September 14, 2015

The Episcopal Diocese of New York

Bearing Witness:

Report of the Task Force on Socially and Environmentally Responsible Investing

You are the light of the world. A city built on hill cannot be hid.
No one after lighting a lamp puts it under the bushel basket, but on the lampstand, and it gives light to all in the house.
In the same way, let your light shine before others, so that they may see your good works and give glory to your Father in heaven.

Matthew 5:14-16 (NRSV)

This is the appointed time for all God's children to work for the common goal of renewing the earth as a hospitable abode for the flourishing of all life. We are called to speak and act on behalf of God's good creation.

A Pastoral Teaching on the Environment, ¶ 5
House of Bishops of the Episcopal Church,
Quito, Ecuador, September 20, 2011

The urgent challenge to protect our common home includes a concern to bring the whole human family together to seek a sustainable and integral development, for we know that things can change. The Creator does not abandon us; he never forsakes his loving plan or repents of having created us. Humanity still has the ability to work together in building our common home.

Laudato Si', Encyclical Letter of the Holy Father Francis
On Care for Our Common Home, ¶ 13
The Holy See, May 24, 2015

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First Things

Privileged Christians in our present global context need to move from a culture of consumerism to a culture of conservation and sharing. The challenge is to examine one's own participation in ecologically destructive habits. Our churches must become places where we have honest debates about, and are encouraged to live into, more sustainable ways of living. God calls us to die to old ways of thinking and living and be raised to new life with renewed hearts and minds.

House of Bishops, *A Pastoral Teaching, ¶ 11*

[T]he climate change crisis is the most urgent moral issue of our day.

The World is Our Host: A Call to Urgent Action for Climate Justice, p.7, ¶ 2
Seventeen Bishops of the Anglican Communion,
Capetown, South Africa, Good Friday 2015

Resolved, That the 78th General Convention urges all dioceses and parishes of the Episcopal Church to engage the topic of divestment from fossil fuels and reinvestment in clean energy within the coming year.

Resolution C045, Environmentally Responsible Investing
78th General Convention of the Episcopal Church,
Salt Lake City, Utah, as adopted July 2, 2015

We particularly call on the well-off nations and oil-producing states to –
Lead the way in phasing out their greenhouse gas emissions as early as possible and no later than the middle of the century ; … [and]
Re-focus their concerns from unethical profit from the environment, to that of preserving it and elevating the condition of the world's poor.
We call upon corporations, finance, and the business sector to – …
Assist in the divestment from the fossil fuel driven economy and the scaling up of renewable energy and other ecological alternatives.

Islamic Declaration on Global Climate Change, ¶¶ 3.2 & 3.4
International Islamic Climate Change Symposium/Islamic Relief Worldwide, Istanbul, as adopted August 18, 2015

We are faced not with two separate crises, one environmental and the other social, but rather with one complex crisis which is both social and environmental. Strategies for a solution demand an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature.

Pope Francis, Laudato Si', ¶ 139

The 17 Sustainable Development Goals and 169 targets which we are announcing today demonstrate the scale and ambition of this new universal Agenda. They seek to build on the Millennium Development Goals and complete what these did not achieve. They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.

Transforming Our World: The 2030 Agenda for Sustainable Development Preamble, ¶ 3
United Nations, Final Text (August 2015), for adoption September 2015, at the 70th Session of the General Assembly, New York, New York

A Word about the Tools of Socially and Environmentally Responsible Investing

Socially and environmentally responsible investing uses three tools: (i) applying ethical standards in investment selection or management, (ii) shareholder activism, and (iii) community investing. The Task Force on Socially and Environmentally Responsible Investing here makes recommendations calling for the use of tools (i) and (iii). The second tool, shareholder activism, has been addressed already by Diocesan Convention, most recently in 2014 (see p. 23, and *Proxy Voting*, p. 29, below). If the recommendations made here are implemented, the prior decisions of Convention on shareholder activism may be more readily carried out, because they will have a stronger context supporting them. From the point of view of the Church, all these tools are *instruments of bearing witness*.

