



ARRCC

Australian Religious Response to Climate Change

DIVEST INVEST ⊖ ⊕ FAITH-BASED GUIDE

Helping faith-based organisations transition from fossil fuels to the new climate economy

BE THE CHANGE YOU WANT TO SEE

Faith-based organisations compose nearly a quarter of all divesting organisations globally, leading a shift in understanding of ethical investment in the light of climate change. Most of us acknowledge the burning of coal, oil and gas is a major contributor to global warming, along with animal agriculture and forest clearing. Of increasing appreciation is how 80 per cent of fossil fuel reserves must stay in the ground if we are to avoid catastrophic climate disruption.¹

Ethically, this knowledge changes everything.

The urgency of the need to move away from fossil fuels is championed by religious leaders such as Pope Francis in *Laudato Si'*² and the many Imams who signed the *Islamic Declaration on Global Climate Change*.³ Their foremost concerns are that climate-related extreme weather events and sea level rise are hitting vulnerable communities first and hardest, and that coming generations will be left with an unthinkable future.

Fund managers of some faith-based institutions today insist on shareholder advocacy as more in keeping with religious ethics than divestment. However, there is no evidence that even the most determined advocacy will deliver the changes needed in the required time frame, according to a raft of examples documented by DivestInvest.⁴

Divestment from fossil fuels is the most ethical and expedient course of action when those industries causing harm refuse to change. Investment in low carbon assets is a responsible alternative which can meet and often exceed investment returns compared to the benchmark.⁵

If you are a leader or a financial manager in a faith-based organisation seeking beneficial change, this guide will help you through the complexities involved.

The change we speak of is a rapid and responsible move away from fossil fuels and toward climate solutions. 657 institutions across the world with assets under management (AUM) of US\$5 trillion have now committed to the DivestInvest campaign. 24 per cent of these institutions are faith-based organisations, including the World Council of Churches, the Church of England UK and Methodist Church of England as well as the Uniting and Anglican Churches in Australia (the Anglican Dioceses of Canberra-Goulburn, Melbourne and Perth), several Catholic institutions, various religious orders such as the Presentation Sisters, and the Sydney Buddhist Centre and recently the Islamic Association of North America.

In just four years, major cities including Berlin, Melbourne, Sydney and Stockholm have moved to DivestInvest. So have the universities of Oxford, Yale, Glasgow, Sydney, the Australian National University, and Catholic Universities of Georgetown and Dayton, amongst others. Three of the world's largest pension funds – CalPERS, CalSTRS and Norwegian Sovereign Wealth have joined the campaign, as have insurance giants AXA and Allianz. These are just some of the leaders and influencers helping to mobilise the movement, inspiring confidence in others to act.

The idea of DivestInvest is now broad-based, aided by disruption in global commodity markets, changing consumer trends toward energy independence and efficiency, falling prices for renewables, new regulations and market mechanisms, and growing concern about inaction on climate change.

To progress toward a climate solution, our twin goals are to divest and invest. Divestment is a somewhat divisive term in financial circles, often viewed as prescriptive and naïve. But for those who have divested, or are on the journey, the word is simply shorthand for a range of investment approaches including reducing exposure to carbon asset risk (or “decarbonising” a portfolio), eliminating fossil fuel investments altogether, and increasing investing in climate solution opportunities.

For faith-based and other values-driven organisations, there is added currency in ensuring that essential operational activities (like managing investments) are consistent with the organisation's mission – or at least not running in opposite directions to it. If you are helping build resilience among poor farmers in South-East Asia or the Pacific, where one of the dominant threats is climate change, it makes no sense to invest in coal and perfect sense to invest in new energy solutions.

The divestment movement also plays a valuable role in “de-normalising” the fossil fuel industry that is altering the delicate balance of our natural world and putting at risk the essential systems that enable our planet and its inhabitants to function and prosper. The symbolism of this campaign has been a powerful driver for change and should not be underestimated.

In addition to risk management, divestment and investment will likely increase asset value, add impetus for new clean industries to succeed, strengthen your organisation's impact and enhance reputation amongst key stakeholders. These are all prudent and astute reasons to consider DivestInvest, in whichever manner suits your organisation and your investment strategy.

The focus of this Guide is on divesting from fossil fuels, providing step-by-step guidance, tools, networks and background research, so you can undertake your journey with confidence, backed by good governance and reasoned decision-making.

DivestInvest is an ethical, impactful and valuable opportunity to consider, and it may well be the tipping point we need to address harmful climate change. We commend this Guide to you, and wish you well on your journey.

Sydney Buddhist Centre	Uniting Financial Services
Presentation Congregation Queensland	Unitarian Church of South Australia
Provincial of the Passionists, Holy Spirit Province of Australia, New Zealand, Papua New Guinea & Vietnam	Society of Presentation Sisters of Australia & Papua New Guinea

ACKNOWLEDGEMENTS

The first Australia/Asia Pacific DivestInvest Conference was held in Sydney in April 2016. The concept emerged in late 2015 from a conversation between Sue Mathews, board member of the Australian Environmental Grantmakers Network (AEGN), and US DivestInvest Philanthropy leaders Ellen Dorsey and Clara Vondrich. The idea quickly became reality when Stephen Heintz, President of the Rockefeller Brothers Fund, agreed to be the conference keynote speaker. The event was a truly collaborative effort – supported by AEGN, funded by local and international philanthropists, hosted by The Climate Institute and promoted as part of the global DivestInvest initiative.

At the conference, delegates were asked "What help do you need to move forward with divestment?" This guide for faith-based organisations is a result of those discussions. Another guide has been developed for foundations. They are both applicable to other sectors who were represented at the conference including local councils, universities, unions and other investors. Providing support and inspiration to these sectors – where values and integrity are paramount – has been the central idea of the conference and subsequent activities.

The Guide has been published by the DivestInvest Australia/Asia Pacific Project and Australian Religious Response to Climate Change (ARRCC) and is a revised version of an earlier publication authored by the Australian Environmental Grantmakers Network called Divestment for Foundations, released in 2015.

Whilst divestment and investment play twin roles in achieving our climate goals, this publication focuses primarily on divestment, providing step by step guidance, tools, networks and background research. The publication will work to complement information to support faith-based groups in their quest to invest wisely in emerging environmental markets.

Thank you to The Climate Institute for their contribution to the guide and to our peer reviewers, including Mercer, South Pole Group and Corporate Analysis Enhanced Responsibility (CAER). Stephen Heintz was brought to Australia by Philanthropy Australia and the University of Sydney United States Study Centre and we thank them for their valuable contribution.

Australian Religious Response to Climate Change

ARRCC is a multi-faith, member-based organisation of people from around Australia who are committed to taking action on climate change. Our members represent a variety of religious traditions. We believe that as people dedicated to the common good, inspired by our beliefs and energized by our spirituality, people of all faiths can and should be at the forefront of creating a safe climate. While celebrating the uniqueness of our different traditions, we stand together in working for an ecologically and socially sustainable future. We promote fossil fuel divestment as a way for religious institutions to align their investments with their values.

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The Climate Institute

The Climate Institute hosted the DivestInvest Australia/Asia Pacific conference and contributed to the development and publication of this guide. Backed primarily by philanthropic funding, the Institute focuses on climate policy and advocacy and has been making solutions to climate change possible through evidence based research since 2005. The Institute has pioneered initiatives in the investment community with its Asset Owners Disclosure Project and recent focus on systemic financial risks from climate change.

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WHAT IS IMPORTANT?

Numerous faith leaders have expressed alarm at the level of risk posed by the continued burning of fossil fuels to the earth's ecological capacity to support life as we know it. By divesting from fossil fuels and positively investing in low carbon solutions, faith-based organisations are providing valuable moral and financial leadership.

In the 2015 encyclical, Pope Francis writes, "technology based on the use of highly polluting fossil fuels – especially coal, but also oil and, to a lesser degree, gas – has to be progressively replaced without delay."⁷

Similarly, the Islamic Declaration on Global Climate Change (2015) calls on the people of all nations and their leaders to:

- aim to phase out greenhouse gas emissions as soon as possible in order to stabilize greenhouse gas concentrations in the atmosphere
- commit themselves to 100 per cent renewable energy and/or a zero emissions strategy as early as possible, to mitigate the environmental impact of their activities
- Invest in decentralized renewable energy, which is the best way to reduce poverty and achieve sustainable development.⁸

In the Interfaith Statement on Climate Change (2016)⁹ religious and spiritual leaders clearly articulate the ethical and financial impetus for all investors to act swiftly on divestment and scale up investment to expedite the transition towards a zero carbon economy. Below is an excerpt from the statement.

