



# **Socially Responsible Investing in the PC(USA)**

New Covenant Trust Company, N.A.

# NCTC- Who We Are

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- New Covenant Trust Company empowers churches, church institutions and church members to create and sustain healthy and vibrant ministries through faithful stewardship of their investments.
- Wholly owned subsidiary of the Presbyterian Foundation
- A limited purpose national bank regulated by the Office of the Comptroller of the Currency.
- Through a culture of servant leadership and unparalleled expertise, our people and our lasting relationships with our clients are our greatest assets.
- Our philosophy, approach and services are driven by the shared faith, values and integrity of the Presbyterian Church (U.S.A.).
- Our priority is the same now as it has always been — to take excellent care of each and every client, no matter the size of their account.

# What's Important to You?

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Rank in order of importance to you for your own personal assets:

Maximizing Investment Return

Minimizing Risk

Diversification

Presbyterian Values

Protecting the Environment

Proxy Voting

Shareholder Engagement

Investment Process

Minimizing Cost

Diversity, Equity, & Inclusion

# What's Important to Your Church?

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## Rank in order of importance for your Church's assets:

Maximizing Investment Return

Minimizing Risk

Diversification

Presbyterian Values

Protecting the Environment

Proxy Voting

Shareholder Engagement

Investment Process

Minimizing Cost

Diversity, Equity, & Inclusion

# What else? Anything missing?

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## Key Questions to consider:

Any other values?

Thresholds for these factors?

Good conversations to have as individuals and as the Church.

# What is Socially Responsible Investing?

CONSIDERING ESG ISSUES WHEN BUILDING A PORTFOLIO (known as: ESG incorporation)			IMPROVING INVESTEEES' ESG PERFORMANCE (known as: active ownership or stewardship)	
ESG issues can be incorporated into existing investment practices using a combination of three approaches: integration, screening and thematic.			Investors can encourage the companies they are already invested in to improve their ESG risk management or develop more sustainable business practices	
Integration	Screening	Thematic	Engagement	Proxy voting
Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.	Applying filters to lists of potential investments to rule companies in or out of contention for investment, based on an investor's preferences, values or ethics	Seeking to combine attractive risk return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing.	Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors.	Formally expressing approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues.

Sources: United Nations Principles for Responsible Investment

# Negative Screening

The divestment of industries or companies that are incompatible with an investor's values. Examples include manufacturers of weapons of war, for-profit-prisons, tobacco companies, or human rights violators. Negative divestment is often viewed as a last resort, as it ends the investor's relationship with the company.

Example: New Covenant Trust  
Company Fossil Fuel Free Strategy



Additional Resources: The Divestment Strategy: Principles and Criteria,  
196<sup>th</sup> General Assembly PC(USA)

# NCTC Fossil Fuel Free Strategy

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- Launched in 2015 with seed capital provided by a Presbyterian Church in order to be able to offer this across the denomination.
- Diversified, US Stock portfolio faithful to the GA Divestment list, while being fully divested from the energy and fossil fuel sectors.
- Tracking has been consistent with market returns over long periods of time.



Photo: fossilfreefunds.org



# Positive Integration Screening



The evaluation of companies based on positive characteristics and highlighting and over weighting the ‘best-in-class’ companies within their industries. Rewards companies for maintaining best practices and pressures Corporate America to keep up on ESG ratings.

Example: NCTC Diversity, Equity, and Inclusion strategy

# Positive Integration Screening



Companies in the pursuant portfolio have the following characteristics:

- 76% higher levels of diverse executives than the index average
- 42% higher levels of diverse board members than the index average
- 38% higher levels of women executives than the index average
- 25% higher levels of women board members than the index average

Image Source: marketplace.org

# Impact Investing/ Thematic

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Recognizing the need for improved and affordable rental housing, Freddie Mac announced its first KG-Deal – an environmental and social impact series. This securitizes workforce housing loans made through the Green Advantage program.

Freddie Mac's Green Advantage program, first launched in 2016, addresses both the issue of environmental sustainability and affordable housing.

The program requires multifamily housing borrowers to reduce energy and water consumption by a total of 30% through improvements to existing properties. A minimum of 15% must be reduced through energy improvements.