Recommendations

The members of the Task Force on Socially and Environmentally Responsible Investing agree with the House of Bishops, with the General Convention, with the seventeen bishops of the Anglican Communion, with the International Islamic Climate Change Symposium, and with Pope Francis, that humankind is now called to urgent action for social and climate justice for all people and all creation.

However, the Task Force was not asked to address social or climate justice. The Task Force was asked to address something often considered part of housekeeping, an activity some view as best kept divorced from the Church's mission: investing the Church's money.

The Task Force members believe that investing the Church's money *is and ought to be* linked to mission, because the Church invests its money for the purpose of mission, not for the purpose of investing as such. Investing is not morally neutral: investing can have good or bad consequences, both for the investor and for others, often others unknown or unseen by the investor. Accordingly, the Task Force has looked seriously at the intersection of mission and investing, to consider how the Church's investing may be made more consistent with the Church's social and environmental mission.

By the terms of the Diocesan Convention resolution calling for appointment of the Task Force, the Task Force has been asked to make recommendations to the Diocese, its institutions and its parishes. Here the Task Force makes two types of recommendation, differing in focus and reach, including four recommendations in all. They are set out immediately below.

Each of the Task Force's recommendations is intended to help the Diocese, its institutions and its parishes *invest for mission.* Each is intended as a call to the leaders of the Diocese and its parishes and institutions to face the "complex crisis which is both social and environmental," and, having done so, to take action, as Christian fiduciaries, with their institutions' investments.

These recommendations, if implemented, should help the Diocese work toward the goals Bishop Dietsche announced in August 2015 for the diocesan strategic plan: "*to recommit ourselves to the mission given to us by God, to assess the work we do in the name of God, and to create good, sustainable structures to shape and support that mission*." The Bishop's Letter, August 27, 2015, p. 2. http://live-diotest2.pantheon.io/download/Diocese/Strategic_Plan_2015.pdf

Separately, the Task Force has submitted four resolutions, based on the four recommendations in this Task Force report, for consideration at the 239th Diocesan Convention, to be held at The Cathedral Church of St. John the Divine on November 14, 2015. See p. 42, below.

I Diocesan Community Development Investment Program

The Task Force recommends that the Episcopal Diocese of New York establish a community development investment program consistent with the discussion and principles laid out below.

Community investing is a form of mission investing – using investments directly to carry out mission. The Task Force believes community investing can be an important expression of the justice mission of the Diocese. Through community investing the Diocese can use its investment assets to provide capital to groups, organizations and individuals that cannot fully and equally, or cannot at all, access conventional financing for their needs. Through community investing, the Diocese can invest assets to promote greater economic justice for the economically powerless and oppressed, thereby helping to make this world more just and more sustainable for all of us.

Commonly, groups and individuals use such capital to finance affordable single family and multifamily housing, institutional facilities (such as community, healthcare and day care centers, and environmental improvements) and small business development, including through microcredit. (In 2006 microcredit became famous when Grameen Bank, a Bangladeshi institution that launched the first microcredit programs, won the Nobel Peace Prize.)

Frequently asked questions:

What? A program by which EDNY would invest in community economic development, focused on but not limited to the geographic area of the Diocese. This program would make investments not grants. Equity investments would be possible, but most investments would be loans; for this reason, in this proposal, "investment" and "loan" will be used interchangeably. Any investment involves potential risk and potential return. Community development investments provide both traditional financial return and mission-related (community development) return.

What financial return might the Diocese expect to receive? The national Episcopal Church's economic justice loan program earns 2-4.75% annually, with most loans paying around 3.5%. http://www.episcopalchurch.org/files/economic_justice_loan_report_december_2014.pdf It would be reasonable for EDNY to expect to receive similar rates. Rates (and other terms) can be negotiated.