"At this historic moment, as the Paris Agreement enters into force, an unprecedented global consensus has produced a universal framework to reduce greenhouse gas emissions, and to build greater resilience to climate impacts. Now it is time to move to urgent action.

"Across all faiths, we share a moral obligation to not harm others, to be fair and to care for the vulnerable. Climate change is already having global impacts, disproportionately affecting poor and marginalized communities and we grieve for their loss and suffering. How we turn the corner to harness the worst impacts of climate change depends on the work we do in the next ten, five, even two years. Each and every one of us must act on the reality of the climate crisis, so that the damage we inflict upon our sacred Earth ceases and the ecosystems on which all life depends can heal.

"As we call on world leaders to embrace new policies to protect our precious climate, many faith communities have already committed to divest from fossil fuels as part of the fastest-growing divestment movement. Faith groups are also investing in climate solutions and we work shoulder to shoulder with people in impoverished communities across the world to minimise the impacts of climate change and build resilience.

"We therefore:

- Insist that governments rapidly increase pledges to reduce emissions, in line with the 1.5°C goal
- Call for a collective shift by sovereign wealth funds and public sector pension funds away from fossil fuels into renewables and other climate solutions
- Strongly urge governments to support an increase in global financial flows to end energy poverty with renewable energy and to provide for greater human and ecological adaptation, particularly to compensate for loss and damage, technology transfer and capacity building
- Call on all States, when taking action to address climate change, to ensure the commitments contained in the preamble of the Agreement related to human rights, including the rights of indigenous peoples, gender equality, a just transition, food security, intergenerational equity and the integrity of all ecosystems are effectively reflected in any decision adopted at the COP22
- Demand stricter controls on the dispute mechanisms within trade agreements that utilize extrajudicial tribunals to challenge government policies
- Ask, including within our own faith communities, for more commitments to divest -invest from fossil fuels into renewable energy and targeted engagement with companies on climate change. We need to ground this work in pursuing a just transition to renewable energy."

THE DIVESTMENT LANDSCAPE



LEARNING ABOUT YOUR CHOICES

You may have heard people say there are many different ways to approach divestment – all you need is to find the right methodology for your organisation. This is easier said than done when you do not have full knowledge of the range of methodologies on offer, nor the means to determine their suitability. This is why the DivestInvest Faith-based Guide has been developed – to provide you with the information, the steps and the confidence to develop the best strategy to reflect your organisation's values and approach to investment.

It is also worth highlighting some oft-repeated advice proffered by many foundations which have already undertaken the divestment process – if you believe this the right thing for your organisation, to align important operational procedures with your values, then don't wait for the perfect solution – make the commitment to start the process.

Let's begin by considering the three main approaches:

1. **Full divestment** from fossil fuels
2. **Partial divestment** or portfolio decarbonisation
3. **Engagement** with invested companies on their climate change mitigation strategies and their plans and actions to transition to a zero carbon economy.

POLICY STATEMENTS

Reading a range of policy statements is a good way to see how others approach divestment. Sample statements and some specific examples from organisations illustrate the three different approaches to consider.

FULL DIVESTMENT

Sample statement: We will “divest from direct investment in the prospecting, extraction, transport, sale and burning of fossil fuels and maintain our investments as fossil fuel free.”¹⁰

IF YOU BELIEVE THIS IS THE RIGHT THING FOR YOUR ORGANISATION, TO ALIGN IMPORTANT OPERATIONAL PROCEDURES WITH YOUR VALUES, THEN DON'T WAIT FOR THE PERFECT SOLUTION.

Specific examples:

- The Uniting Church in Australia, Synod of New South Wales and the ACT, Synod Standing Committee agreed to
 - “divest from all stocks that have a greater than 40 per cent net exposure from direct fossil fuel extraction by 19 October 2014” (this has been completed)
 - “divest from all stocks that have a greater than 25 per cent net exposure from direct fossil fuel extraction by 19 October 2015” (this has been completed)
 - “divest from all stocks that have a greater than 10 per cent net exposure from direct fossil fuel extraction by 19 October 2016” (yet to be completed, but portfolios currently have no holdings that would need divestment in phase 3).¹¹
- “With its efforts to invest in clean energy under way, in August 2014, the Franciscan Sisters of Mary [FSM] turned to...divesting from companies that profit from fossil fuel production...signing the Divest-Invest pledge, [then utilising] a quarterly list of companies that failed FSM's [ethical] screens. By the end of 2014, FSM fully implemented this divestment strategy.”¹²
- The University of Dayton's divestment “is planned to occur in phases. The University will initially eliminate fossil fuel holdings from its domestic equity accounts. The University then will develop plans to eliminate fossil fuel from international holdings, invest in green and sustainable technologies or holdings, and restrict future investments in private equity or hedge funds whose investments support fossil fuel or significant carbon-producing holdings.”¹³
- The Rockefeller Brothers Foundation Fund “pledged to a two-step process to address its desire to divest from investments in fossil fuels [with] immediate focus...on coal and tar sands.”¹⁴
- Monash University “has confirmed it has no direct investments in companies whose primary business is production of fossil fuels...[and]...has now been successful in proactively excluding companies whose primary activity is coal production from more than 90 per cent of its indirect investment portfolio... [with]...the remaining 10 per cent of the portfolio... unlikely to contain coal investments...[but]...the University will actively work with fund managers to exclude companies whose primary activity is coal production from its indirect investment portfolio.”¹⁵

PARTIAL DIVESTMENT

Sample statements:

- “We will divest from all companies where 20 [or other] per cent or more of overall revenue is derived from the prospecting, extraction, transport, sale and the burning of fossil fuels.”
- “We will divest from all companies engaged with the prospecting, extraction, transport, sale and the burning of thermal coal and coal seam gas.”
- “We will measure the carbon intensity of our entire equity portfolio and reduce this by 30 [or other] per cent over three [or other] years.”

Specific examples:

- “The [Anglican] Diocese of Melbourne...resolved to take, within two years, all reasonable steps to divest its shares in corporations whose revenues from fossil fuel extraction or production exceed 20 per cent of their total revenue.”¹⁶
- The Catholic Super Fund “believes the portfolio should ideally be positioned ahead of the expected transition to a lower carbon economy...[and] seeks to manage the risks and capture the opportunities which will arise. In respect of its listed equity portfolio...
 - would like to see...a reduction in the carbon intensity over the medium to long-term in a manner...consistent with an outcome of considerably less than +2 degrees above the preindustrial average [and] lower than that of the relevant equity index...[and]
 - has committed to measure and report [its] carbon footprint...in support of the Montreal Pledge.”¹⁷
- The Trustees of the Passionist Fathers began with a first investment in a tailored fund which specifically excluded fossil fuel investments and included investments in renewable energy initiatives which would be reviewed after one year. (See case study for more detail.)
- The Sisters of St Francis of Philadelphia congregation restricts investments in industries that don’t align with its mission, including: military and weapons; gambling; tobacco; abortifacients; pornography and adult entertainment; and, to a certain degree, mining, oil, and gas. Screening its investments in this way has not hurt the congregation’s bottom line. Sister Nora Nash, the congregation’s director of corporate social responsibility says, “We are beginning to see proof that responsible investing does do well, and it’s not always necessary to be invested in the big companies to see returns.”¹⁸
- HESTA will restrict investment in “companies that derive more than 15 per cent of revenue or net asset value from exploration, new or expanded production, or transportation of thermal coal”¹⁹

- Norwegian Government Pension Fund guidelines on the observation and exclusion of companies includes a criterion which, “targets mining companies and energy producers who derive 30 per cent or more of their revenues from thermal coal or base 30 per cent or more of their operations on thermal coal.”²⁰
- La Trobe University, “committed to divesting from the top 200 publicly traded-fossil fuel companies ranked by the carbon content of their fossil fuel reserves within five years.”²¹
- The University of Sydney, “will ask its listed equity fund managers to build a portfolio of investments that enables the University to reduce its carbon footprint by 20 per cent – in just three years.”²²

ENGAGEMENT

Sample statement: We will use engagement and voting strategies to work actively with companies to reduce their carbon intensity and climate risk exposure and develop diversification strategies in keeping with international commitments to limit global warming to between 1.5 and 2°C.