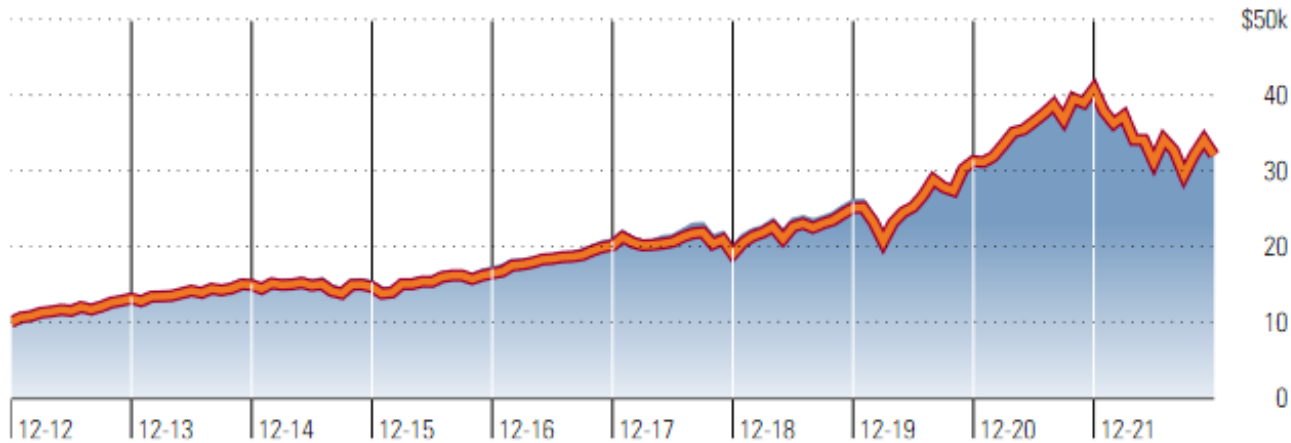
More than 1,600 properties have already been financed through the Green Advantage program, leading to projected savings of 4.7 billion gallons of water per year and 1.8 billion kBtu per year in energy. The savings from these projects will also reduce utility costs by an estimated \$138 per year for tenants, many of whom are low income. Nearly 86% of financed units are affordable to tenants with incomes equal or less than area median income.

# Responsible Investing Should be Good Investing

Performance 12-31-2022

## Investment Activity Graph

— Portfolio Gross    — Benchmark  
— Portfolio Net    Final Mkt Val: \$32,059



Trailing Returns	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Portfolio Return-Gross	8.90	-21.38	8.53	9.76	12.35	12.35
Portfolio Return-Net	8.90	-21.38	8.53	9.76	12.35	12.35
Benchmark Return	7.24	-19.13	7.34	9.13	12.37	12.37
Relative Return	1.66	-2.25	1.19	0.63	-0.02	-0.02

*MSCI USA ESG Select  
 ETF- SUSA  
 10 year return 12-31-2022  
 Past performance is not an  
 indication or a guarantee  
 of future returns*

# Holistic Approach to Impact

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Sources: United Nations Principles for Responsible Investment

# Don't Ignore Proxy Voting

## A REVIEW OF ICCR'S 2022 PROXY SEASON

2022 was a record year for our coalition, as filings by our members rose to 504, the highest number ever recorded, and up sharply from 307 in 2021. New resolution topics more than doubled last year and included carbon credits, competitive employment standards, and ghost guns. Banking was the leading industry receiving