How does this relate to the EDNY Credit Union now in formation? In a sense, not at all. In another sense, the two would have a common purpose: promoting economic justice. The EDNY Credit Union is designed to provide bank accounts and banking services to an affinity group composed of members of EDNY churches, participants in ministries and schools in EDNY parishes, clergy and employees of EDNY parishes and institutions, and those parishes and institutions themselves. In contrast, a community investment program would provide funds for not-for-profit organizations, small businesses and individuals to use as capital – and they would not have to be affiliated with a church or the EDNY. A community development investment program would target those organizations, individuals and businesses that cannot access credit from conventional sources, such as banks.

Is this risky? As noted above, any investment involves potential risk as well as potential return. Risks can be assessed, and steps taken to mitigate them. One way to do so is to invest in well-capitalized organizations (i.e., that have assets they can use to meet their obligations to EDNY). Another is to diversify investments, making loans to different borrowers with different characteristics and businesses. Another way is to invest only in intermediaries, not in end users; intermediaries spread their own risks across their many borrowers, and they are financial institutions, run by professional staffs and boards with financial experience. (By *end users* we mean not-for-profit organizations, individuals and small businesses that use the money as capital in their own operations, e.g., building affordable housing; by *intermediaries* we mean special purpose financial institutions that serve community development needs, e.g., making loans to finance building affordable housing.) Such intermediaries are commonly called *community development financial institutions*, or "CDFIs." The community investing industry has a long history, and industry standards have been established. Some intermediaries are regulated by the federal government. CDFIs certified by the Treasury Department are eligible to, and do, receive capital grants from the Treasury. There are five certified CDFIs operating in the EDNY area.

Why is the Task Force recommending investing in intermediaries? Hundreds of specialized, professionally managed, not-for-profit community development financial institutions already have been formed across the country to provide access to community development financing. In order to invest in community development, the Diocese need not create a new institution of its own but can make capital available through some of these existing financial institutions.

In fact, the Task Force recommends that the Diocese ***not*** form its own CDFI. EDNY and other dioceses of the Episcopal Church have tried that, and those diocesan funds are no longer functioning. ***Running a CDFI requires a commitment of resources and personnel that the Diocese is not set up to make.***

Existing CDFIs are capitalized, organized, operated and professionally staffed to make loans to end users. They know the economic situation of their localities and their borrowers, and how to evaluate the ability of potential borrowers to repay loans. They know how to support their borrowers with management and financial training and consulting services, to help them carry out their projects and repay their loans. They can help borrowers who run into trouble to "work out" their debts.

On the other hand, ***while the Diocese is not set up to run its own CDFI***, ***Diocesan Trustees and other Diocesan fiduciaries responsible for investing already know how to invest.*** These fiduciaries can apply their existing knowledge – gained in making ordinary investments – to evaluate CDFIs as prospective mission investments. Clearly, if the Diocese undertakes community development investing, those (such as Diocesan Trustees) who act on its behalf to make those investment decisions will do so as fiduciaries for the Diocese, and their decisions will be guided by fiduciary principles, as are all investment decisions.

What are examples of such community development financial institutions?

The *Business Center for New Americans* (*BCNA*), a certified CDFI, helps refugees, immigrants, women, and other New Yorkers achieve economic self-sufficiency through the education and coaching of clients to establish and run small businesses, save money, and invest in their first home. *BCNA* makes loans up to $50,000 and has a staff of ten full-time professionals. In 18 years, the *BCNA* has made 2,094 loans for a total of $13.3 million, invested in micro-businesses, education, technology, and home-ownership, and assisted 5,000 businesses.

Community Capital New York (*CCNY*), a certified CDFI, operates in Westchester, Rockland, Putnam, Orange, Duchess, Sullivan, and Ulster Counties. *CCNY* provides affordable housing loans to both for-profit and not-for-profit developers, small business loans up to $50,000, and consumer loans including credit builder loans, job opportunity loans, family reunification loans, and lending circle loans for immigrants and refugees, veterans, survivors of domestic violence, children aging out of foster care, and other low-income and minority individuals. In 25 years, *CCNY* has created more than 3,200 jobs, expended $8.5 million to create more than 2,400 affordable homes for 5,100 low income residents, and generated an 89% success rate for small businesses four years after launching.