Specific examples:

- Unitarian Church of South Australia: made a formal commitment not to invest in companies which extract, refine or sell fossil fuels, and instructed the Finance Committee to lobby Listed Investment Companies in which shares are currently held to divest from any holdings in fossil fuel companies. (See case study for more detail.)
- The Sisters of St Francis of Philadelphia congregation has “partnered with the Sisters of St. Dominic of Caldwell to discuss ExxonMobil’s GHG emission reduction goals and how the company plans to adjust its corporate governance to mitigate the risks of climate change. Most of its shareholder advocacy work is done through collaboration with organizations such as the ICCR and the Investor Environmental Health Network. In addition to requesting dialogues and meetings with corporations to put forth requests, Sister Nash and her colleagues file shareholder resolutions, follow up with letters, and vote on proxy ballots.”²³
- [California] Senate Bill 185 (SB185, de León) – Public Divestiture of Thermal Coal Companies Act, requires two of the three largest US public pension funds, California Public Employees’ Retirement System (CalPERS) and California State Teachers’ Retirement System (CalSTRS) “to constructively engage publicly traded coal companies that generate 50 per cent or more of their revenue from mining thermal coal. If following engagement a Company is not transitioning its business model to adapt to clean energy generation, SB185 directs CalPERS to sell or transfer any investments in that Company.”²⁴





THE DIVESTMENT ARGUMENT

Photo: UN Photo/Cia Pak

2°C IS THE UPPER LIMIT - BUT WE HAVE THREE TIMES AS MUCH IN RESERVES

In 2012, the International Energy Agency (IEA) stated: "No more than one-third of proven reserves of fossil fuels can be consumed prior to 2050 if the world is to achieve the 2°C goal."²⁵

In 2015, 197 countries agreed at the UN meeting on climate change (COP21) to limit global warming to between 1.5 and 2°C above pre-industrial levels. To the casual observer, the Paris meeting went according to plan, but this remarkable outcome was never guaranteed. To the contrary – it was an extraordinary, hard-fought and unprecedented act of global consensus, exceeding all expectations – even those of the most optimistic and ambitious. How the challenge of climate change has achieved consensus among 197 countries – underpinned by serious accountability measures – says more about the singular importance of this issue than any other argument. Cooperation is now unilateral.

The Paris Agreement includes country targets that "ratchet" over time, with five-year reviews and pathways to proper transparency and accounting. To limit warming to the above goals, in aggregate, countries must achieve zero net emissions before 2050, which means no more CO₂ can enter the atmosphere than what we are able to remove or sequester in soils, plants and oceans.

The IEA assessment includes oil, gas and coal combined. However, when considering coal on its own, the figure drops from one-third to less than one-fifth globally.²⁶ For Australian coal, the Climate Council estimates less than 10 per cent of known reserves can ever be exploited in a 1.5°C to 2°C scenario.²⁷

WHAT ARE THE IMPLICATIONS OF THE PARIS AGREEMENT FOR INVESTORS?

The term "proven" fossil fuel reserves refers to the exploitable coal, oil and gas reserves held on the balance sheets of "fossil fuel companies" (described in Appendix 3) and governments in some cases. The expected future earnings from these reserves are factored into the companies' current stock prices and financial valuations. If governments limit global warming to between 1.5°C and 2°C through regulation, pricing and incentives, most of these fossil fuel reserves will never be exploited and company valuations will be unrealised. This is where the term "stranded assets" originates.

STRANDED ASSETS

In this context, "stranded assets are fossil fuel energy and generation resources which, at some time prior to the end of their economic life, are no longer able to earn sufficient financial return because of regulatory and pricing changes associated with the transition to a zero carbon economy."²⁸

FAITH-BASED REASONS FOR DIVESTMENT

The history of ethical investment started with the Quakers and other religious institutions back in the 18th century.²⁹ This now naturally moves to a deeper focus on climate and the environment. For people of faith, the Earth is a gift and human beings have the responsibility to care for it. Climate change is a major and present threat to the integrity of the Earth's ecological systems and their capacity to sustain life, so we have a responsibility to mitigate it. Moreover, climate change impacts are a matter of social justice. Those first to suffer, and who will suffer the most, are already on the margins of the global economy, with limited capacity to adapt. Future generations, too, bear no responsibility for creating the problem, but will pay the highest price.

Our religious traditions also share values regarding the ethical use of financial resources. Our communities exclude investment in certain activities which we regard as incompatible with our values, such as gambling, armaments, alcohol and tobacco. At first, faith-based communities or organisations may engage these industries in dialogue and advocate for change but, when an industry continually causes massive harm while intractably resisting calls for change, we move beyond engagement and advocacy to divestment. When faith-based organisations and others took this approach in response to apartheid South Africa, our efforts made a meaningful difference.

Because of the grave threat of climate change, and the fossil fuel sector's long-term resistance to change, many faith-based organisations have chosen to divest fossil fuel extraction and related industry assets. Many then choose to reinvest in a clean energy future, recognizing that the world's poor need new sources of safe, clean power.

HOW DIVESTMENT BEGAN

In April 2016, Ellen Dorsey, Executive Director of Wallace Global Fund, accepted the inaugural Mandela-Machel Award for Brave Philanthropy on behalf of 140 foundations, family offices and charities of DivestInvest Philanthropy. Wallace Global Fund has played a key role in the funding, organising and growth of the global DivestInvest movement, and has led the campaign in the philanthropic sector. Ellen Dorsey was herself an activist in the anti-Apartheid movement, where she saw firsthand the power of divestment as a driver of fundamental social and political change. Following is an extract from her acceptance speech where she provided a compelling description of how the movement began.

“In 2011, hopes for a solution to climate change were at a 20 year low. The UN climate conference held in Copenhagen in 2009 had ended without meaningful agreement and efforts to pass a comprehensive climate bill collapsed in the US Senate in 2010. The combination of setbacks left a demoralised climate advocacy community adrift in its wake...Into this vacuum stepped Fossil Fuel Divestment. A meeting of student groups held in Washington in early June 2011 hammered out the first plan for a series of campus campaigns calling on universities to divest their endowments from coal, six of which were launched the following August...By the following spring, divestment campaigns had spread to an estimated 40 campuses. But they had yet to get their biggest boost.

“In summer of 2012, author and climate activist Bill McKibben published a landmark article in Rolling Stone magazine calling for fossil-wide divestment and linking it to the “Carbon Bubble” first reported by the Carbon Tracker Initiative. [The] basic premise [being that] companies can’t burn the vast majority of the reserves they have on their books – it is a prescription for planetary destruction. They would have to leave it in the ground. Those reserves amount to “stranded assets” for investors. The ethical case to divest was bolstered by a powerful financial analysis.”

In a short space of time, the movement has spread from college campuses in the United States to local councils, cities, religious and health institutions, foundations, unions and pension funds across the world. By December 2016, 657 institutions with over US\$5 trillion worth of assets have committed to DivestInvest. Those organisations include:

Table 1
Divesting organisation type, number and percentage.³⁰⁻³¹

TYPE	GLOBAL	AUSTRALIA
Foundation	145 (22%)	12 (9%)
Faith-based	158 (24%)	19 (15%)
Government	125 (19%)	27 (20%)
Education	79 (12%)	6 (5%)
Pension funds	79 (12%)	9 (7%)
Self managed super funds	n/a	49 (37%)
For profit organisations	19 (3%)	3 (2%)
NGO	39 (6%)	4 (3%)
Other	13 (2%)	2 (1.5%)
Total	657	131



Photo: GreenFaith

DIVESTMENT GATHERS SPEED



CHURCHES GO GREEN BY SHEDDING FOSSIL FUEL HOLDINGS

*New York Times, 15 October 2014*³²

One of the financially largest religious institutions to divest so far is the Church of Sweden, which began the process of divesting from fossil fuels in 2009, and completed it in 2014. The main interest of the Church of Sweden, however, was positive investment in low carbon solutions. This New York Times article cites a range of religious institutions which have divested, including the World Council of Churches.