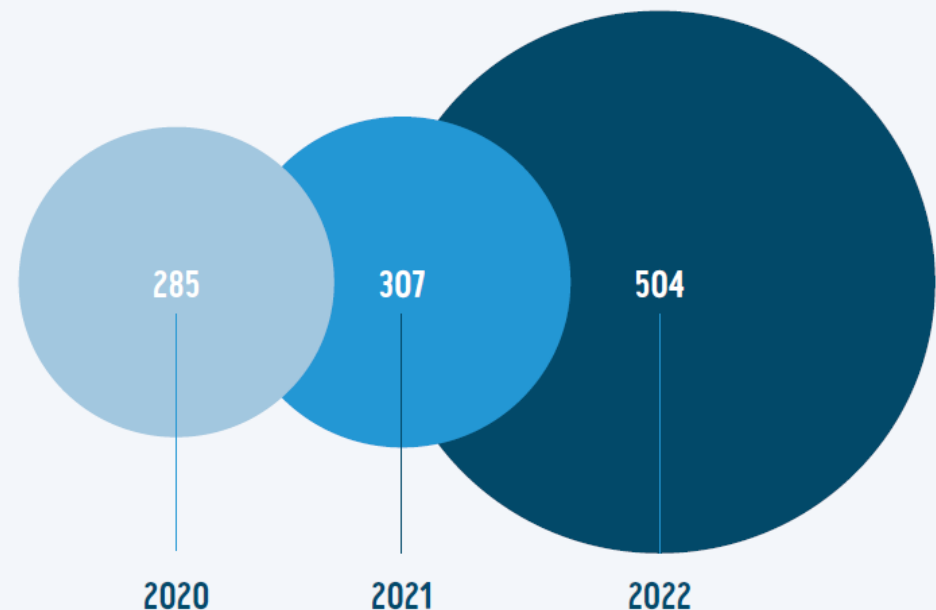
ICCR member proposals. There was also an increase in the number of companies receiving multiple filings, an indication of investor concern about their ESG risks. The most successful proposals requested lobbying expenditures disclosure, racial equity audits, and Paris-aligned climate lobbying.

Votes in favor of shareholder resolutions in the double digits are an effective mechanism for focusing management and investor attention on areas of ESG risk, which is why we urge all investors to practice active ownership of their shares, including by voting their proxies each year.

## BROADENING OUR IMPACT OVER TIME

Despite restrictive changes to SEC rule 14a-8, our members filed a record-breaking 504 resolutions in 2022, versus 307 last year. While many of our members increased the number of proposals they filed, some of this increase was also due to new members joining our ranks.