The *Leviticus 25:23 Alternative Fund* (*Leviticus*), a certified CDFI founded by Roman Catholic churches and institutions, makes loans to not-for-profit community development organizations in New York, New Jersey, and Connecticut. *Leviticus* focuses on three areas: building affordable and supportive housing, developing childcare facilities, and creating community centers. In 22 years, *Leviticus* has invested $57.7 million in low-income communities, creating 2,769 housing units, including transitional and emergency shelters; 41 child care centers, serving 3,784 children; 40 community social service facilities; nine health care facilities; 293 new jobs; and eleven new small businesses.

(Each of the above descriptions was taken from information published by the CDFI in question.)

Where would the Diocese get the money for a community development investment program? Generally, capital for such programs can come from two possible sources: special fund raising (donations or grants) and existing investment assets. Of course, both could be used. For example, in 1998 the national Episcopal Church allocated $7 million of its existing endowment for community development investments. The proceeds flow into the national budget for general purposes.

How much? An EDNY fund in the range of $500,000 to $1,000,000 could have an impact. Over five to ten years EDNY could roll out loans in the amount of $50,000 to $100,000 annually. The EDNY fund could thus develop a portfolio of five to ten loans. If parishes in the Diocese invested in parallel, the economic impact could be increased.

Would community development investments by the Diocese be welcomed? Emphatically "yes."

Principles for Community Development Investing

Much of the above discussion is restated below in the form of six short principles for community development investing. These principles should guide this mission in this place:

(1) ***Use community development investing funds to make investments only, not grants***. Grants can be made from other funds put aside for grant making.

(2) ***As investments, community development investments are required to generate economic return.*** Most community development investments take the form of loans; a few may be equity. Either form would pay income/interest to the Diocese, just like an ordinary investment. And the principal invested would be repaid, just as with an ordinary investment, and could be re-invested/re-loaned by the Diocese.

(3) ***Make investments only in intermediaries, not end users.*** Keep out of direct lending to those who need financing for housing, a community facility or a business. Make loans to financial entities, such as community development financial institutions ("CDFIs"), that specialize in such financing – and have the staff to carry on that business and guide and support their borrowers.

(4) The Diocese may make community development investment capital available through investments in any form – and to any intermediary (whether or not it is a certified CDFI) – if, in the judgment of the Diocesan body making loan decisions, such investment(s) will further Diocesan community development investing goals. However, ***the Diocese ordinarily should give preference to lending to certified CDFIs***, that is, community development financial institutions that have been certified by the U.S. Department of the Treasury and are eligible for Treasury capital grants. Certified CDFIs may be expected to be better capitalized than those that are not certified.

(5) ***Emphasize loans to CDFIs that provide financing to end users within the geographic area of the EDNY.*** At least five Treasury certified CDFIs now specifically concentrate their work in the EDNY area. Some loans or other investments could be made outside the Diocese, including for use overseas, but the focus should be on investing in communities within the territory of the EDNY.

(6) Because the EDNY can meet only part of the need for community development investing within the area of the Diocese***, the Diocese should encourage parishes with investment assets to consider investing in parallel with it, and the Diocese should encourage all parishes***, whether or not they have funds to invest, to become knowledgeable about community needs and resources, and ***to make community investing a part of their mission and advocate for investing in organizations and people in their own communities.*** A parish's community relationships could prove to be important aids in getting capital into the hands of those who need it.

II Applying Ethical Standards in the Management of Church Investment Assets

In *The World is Our Host: A Call to Urgent Action for Climate Justice*, seventeen Anglican bishops, including the Bishop of New York, wrote words that have become a touchstone for the Task Force: "the climate change crisis is the most urgent moral issue of our day." p. 7, ¶ 2

These bishops have diverse perspectives, and come from different cultures, backgrounds, economic contexts, and various geographical regions of the Anglican Communion. Bishop Dietsche is from the Diocese of New York, which includes one of the world's most vulnerable, low-lying coastal cities.