ISLAMIC ASSOCIATION OF NORTH AMERICA ANNOUNCES FOSSIL FUEL DIVESTMENT

*Sydney Morning Religion News, 11 November 2016*³⁴

The Islamic Society of North America (ISNA) announced that it would commit to divest from fossil fuels and encourage its two constituent organizations and five national affiliated institutions to do so as well. This marked the world's first divestment announcement from a Muslim institution. "According to Islam's most basic and fundamental teachings, human beings have been uniquely charged with the great responsibility of being Guardians of the Earth. It goes against the mission of the ISNA to invest in fossil fuel companies whose operations and products cause such grave harm to humanity and to Creation," said Dr. Azhar Azeez, President of the Islamic Society of North America.

EPISCOPAL CHURCH VOTES TO DIVEST FROM FOSSIL FUELS: THIS IS A MORAL ISSUE

*The Guardian, 4 July 2015*³³

Two weeks after the pope's pastoral letter on the environment, the divestment decision by a major US Protestant denomination underscored that climate change is increasingly seen by religious leaders as a deeply moral issue. The measure, adopted by the governing body at a meeting in Salt Lake City, commits the church to quit fossil fuels and re-invest in clean energy.

SEVEN CATHOLIC ORGANISATIONS ON FOUR CONTINENTS MAKE DIVESTMENT ANNOUNCEMENTS

*Yahoo News, 4 October 2016*³⁵

This is the largest number of Catholic institutions to simultaneously pull investments from the oil, gas and coal business, according to the Global Catholic Climate Movement, which coordinated the announcement. "Climate change is already affecting poor and marginalised communities globally, through drought, rising sea levels, famine and extreme weather," said Father Peter Bisson, of the Provincial of the Jesuits in English Canada, one of the groups. "We are called to take a stand," he said in a statement. Other religious institutions have similarly divested in the last two years, including the Episcopal Church, the United Church of Canada, and the Church of Scotland.

CATHOLIC ORDERS TAKE LEAD FROM POPE AND DIVEST FROM FOSSIL FUELS

*The Guardian, 16 June 2016*³⁶

Four Australian Catholic organisations have announced they are completely divesting from coal, oil and gas in what they say is the first joint Catholic divestment anywhere in the world. The move comes as prominent Jewish rabbis, Muslim clerics, Anglican bishops and other religious leaders call on the Australian government to protect the Great Barrier Reef, stop approving coalmines and remove subsidies to the fossil fuel industry.

WORLD LUTHERAN BODY VOTES NOT TO INVEST IN FOSSIL FUELS

*Ecumenical News, 23 October 2015*³⁸

The Lutheran World Federation (LWF) called on its churches "not to invest in fossil fuels and to support energy efficiency and renewable energy companies, and to encourage their institutions and individual members to do likewise. Through this decision, we seek coherence and wish to send a strong moral signal that the world needs to operate a transformational change towards a low-carbon economy, phasing out fossil fuels and phasing in renewable energies by the middle of this century," said the LWF.

ANGLICAN CHURCH OF SOUTHERN AFRICA VOTES TO DIVEST FROM FOSSIL FUELS

*Green Anglicans, 30 September 2016*³⁷

The Anglican Church of South Africa (South Africa, Swaziland, Lesotho, Angola Mozambique and Namibia) passed a motion at their Provincial Synod to divest from fossil fuels. They will be directing their financial institutions to create a fossil free portfolio, since no such portfolio exists yet in Southern Africa.

FIRST BUDDHIST ORGANISATION DIVESTS

*Global Buddhism Blog, 1 September 2016*³⁹

One of the Sydney Buddhist Centre Management Committee's members, Ratnajyoti, explains: "As Buddhists, we are actively trying to transform our consciousness so we appreciate the absolute interconnection between all things. We want to increase our awareness of the impacts of our way of life and take responsibility for them wherever we can. The catastrophe of climate change has such serious impacts for all living beings, we really want to start to step up to the challenge. Although this decision to shift our money or buy green energy are small gestures, we will be seeking to build on them."

*See more news of fossil fuel divestment among faith-based organisations on GreenFaith's web page.*⁴⁰

THE INVESTMENT OPPORTUNITY

WHAT IS THE ROLE OF FAITH-BASED ORGANISATIONS ON THE "INVEST" SIDE?

If we are to achieve climate stability for our planet, actively investing in climate solutions is equally as important as withdrawing capital from fossil fuels.

What do we mean by climate solutions? Examples might include large scale or community renewables, emission reduction technologies, mass transport, water management, Indigenous savanna burning, sustainable food, forestry and agriculture, green property or resilient infrastructure.

Faith-based organisations readily value a positive, solution-oriented approach. The principle of ecological sustainability will mean positive screens for investment in goods and services essential for sustainable living. Investment will favour production and distribution systems – for food, housing, water and energy systems, and clothing – that are decentralised and climate resilient. Also preferred will be transport and communication systems that are not dependent on unsustainable energy and resource use.

The world not only faces the challenge of transitioning away from fossil fuels, but also the challenge of lifting people out of poverty, including energy poverty. Those who have limited or no energy access now, should benefit from new and cost effective technologies which allow for distribution of solar and other renewable energies globally. Micro grids and decentralised solutions can transform the living conditions and wellbeing of the poor worldwide.

One example of positive investment is GreenFaith's planned Power to the People campaign for increased investment in energy access by faith-based and other institutional charitable and philanthropic investors. Working through the UN Sustainable Energy for All framework, GreenFaith is inviting a wide range of religious institutions to deploy a minimum of 1 per cent of their investments into investment-grade clean energy access projects.

In what is believed to be an Australian first, an impact investment loan via two philanthropic foundations has seen a 139-panel solar power system installed at an Indigenous community in Western Australia. The Kurrawang Aboriginal Christian Community have installed solar panels, using investment loans. The repayments are less than the power bills they displace. For the investors, the returns are around 8 per cent over six years in a purely commercial arrangement, but with social and climate benefits.⁴¹ This is a model that is hoped to be replicated around Australia and elsewhere.

Clean energy is now commercially competitive. This turning point was achieved even before the game-changing Paris Agreement delivered much awaited certainty to global investment markets via frameworks and timelines for measurable action on climate change. Add to this the world's love affair with energy efficiency, change in China driven by severe urban pollution problems, citizen action for energy independence and the promise of technology without limits. It would appear the perfect storm for environmental investing has arrived.

In Australia, environmental markets are taking shape again after almost a decade of political uncertainty around climate change. Environmental investment pipelines are being fostered by investment firms, and new initiatives are ushering environmental solutions through the incubation stage to investment readiness, scaling-up and commercialisation.

This new landscape provides a once in a lifetime opportunity for faith-based and philanthropic investors to leverage change where it is most needed – in capacity building or other incubation assistance for promising, green enterprises, in helping businesses become investment ready, and in shifting significant capital to commercialise large-scale opportunities and the many other opportunities in between.

Figure 1
Levelised cost of energy. Source: Bloomberg New Energy Finance, 2016.