## NUMBER OF RESOLUTIONS FILED BY MEMBERS OF THE ICCR COALITION

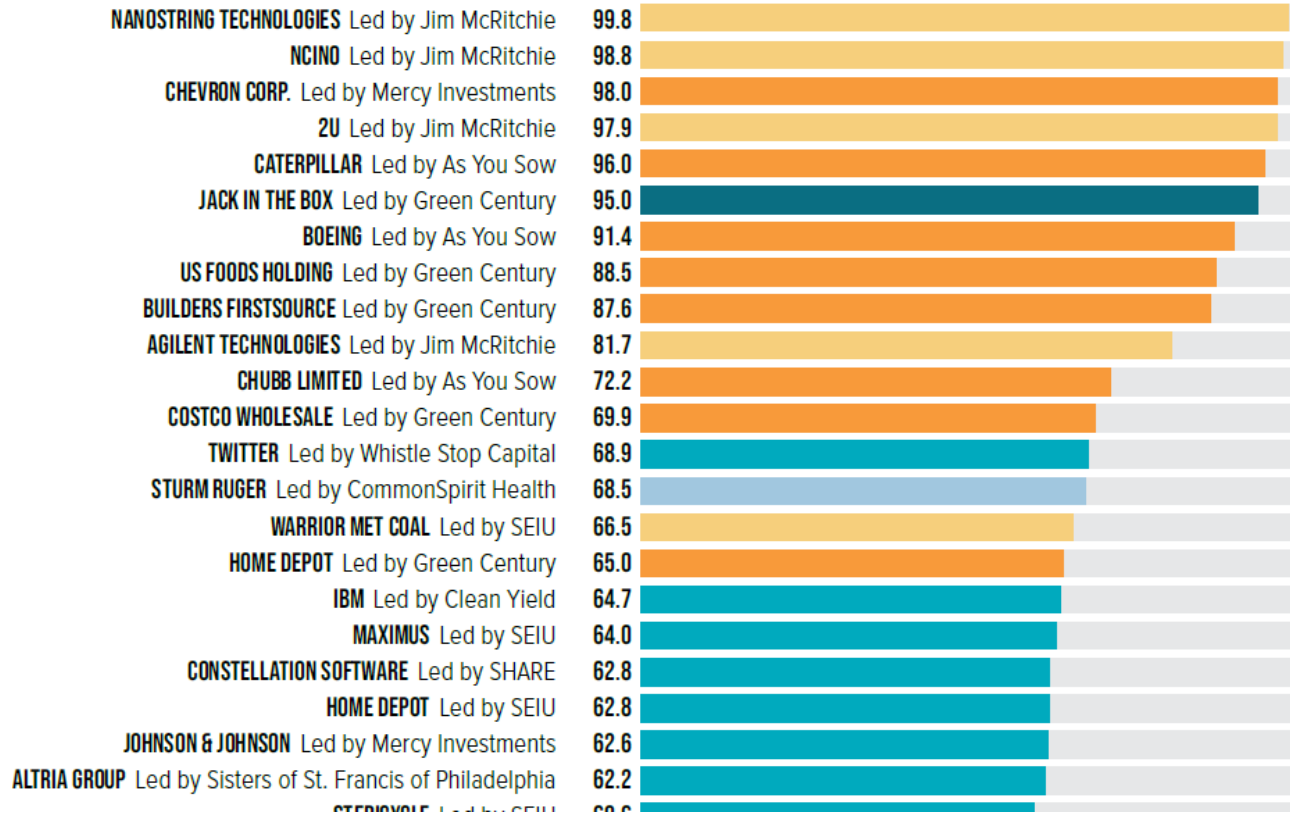


# Don't Ignore Proxy Voting

## 2022 RESOLUTIONS WINNING MAJORITY SUPPORT

### 2022 MAJORITY VOTES

37 ICCR-member resolutions won majority support in 2022, a sharp increase over the 20 won in 2021. DEI resolutions (12) accounted for the largest percentage of these, followed by climate-focused resolutions (10), and governance proposals (6).



# Don't Ignore Proxy Voting

## 2022 FEATURED WITHDRAWALS

### CLIMATE AGREEMENTS

**Will undertake an analysis of transitioning its coal-fired fleet to cleaner sources, including an assessment of the strategic feasibility and financial implications of achieving an 80% clean energy portfolio by 2030:** PPL (Presbyterian Church (USA)).

**Left its “clean coal” trade group:** Norfolk Southern (Friends Fiduciary).

**Significantly expanded its lobbying spending disclosure and began working on investors’ requested Paris-aligned climate lobbying report:** Uber (UUA)

**Agreed to issue an annual climate lobbying alignment disclosure summarizing the views of its major trade associations on climate**

**change and their alignment with the company’s climate goals and public statements on climate change:** Truist (Friends Fiduciary).

**Committed to produce a report on its climate-related lobbying activity, including its trade associations:** AIG (Mercy Investments).

**Began reporting on its pro-climate policy initiatives and policy successes:** Amazon (Newground Social Investment and Sister of the Presentation, BVM).

**Set a goal to achieve net-zero greenhouse gas emissions by 2050 for Scope 1-3 emissions:** Duke (As You Sow).

**Set a goal to achieve net-zero greenhouse gas emissions by 2050 for its full range of**

**businesses and operations:** The Hartford (As You Sow).

**Set a new interim non-intensity-based environmental goal that keeps it on track to achieve net zero greenhouse gas emissions by 2050:** Entergy (Presbyterian Church (USA)).

**Expanded its net-zero greenhouse gas emission commitment to include its natural gas production and delivery system – covering customers and suppliers – by 2050.** CMS Energy (Sisters of the Presentation of the Blessed Virgin Mary of Aberdeen).

**Announced net-zero targets across its underwriting and investment portfolios AIG** (Presbyterian Church (USA)).

### GOVERNANCE AGREEMENTS

**Agreed to increase shareholder access to the proxy:** AeroVironment, Celldex Therapeutics, Charles River Laboratories, DexCom, Iovance Therapeutics, Travelzoo, and Yelp (Jim McRitchie).

