in both church and corporate relations.

Andrew Russell, Director of Fixed Income Investments

Andrew joined the Pension Boards-UCC in 2003. He leads the fixed income team and directs investment management for all internally managed fixed income portfolios. He is on the Advisory Boards for Institutional Investors' "Redefining Fixed Income Forum" and Pension and Investments' "Fixed Income & Credit Symposium." Before joining PBUCC in 2003, Andy spent over 10 years at Chase Asset Management. where he held positions as analyst, trader, and portfolio manager - managing both Vista mutual funds and institutional bond portfolios. He is a graduate of the University of Vermont, where he earned a BA in History and Political Science. He is a member of the Board of Managers of SRNY/Fraunces Tavern Museum, where he chairs the investment committee.

Samer Saleh, Senior Manager Trading

Samer joined the Pension Boards in 2005. Prior to that, he was at Deutsche Asset Management, where he was part of a team responsible for managing $55 billion in insurance fixed income assets. Samer graduated from Baruch College with a Bachelor of Business Administration in 2001, majoring in Finance and Investments.

Meet Your Investment Team

Gregory Simcik, CFA, Senior Manager Fixed Income Investments

Greg joined the Pension Boards in 2007 and leads the research effort for approximately $1 billion of internally managed fixed income portfolios. He has spent nearly 25 years as a stock and bond research analyst including roles at Prudential Financial, Standard & Poor's, and Moody's Investor Services. Greg holds an MBA in Finance from the University of Maryland and is a CFA® charterholder.

Azim Ahmed, Associate, Investments

Azim Joined the Pension Boards in 2019. He began his career in Accounting and later transitioned to the Investments team. Azim has a post-graduation diploma in Management from LBSIM, India, and is a CFA® charterholder.

Daisy Herrera, Executive Administrative Assistant, Investments

Daisy began working with the Pension Boards in June 2022. She provides administrative and supportive functions to the Investment Team in its role of managing the investment programs for PBUCC, Generations Corporations, and United Church Funds. Prior to joining the Pension Boards, Daisy held various positions at J.P. Morgan Chase where she gained strong client facing and administrative support skills.

2024-25 | Sustainability Report

The Pension Boards
United Church of Christ, Inc.