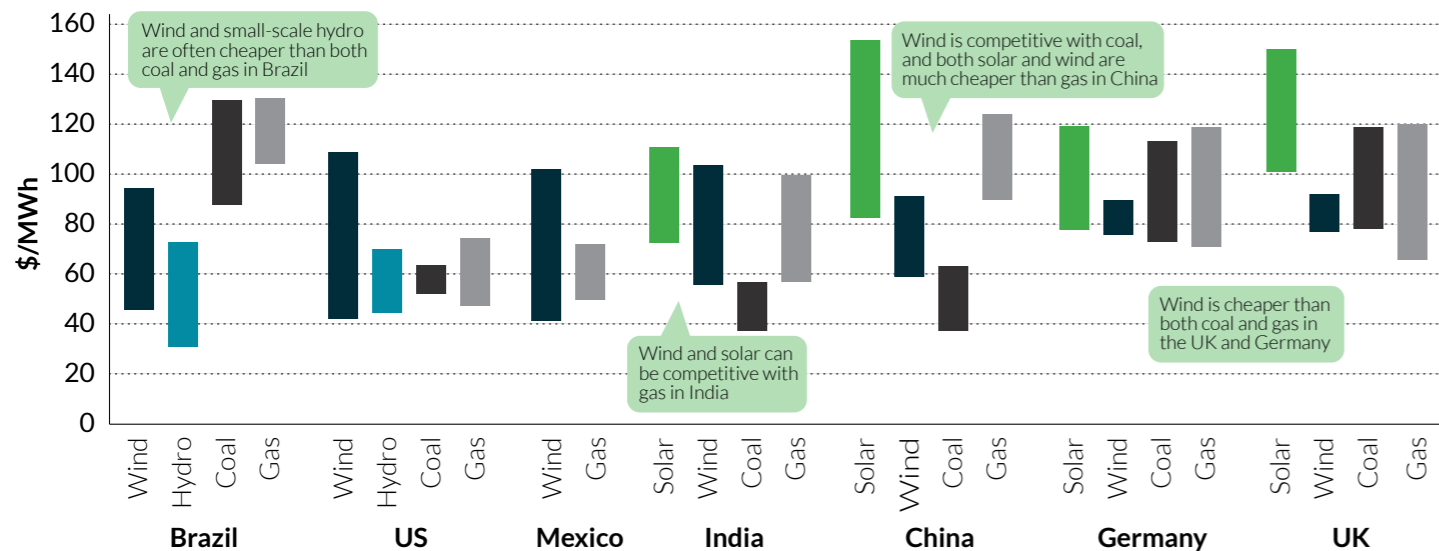
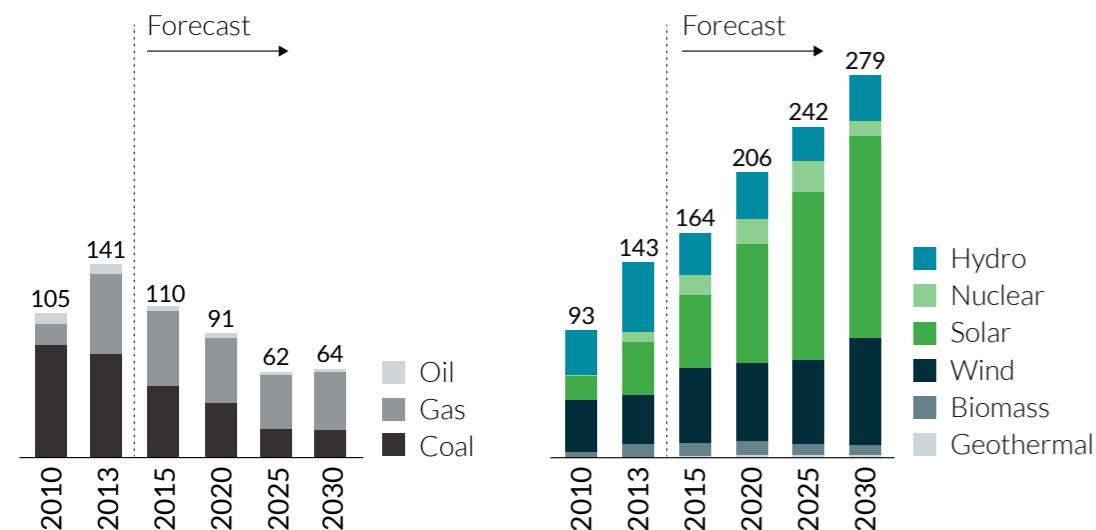


Figure 2
Power generation capacity additions (GW) worldwide. Source: Bloomberg New Energy Finance, 2015.



THE RISE OF RENEWABLES

2015 produced a new record for global investment in renewable energy. Excluding large hydro-electric projects, investments in renewables was \$285.9 billion, a figure much boosted by China increasing its investment by 17 per cent to \$102.9 billion, or 36 per cent of the global total, and India raising its investment by 22 per cent to \$10.2 billion. This global figure is more than double the investment in new coal and gas generation in 2015, estimated at \$130 billion.⁴²

Figure 1 illustrates specific examples where renewables can now outperform fossil fuels.

“The race for renewable energy has passed a turning point”, stated Bloomberg Business in April 2015. “The world is now adding more capacity for renewable power each year than coal, natural gas, and oil combined. And there’s no going back.”

Despite this, the huge weight of conventional generation capacity already built has meant that new, clean technologies only generated just over 10 per cent of the world’s electricity in 2015. It is also possible for the recent fall in coal, oil and gas prices to tempt some developing countries into relying on fossil fuel capacity for longer. Sadly, commitments made at COP21 in December 2015 have not yet translated into wholesale policy support for renewables, but progressive organisations are providing leadership.

POLICY STATEMENTS

Reading a range of policy statements is a good way to see how others approach the re-investment of funds into clean energy and low carbon opportunities, when fossil fuel related investments have been divested from the portfolio. Sample statements and some specific examples from organisations illustrate different approaches to consider.

CLEAN ENERGY COMMITMENT

Sample statements:

- “As a matter of life, and because we believe in a just and loving Creator, we urge the faith communities of the world to divest from their holdings of fossil fuels. In addition, we implore faith communities to reinvest in a clean energy future, to make their facilities more energy efficient. But they must not stop there. They must identify creative ways to support a clean energy future, recognizing that the world’s poor need new sources of safe, clean power.”⁴³

Specific examples:

- Uniting Church: “A positive company has significant direct business interest with a positive impact on society or the environment. Categories include environmental, social, health and other activities that may have a positive impact. The company should also have an above average sustainability ranking as defined by Corporate Monitor. Positive companies also have no other activities that would disqualify them as negative investments. It is required that at least 10 per cent of the total shares portfolio is [in] positive investments.”⁴⁴
- Franciscan Sisters of Mary (FSM): “Strategy work...produced a new investment policy that carved out \$10 million for mission/impact investments. Most of that allocation would be placed in private equity, private debt, absolute return, and private real estate vehicles, all types previously absent from FSM’s asset mix. From a Modern Portfolio Theory investment perspective, these additions enhanced FSM’s risk/return profile in terms of both mission and finance.”⁴⁵

- Rockefeller Brothers Fund: “In early 2010...we went to the board with a proposal that we set aside 10 per cent of the total value of our assets at the time. The 10 per cent equated to about \$86 million and we were looking for ways of proactively invest[ing] those assets in market rate investments that would support our mission, primarily in the areas of clean energy, new technology and other business strategies.”⁴⁶ Stephen Heintz, President

- Church of Sweden: “The Church of Sweden perceives climate change as a serious threat and has therefore a restrictive view as regards investments in companies that are active in the extraction of fossil energy sources. For example, we do not invest in oil-sand activities. Managers of the Church of Sweden’s capital are expected to instead invest in companies that contribute to solving the climate issue in a constructive manner.”⁴⁷

“We also attempt to continuously find new investments that offer solutions to the climate crises such as renewable energy, energy efficiency and the protection of tropical forests. For example, we are proud of the benefits for people, biological diversity and the climate that our investments in Althelia Climate Fund make. This fund was awarded a prize by the UN for being one of the foremost agents for change, a “game changer”, in the climate change issue.”⁴⁸

The Church of Sweden is a proactive investor that has sought to “share [its] knowledge and experience with other investors on how to combine good returns with a climate strategy as well as to learn from others” by being a member of the Portfolio Decarbonisation Coalition (PDC). The PDC is a group of investors who work proactively to reduce climate risks in their investments. Collectively, they have carried out climate change adjustments in their portfolios amounting to over \$600 billion.⁴⁹

For more sample resolutions by faith-based organisations see GreenFaith’s web page.⁵⁰

GUIDELINES FOR FAITH-BASED ORGANISATIONS



RESEARCH



DISCUSS



COMMIT



ACTION



REPORT





1. RESEARCH: READ, WATCH, ASK, LISTEN

ARE WE UP TO DATE WITH THE LATEST RESEARCH?

Divestment is a dynamic and relatively recent discipline with new entrants, initiatives and publications emerging all the time. The following publications have been selected to provide you and your organisation with key insights into divesting and investing to mitigate climate change. They have been authored by leaders and pioneers in the field. We encourage you to keep up to date with current developments as they emerge.

Suggested resources:

- Arabella Advisors – Assets in Action, How Catholic Institutions are Using Their Investments to Counter Climate Change (2015)⁵¹
- Arabella Advisors – Measuring the Growth of the Global Fossil Fuel Divestment and Clean Energy Investment Movement (2016)⁵²
- The following resources can be found at www.divestinvest.org.au
 - BlackRock – Adapting Portfolios to Climate Change (2016)⁵³
 - DivestInvest – Doing Good, Performing Better (2016)⁵⁴
 - Mercer – Investing In A Time Of Climate Change (2015)⁵⁵
 - MSCI – Fossil Fuel Divestment: A Practical Introduction (2016)⁵⁶
 - RSA Institute – Money Talks: Divest Invest and the battle for climate realism (2015)⁵⁷

WHAT KIND OF TRAINING IS AVAILABLE?