**Agreed to take into consideration the pay grades and stock ownership incentives of all classes of company employees when setting CEO compensation targets to address inequality in pay between CEO and employees:** Bank of America, Bristol-Myers Squibb, Chipotle Mexican Grill, and Goldman Sachs Group (Jim McRitchie).

### RACIAL JUSTICE/DEI AGREEMENTS

**Agreed to conduct a racial equity audit:** Dow (School Sisters of Notre Dame Cooperative Investment Fund), Invesco (SEIU), Pfizer (SEIU), Southern (SEIU), State Street (SEIU), Toronto-Dominion Bank (BCGEU), Tyson Foods (American Baptist Home Mission Society), Verizon (Zevin Asset Management).

**Agreed to conduct an internal racial equity assessment of its employment practices, products and services, and philanthropic donations:** Intact Financial (SHARE).

**Agreed to issue reports examining the impact of the use of mandatory arbitration on workplace culture to address investors’ concerns about arbitration’s potential to disguise/hide harassment and discrimination:** J.P. Morgan Chase and Morgan Stanley (Nathan Cummings Foundation).

**Committed to limiting the scope of its non-disclosure agreements, freeing up workers to talk about instances of harassment or discrimination they faced while on the job:**



# Do's and Don'ts of Responsible Investing

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## Do's:

- Work with a provider that focuses on responsible investing and impact.
- Ensure compelling investment merit in the portfolio, evaluate balance and diversification across geographies, styles, and sectors.
- Document your investment goals and objectives, as well as your responsible investing criteria in a written Investment Policy Statement (IPS), a best practice for governance, oversight, and continuation as Committees roll over.
- Otherwise follow typical investment best practices: focus on an appropriate asset allocation, don't try to out guess the market, ensure equity exposure matches time horizon, minimize fees and expenses, remain disciplined through market volatility.

# Do's and Don'ts of Responsible Investing

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## Don'ts:

- End up over concentrated in certain relatively green sectors such as technology and software.
- Change your investment approach just to access a 'green' or 'responsible' fund: active vs. passive, concentrated vs. diversified, high cost vs. low cost, etc.
- Fail to ensure your fund managers vote proxies in accordance with your values.
- Ignore portfolio construction and performance. Responsible investing can and should be good investing.

# Additional Resources

Along the Road



New Episodes Every Wednesday!

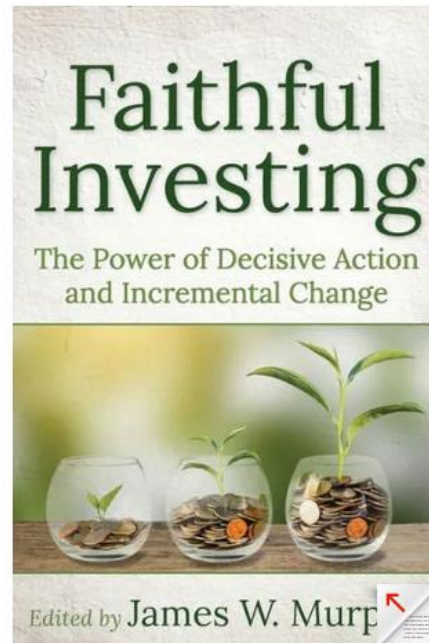


Along the Road Podcast:

<https://oga.pcusa.org/section/mid-council-ministries/mid-council-ministries/podcast-along-the-road/>

Faithful Investing:  
Includes chapters by  
PC(USA) Authors!

[ChurchPublishing.org: Faithful Investing](http://ChurchPublishing.org: Faithful Investing)



# Contact Information

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Brad Masters, CTFA  
Vice President – Client Engagement  
New Covenant Trust Company  
502-569-5910 (office)  
502-554-4391 (mobile)  
[Brad.masters@presbyterianfoundation.org](mailto:Brad.masters@presbyterianfoundation.org)

James Carey, CFA®, CFP®  
Director of Investments  
New Covenant Trust Company  
502-569-5981  
[James.carey@presbyterianfoundation.org](mailto:James.carey@presbyterianfoundation.org)

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200 E 12th Street Jeffersonville, IN 47130 800-858-6127 [newcovenanttrust.com](http://newcovenanttrust.com)