The following videos are insightful, instructive and entertaining tools to bring investment committees, trustees and management together for initial engagement on investing in a time of climate change.

Suggested resources:

- Investor Group on Climate Change (Australia/NZ) – Trustee Training on Climate Change⁵⁸
- AEGN – Stephen Heintz, President, Rockefeller Brothers Fund: Video for trustees⁵⁹

HOW CAN WE ANALYSE OUR PORTFOLIO'S CARBON FOOTPRINT?

Carbon footprint analysis determines an investment portfolio's exposure to fossil fuel reserves, its overall carbon intensity, as well as its exposure to low carbon opportunities such as renewables and clean technology.

Suggested resources:

The Montreal Pledge⁶⁰ provides a global guide to specialist carbon footprinting services.

Sample portfolio carbon footprinting is available at:

- <http://decarbonizer.co/>
- <https://fossilfreefunds.org/carbon-footprint/>

WHAT IS OUR FIDUCIARY DUTY IN RELATION TO CLIMATE CHANGE AND INVESTMENT?

“In light of new evidence that climate change risk can impact investment performance, the relevance of climate change is no longer only an environmental issue – it is an economic one. Trustees with long-term investment horizons who fail to take account of this risk may be exposed to personal liability for loss – as may the directors. The focus has therefore shifted from whether it is permissible to consider climate change risk to whether, as a prudent fiduciary investor, with a long term investment horizon, you can afford to ignore it.” Pam McAllister, Partner and Director of Mercer Legal

The following publications will help you to better understand your fiduciary responsibilities with regard to climate change, and to address concerns that may be raised by various parties as you develop and implement your DivestInvest plan.

Suggested resources:

- Climate Change and the Fiduciary Duties of Pension Fund Trustees – Lessons from the Australian Law, Barker et al. (2016)⁶¹
- Legal Opinion on Climate Change and Directors Duties (Aus) (2016)⁶²
- Ethically Questionable Investments, Christopher McCall QC (UK) (2015)⁶³
- Impact Investments: Perspectives for Australian Charitable Trusts and Foundations (2014)⁶⁴
- Fiduciary Duty in the 21st Century (2015)⁶⁵

CAN OUR CURRENT FUND MANAGERS AND ADVISERS HELP US WITH DIVESTINVEST?

You will need to assess whether your current investment service providers have sufficient expertise, resources and interest to support your decision to divest from fossil fuels and invest in climate solutions, or whether additional expertise is required. These questions are designed to help you gather the information required to make this assessment.

Questions for fund managers and advisors:

1. What services do you provide to support organisations wishing to implement a divestment or decarbonisation strategy?
2. How and by whom are they resourced? What are the skills and experience of responsible team members in this area?
3. Do you engage with companies? If so, how is this researched, resourced and implemented?
4. Are you able to exercise voting rights in accordance with trustees' instructions?
5. Do you charge an additional fee for these services? If so, how much?
6. How do you incorporate climate risk into your investment process?
7. How do you assess and report on divestment or portfolio decarbonisation?

IF OUR CURRENT MANAGERS AND ADVISERS CANNOT HELP US, HOW CAN WE FIND ALTERNATIVES?

The following organisations have supporting members and signatories who offer climate change focused investment expertise. Reviewing these memberships will provide insight into who is actively involved in the area and the products and services they offer.

Suggested resources:

- Investor Group on Climate Change (Aus/NZ)
- Asia Investor Group on Climate Change
- Responsible Investment Association Australasia
- Principles for Responsible Investment

WHICH FAITH-BASED ORGANISATIONS ARE ALREADY DIVESTING?

DivestInvest is a growing global community. Appendix 1 identifies currently participating Australian and international faith-based organisations. The following websites will keep you up to date with these expanding lists and we encourage you to connect with organisations with experience in the area to access shared resources and knowledge.

Suggested resources:

- Australian Religious Response to Climate Change, Go Fossil Free organisations
- GreenFaith, Divest Reinvest Now!
- Global Catholic Climate Movement, Divest-Reinvest toolkit
- Fossil Free Faith

WHAT OTHER EXPERTISE OR INFORMATION IS AVAILABLE?

In addition to organisations central to the global DivestInvest movement, the following groups also offer publications and initiatives on divestment and investment supporting climate change solutions.

Suggested resources:

- DivestInvest Australia/Asia Pacific
- GreenFaith
- The Climate Institute
- Centre for Policy Development
- 350.org Australia
- Market Forces
- The Australia Institute
- Australian Environmental Grantmakers Network



Photo: Anne Roberts/Flickr (CC BY-NC 2.0)



2. DISCUSS: IS DIVESTMENT RIGHT FOR US?

Having completed your background research, the next step is to explore how divestment might fit into your organisation's mission and strategy. The following are suggested questions for trustees and management to discuss. Your responses will become the foundation for developing your divestment policy in Step 3.

1. What values and beliefs are important to our organisation?
2. What values and beliefs are important to our beneficiaries and other close stakeholders?
3. What issues do we address through our ministries and congregations?
4. Is there a link between action on climate change and our values and beliefs?
5. Is climate change related to the issues we address through our ministries?
6. What do we know, believe and agree on about the investment risks associated with climate change?
7. Are those beliefs reflected in our current investment strategy and risk assessment approach?
8. What do we want to achieve from a divestment or decarbonisation policy in relation to our current investment strategy and risk assessment approach?



3. COMMIT: CREATE A SOLID POLICY

You are now ready to write your policy, considering the following questions:

1. Reflecting on questions 1 to 5 in Step 2, how does a divestment or decarbonisation strategy reinforce or strengthen our organisation's values and beliefs, grantmaking and mission?
2. Reflecting on questions 6 to 8 in Step 2, how does this strategy strengthen or reinforce our current investment strategy and risk assessment approach?
3. Are there any other outcomes we might achieve through such a strategy?
4. How will we assess our progress and achievements?
5. Who needs to be consulted about, or asked to contribute to the policy?
6. To which asset classes will we apply the policy? For example, Australian equities, international equities, property, fixed interest, alternatives, infrastructure, sovereign and corporate debt.
7. What methodologies will we use? For example:
 - complete or partial divestment
 - positive investment in low carbon assets across one or various asset classes
 - hedging
 - reducing our carbon footprint across the whole portfolio
 - specific sector or company weightings
 - using carbon indices
 - engaging investee companies about their transition to a net zero carbon economy.
8. Which sectors do we include in this strategy? For example, all sectors, only high carbon sectors (for divestment), only very low carbon sectors (for investment)?
9. Which services or suppliers do we engage? For example, index provider, asset consultant, wealth adviser, fund manager, carbon footprint consultant, in-house analyst?



4. ACTION: IMPLEMENT THE POLICY

Here are some questions to help you consider the various steps of an implementation plan:

1. When do we sign off on the policy?
2. What are our key performance indicators for the strategy – financial performance, carbon reduction, other KPIs?
3. What resources do we need to implement the strategy successfully?
4. What is our timeframe?
5. Are there any governing documents or legal and reporting requirements we need to make reference to the policy?
6. How do we appoint managers, advisers and services, if necessary?
7. Do we need to issue amendments to our existing Investment Management Agreements and communicate this to appointed investment managers or in-house investment staff?
8. Do we create a wider communications strategy to announce the policy?



5. REPORT AND REVIEW

Consideration for monitoring, reviewing and reporting on the progress of your divestment or decarbonisation policy could include:

1. What approach do we use for our reporting – basic disclosure, narrative reporting, storytelling?
2. What do we report on? For example, financial performance and carbon reduction achieved? How the policy has strengthened or reinforced our values, beliefs, grantmaking, mission and strategy?
3. When and how often do we review our investment methodology to determine if it is still effective?
4. When and how often do we evaluate the performance of participating fund managers, asset consultants, advisers and research providers?
5. What costs are we allocating for the strategy and for resources?
6. How do we communicate the results and who is the intended audience?

CASE STUDIES

UNITING CHURCH

WHY DIVEST?

“As Christians we are called to respect and care for the whole of creation. With national governments reluctant to take difficult decisions, it falls to us as members of the body of Christ to show leadership in taking action to reduce damaging pollution. To avoid damaging climate change we must move quickly to a clean energy economy. The Uniting Church recognises that continued investment in fossil fuel industries does not support the change needed. The future depends on countries like Australia making a strong, unequivocal commitment to reduce greenhouse gas emissions. Our partner churches in the small island states have been calling on Australia to take seriously the threat to their futures. This is a matter of social, environmental, and intergenerational justice.” Uniting Church President Rev. Professor Andrew Dutney

WHAT WAS YOUR PROCESS AND WHO WAS INVOLVED?

In April 2013, the Synod passed a resolution to determine as a matter of policy that the Synod should divest from corporations engaged in the extraction of fossil fuels and move instead to investing in renewable energy stocks. The Synod requested that the Ethical Investment Monitoring Committee (EIMC) assess whether this proposal was practicable and to provide a report to the Synod Standing Committee (SSC).

The key areas for assessment as to whether carrying out this resolution was practical included:

- what direct extraction means
- current investment impact
- specific environmental, social and governance assessment
- exposure of the companies, net of revenue from the renewables sector
- risks associated with a divestment of direct fossil fuel exposure under the current net revenue materiality clause of 5 per cent
- the divestment strategy and its implementation .

Because of the large exposure in the equity fund, the EIMC recommended divestment be staged:

- over a period of three years
- with specific percentage net exposure targets.

The Ethical Investments Principles and Procedures were reviewed and amended, incorporating the exclusion of companies with a direct extraction exposure to fossil fuels.

The investment managers received an updated restricted stocks list in our compliance sign off.

METHODOLOGY

1. Managers were instructed to proceed with their divestment of all stocks with a greater than 40 per cent net exposure from direct fossil fuel extraction by 19 October 2014.
2. Due diligence on alternate managers was completed before 19 October 2014.
3. Managers were instructed to proceed with their divestment of all stocks with a greater than 25 per cent net exposure from direct fossil fuel extraction by 19 October 2015.
4. Managers were instructed to proceed with their divestment of all stocks with a greater than 10 per cent net exposure from direct fossil fuel extraction by 19 October 2016.
5. The net revenue exposure is to be reviewed by the EIMC at the end of 2016.
6. Managers were instructed to reinvest complying with the Ethical Principles and Procedures.
7. The renewable strategy of each of the organisations is reviewed annually.

WHAT WERE THE BARRIERS?

The combined average portfolio weighting with direct exposure to fossil fuel extraction equated to over 28 per cent.

Risks associated with the divestment of direct fossil fuel exposure under the 5 per cent materiality clause included:

- one of the fund's investment managers would no longer manage the portfolio due to the increased costs and complexity of monitoring the position
- reinvesting the proceeds of the divestment amongst current portfolio holdings created a higher concentration within the portfolio
- whether there were alternative investments in renewable energy within Australia that the equity fund's investment managers would recommend
- what the impact of a divestment from these stocks would be on the yield of the portfolio.

WHAT IS THE CURRENT POSITION?

- Obtain portfolio listings of all assets held by any investing body within the Church.
- Seek advice and information on the ethical perspective of entities listed in the portfolios.
- Seek information from partner churches overseas.
- Be alert to public domain concerns for companies in which shares or securities are held.

UNITARIAN CHURCH OF SOUTH AUSTRALIA

WHY DIVEST?

In the context of the threat of climate change, profiting from the fossil fuel industry would be inconsistent with at least three of the Unitarian principles, namely:

- Justice, equity, and compassion in human relations.
- The goal of world community with peace, liberty, and justice for all.
- Respect for the interdependent web of all existence of which we are a part.

WHAT WAS YOUR PROCESS AND WHO WAS INVOLVED?

- The Minister raised the issue from the pulpit, making the moral/spiritual case for principled investment. A motion calling for the development of such a policy was then passed at the AGM.
- Members were surveyed for their opinions on the matter.
- Policy was developed with collaboration of various members of church administrative leadership (including Treasurer, Finance Committee, Social Justice Coordinator, Committee of Management) and then approved by the Committee of Management. This process took two years to develop and pass the policy and was all undertaken internally. There was no impact on the performance of the funds.

METHODOLOGY

1. Investment commitment: formal commitment not to invest in companies which extract, refine or sell fossil fuels.
2. Shareholder activism: Finance Committee to lobby Listed Investment Companies in which shares are currently held to divest from any holdings in fossil fuel companies.
3. Triple bottom-line: change to annual financial reporting criteria to include people and planet in addition to profit.

WHAT WERE THE BARRIERS?

There was some misunderstanding and fear among some stakeholders about a perceived financial “threat” of ethical investment. Although we held no direct investments in fossil fuels to begin with, there was considerable disagreement within the community about whether indirect investments in fossil fuels through Listed Investment Companies should be precluded by the policy. In the end, a compromise on this point was brokered.

WHAT DID IT COST YOU TO DO THIS?

Arguably nothing. We didn't have direct investments in fossil fuels to begin with, but we have made a commitment not to make any future investments. So the policy could theoretically reduce our returns in the future by limiting our options, but our research suggests this is unlikely.

RECOMMENDATIONS

1. Don't worry about the process taking a long time. Make the process as consultative and information-driven as possible. Often a process of education of both community and leadership will be required to achieve informed decision making.
2. Avoid moralising or judgement towards any stakeholders who resist change due to financial conservatism or risk-aversion (this proved highly counter-productive).
3. Be prepared to compromise; don't let the perfect be the enemy of the good. Any progress is a win for the climate which subsequently can be built upon.

TRUSTEES OF THE PASSIONIST FATHERS

WHY DIVEST?

The issue of stewardship and connection with the Earth, environmental housekeeping and good practice, the effects of globalization and financial systems on the poorest, the developing science of climate change and increasing warnings – all these have been growing concerns for 20 years.

Our first changes were in awareness and conscience at assemblies and gatherings of our men; then in the establishment of a Province Desk for Justice, Peace and the Integrity of Creation. This was followed by seminars on Green Audits, having our communities and ministries undertake green audits and implementing practical local measures.

Our awareness of these issues grew from being just local recycling and changing light bulbs to the larger environmental issues. So fossil fuel emissions gradually came to our attention. A call from Thea Ormerod and her group, ARRCC propelled us to talk and think more. She was invited to speak to our Provincial Advisory Team, where she provided literature and resources.

HOW DID YOU GO ABOUT THIS PROCESS?

These matters were brought to our Province Finance Committee. It took two years to convince them to actually take action. We met with our investment managers, to establish what their ethical overlays were beyond the usual guns, cigarettes, gambling etc. We decided to engage Ethinvest to develop our ethical investment portfolio, as none of our present managers were able to provide the flexibility to choose the style of investments we wanted. (It should be noted that some of our existing long-term investment managers have recently told us they are actively working on their investment policies in relation to fossil fuel divestment.)

It was then decided to make a first investment in a tailored fund which specifically excluded fossil fuel investments and included investments in renewable energy initiatives which would be reviewed after one year. While a year is typically not a long enough period to accurately assess the performance of a balanced fund which targets specified returns over a rolling 3 – 5 year timeframe, it is hoped that the returns achieved will provide enough confidence to further increase our divestment from fossil fuel related companies.

WHAT WERE THE BARRIERS?

Our existing investment strategy has been in place for many years, so there was a level of inertia when it came to considering a change, as well as other conflicting priorities. Investment income plays an important role in supporting out ministry. As such, our investment strategy is inherently conservative to protect the funds for the long-term. One of the barriers was a concern that an ethical fund would not be able to provide the same level of investment return as our more traditional investment funds.

WHAT DID IT COST YOU TO DO THIS?

Other than the time commitment of members of our community, staff and volunteers, the main financial cost of the process has been the transaction costs associated with the initial investments in the ethical investment portfolio. However this was not significant.

RECOMMENDATIONS

In principle, we recommend others implement a process to review their existing investment policy and consider if divesting from fossil fuel related investments could form part of that policy.

1. Make a start. Have an initial discussion within your community about your investment situation and ethical values and decide if it is something you believe is important for you.
2. Seek advice from trusted advisors who have appropriate experience in the investment world and ensure you have a clear understanding of your investment objectives.
3. Take a measured approach and build up your confidence and ethical investment portfolio over time.

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APPENDIX 1

INTERNATIONAL FAITH-BASED DIVESTMENT

The list below represents the main judicatories and other faith bodies under which over 250 faith-based organisations have committed to Divest and Reinvest. For the full list including commentary go to GreenFaith's site: <http://www.greenfaith.org/programs/divest-and-reinvest/listing-of-known-religious-divestment-efforts>

The Episcopal Church
 Evangelical Lutheran Church
 Humanist
 Presbyterian Church
 Society of Friends
 Unitarian Universalist
 United Church of Christ
 Union for Reform Judaism
 Church of Sweden
 Multi-Denominational or Non-Denominational
 Uniting Methodist Church
 Roman Catholic
 Church of England
 Unitarian-Universalist
 Uniting Church in Australia
 Anglican Church of Australia, Canada, South Africa
 World Union for Progressive Judaism
 United Reformed Church (UK)
 United Church of Canada
 Unitarian Universalist—Canada
 Presbyterian Church of Aotearoa New Zealand
 Church of Scotland (Presbyterian)

APPENDIX 2

PARTICIPATING AUSTRALIAN ORGANISATIONS

These organisations have announced commitments to divest from fossil fuels and invest in climate solutions. Details of the degree of divestment (full or partial) can be found at <http://gofossilfree.org.au/whos-divested/> or on the websites of individual organisations.

EDUCATIONAL INSTITUTIONS

Australian National University
 University of Sydney
 La Trobe University
 Monash University
 Australian Academy of Science
 Queensland University of Technology
 Swinburne University

FOUNDATIONS

Ross Knowles Foundation
 Madden Sainsbury Foundation
 Earth Welfare
 English Family Foundation
 Graeme Wood Foundation
 Madirriny Foundation
 McKinnon Family Foundation
 Hunt Foundation
 Pace Foundation
 Mullum Trust
 Water Dragon Foundation
 Community Impact Foundation

FAITH-BASED ORGANISATIONS

Anglican Diocese of Canberra and Goulburn
 Anglican Diocese of Melbourne
 Anglican Diocese of Perth
 Anglican National Super
 Australian Religious Response to Climate Change
 Council of Progressive Rabbis of Australia, Asia and New Zealand
 Earthsong
 Marist Sisters of Australia
 Melbourne Unitarian Church
 Presentation Sisters of Wagga Wagga
 Presentation Sisters of Queensland
 Quakers Religious Society of Friends Australia
 Society of Friends, Canberra Regional Meeting
 Society of Presentation Sisters of Australia and Papua New Guinea
 Sydney Buddhist Centre
 St Colombans Mission Society
 Uniting Church of Victoria and Tasmania
 The Passionists – Holy Spirit Province Australia, New Zealand, Papua New Guinea and Vietnam
 Unitarian Church of South Australia
 Uniting Church of Australia Assembly
 Uniting Church of New South Wales and ACT

BANKS/FOR PROFIT ORGANISATIONS

Adelaide Bank
 Bendigo Bank
 Hunter Hall Investment Management

SUPER FUNDS

Future Super
 Australian Ethical
 Local Government Super
 AustralianSuper
 First State Super
 UniSuper
 HESTA
 Christian Super
 Anglican National Super
 Self-managed super (49)

UNIONS

National Tertiary Education Union

OTHER

Royal Australasian College of Physicians
 Doctors for the Environment Australia
 Australian Guild of Screen Composers
 APRA AMCOS (Music)
 350.org Australia
 Climate Action Network Australia

LOCAL GOVERNMENT/COUNCILS

Australian Capital Territory
 City of Melbourne
 City of Sydney
 City of Newcastle
 City of Fremantle
 City of Armadale
 City of Stirling
 City of Wondonga
 City of Ballarat
 City of Swan
 City of Vincent
 Randwick City Council
 Banyule City Council
 Moreland City Council
 Byron Shire Council
 Gloucester Shire Council
 Marrickville Council
 Shire of Goomalling
 Leichardt Municipal Council
 Lismore City Council
 Albury City Council
 Ballina Shire Council
 Bass Coast Shire Council
 Macedon Ranges Shire Council
 Mount Alexander Shire Council
 Town of Bassendean
 Town of East Fremantle

APPENDIX 3 FOSSIL FUEL COMPANIES

GLOBAL

Below is the Carbon Underground Top 10 coal companies and oil and gas companies globally produced by Fossil Free Indexes. For the full list of 200 companies, please see The Carbon Underground 200 website.

Top 10 coal companies

Rank	Coal companies	Coal Gt CO ₂
1	Coal India	43.104
2	Adani Enterprises	27.809
3	China Shenhua Energy	23.143
4	Mongolia Yitai Coal	11.756
5	China Coal Energy	9.492
6	Mechel	9.483
7	Exxaro Resources	9.433
8	Public Power	9.339
9	Glencore	8.692
10	Peabody Energy	8.059

Top 10 oil and gas companies

Rank	Oil and gas companies	Oil Gt CO ₂	Gas Gt CO ₂	Total Oil and gas Gt CO ₂
1	Gazprom	6.856	37.213	44.069
2	Rosneft	12.617	4.158	16.776
3	PetroChina	3.821	4.244	8.066
4	ExxonMobil	4.678	3.281	7.960
5	Lukoil	5.816	1.299	7.115
6	BP	3.979	2.409	6.388
7	Royal Dutch Shell	2.346	2.649	4.995
8	Petrobras	3.742	0.608	4.349
9	Chevron	2.441	1.604	4.045
10	Novatek	0.513	3.416	3.928

Australian coal companies in the Carbon Underground 200

Rank	Coal companies	Gt CO ₂
11	BHP Billiton	7.834
18	Rio Tinto	4.351
36	AGL	2.144
39	South32	1.845
43	Whitehaven Coal	1.740
64	Wesfarmers	0.8
79	Energy Australia	0.552

Australian oil and gas companies in the Carbon Underground 200

Rank	Coal companies	Gt CO ₂
29	BHP Billiton	0.670
72	Santos	0.150
96	Oil Search	0.100

AUSTRALIAN

The ASX300 Company Classification 2016, produced by Market Forces, classifies for potential divestment candidates according to three tiers. The index weight column represents the combined value of the companies listed as a proportion of the overall value in the ASX300 index. Source: Market Forces

Category	Definition	Suggested response	Index weight	Sector	Companies
Tier 1	Substantial involvement in fossil fuel extraction. These companies have the highest exposure to carbon risk and are unlikely to be able to sufficiently diversify in the short term.	Divestment	4.01%	Energy - coal Energy - oil and gas	Whitehaven Coal Ltd AWE Ltd Beach Energy Ltd Caltex Australia Ltd Drillsearch Energy Ltd Far Ltd Karoon Gas Australia Ltd Oil Search Ltd Origin Energy Ltd Santos Ltd Sino Gas & Energy Holdings Ltd Sundance Energy Australia Ltd Woodside Petroleum Ltd WorleyParsons Ltd
Tier 2	Significant fossil fuel exposure including infrastructure, utilities, transport and diversified companies where fossil fuels constitute a relatively minor part of revenue or net asset value. These companies have significant exposure to carbon risk but should be engaged to reduce the risk through the sale of assets or finding alternative sources of revenue. In the event that inadequate action is taken to move fossil fuels from their asset bases and portfolios, divestment becomes the suggested response.	Divestment/ engagement	14.66%	Consumer staples Energy Financials Industrials Materials Utilities	Wesfarmers Ltd Liquefied Natural Gas Ltd Macquarie Group Ltd Asciano Ltd Aurizon Holdings Ltd Downer EDI Ltd QUBE Holdings Ltd Seven Group Holdings Ltd Alumina Ltd BHP Billiton Ltd Rio Tinto Ltd South32 Ltd AGL Energy Ltd APA Group DUET Group Energy World Corporation Ltd ERM Power Ltd
Tier 3	Indirect fossil fuel exposure. These companies provide services to the fossil fuel industry including financing, insurance, construction and engineering. These companies should be engaged and encouraged to find alternative sources of revenue. Should there be inadequate evidence that these companies are reducing their support for the fossil fuel industry consistent with action to avoid catastrophic climate change, or mitigating risks resultant from high exposure to fossil fuel projects or companies, divestment should be considered.	Divestment/ engagement	32.31%	Financials Industrials Materials Telecommunications Utilities	AMP Ltd ANZ Banking Group Commonwealth Bank of Australia CYEG Plc Lend Lease Group National Australia Bank Ltd QBE Insurance Group Ltd Westpac Banking Corp ALS Ltd Broadspectrum Ltd Cardno Ltd CIMIC Group Ltd Downer EDI Ltd Mineral Resources Ltd Monadelphous Group Ltd RCR Tomlinson Ltd UGL Ltd Incitec Pivot Orica Ltd Vocus Communications Ltd Ausnet Services Ltd Spark Infrastructure Trust



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