After defining the problem, the seventeen bishops advocated action. They made eighteen proposals. Two of the proposals deal with investments. Only those two fall within the subject matter the Task Force has been asked to address. The bishops, specifically addressing Church investments, said:

"We call for a review of our churches' investment practices with a view to supporting environmental sustainability and justice by divesting from industries involved primarily in the extraction or distribution of fossil fuels.

"We call for the strengthening of ethical investment guidelines to include consideration of justice for the non-human creation as well as the interests of future generations of humanity." p. 6, ¶¶ 6 & 7

The recommendations set forth below are made, in the context of the life and work of the Diocese of New York, in response to these two proposals of the Anglican bishops.

The Task Force makes three recommendations for applying ethical standards in the management of Church investment assets. The first and third recommendations are addressed to the Diocese and the Trustees of the Diocese and relate to the investment funds of the Diocese itself. The second recommendation is directed not only to the Trustees as the governing board of the Diocese, but also to the governing board of every institution related to the Diocese, and to the governing board of every parish, church or congregation in the Diocese, and this recommendation relates not only to the Diocese's investment funds but also to the investment funds of every parish, church, congregation and other institution related to the Diocese.

Unlike the recommendation for a community investment program outlined above, these recommendations do not call for a new program or activity. Instead, each calls for us to do things we already do, as institutions, but to do them differently, in ways that express more explicitly our Christian commitment. Each of these recommendations calls on the leaders of the Diocese and its parishes and institutions to take action, as Christian fiduciaries, to apply ethical standards in the management of their institutions' investments.

(1) The Task Force recommends that the Trustees of the Diocese adopt sustainable investing as an institutional investment policy goal for the Diocese: investing to achieve sustainable returns, in a sustainable global financial system, for a sustainable diocese, in a sustainable world. To that end, **the Task Force recommends that the Diocese become a signatory to the *Principles for Responsible Investment* of the United Nations**, which provide widely recognized guidelines for sustainable investing. The Diocese should report annually to Diocesan Convention on its efforts to implement the UN *Principles*. Diocesan institutions and parishes with sufficient investment assets also may wish to consider adopting sustainable investing as a goal and becoming signatories to the UN *Principles*.

Frequently asked questions:

Why take sustainable investing as an investment policy goal?

The seventeen Anglican bishops "*call for a review of our churches' investment practices with a view to supporting environmental sustainability and justice."* They do so because, faced with climate change, the sustainability of human life has become a focus of concern, concretely, in their dioceses.

In his encyclical, Pope Francis issued a challenge: "to bring the whole human family together to seek a sustainable and integral development" to protect the earth, our common home.

The United Nations has decided to adopt *Sustainable Development Goals* ("*SDG*") to guide worldwide development efforts between now and the year 2030. The *SDG* are intended as successors to the *Millennium Development Goals* previously adopted by the General Assembly. In developing the *SDG* the UN has tried to "balance" what it calls the three dimensions of sustainable development: the economic, social and environmental.

Because sustainability is a practical and ethical concern so central to the situation the world and the Diocese now face, the Task Force recommends that sustainability itself be made an investment policy goal. Such a goal would help guide the fiduciaries responsible for Diocesan investment programs in the direction the Diocese decides it needs to go.

Neither the Task Force nor anyone else can tell the Diocese or the Diocesan Trustees exactly what "sustainable investing" would mean for the Diocese. The effort would evolve over time, as circumstances and understandings change. See the discussion of the UN *Principles for Responsible Investment* ("*PRI*") *Initiative*, below.

Sustainable investing is not a program or a product but a process – a process for taking sustainability into account as a practical and an ethical guide and objective.

What is "ESG" – what are "ESG issues"?

Generally, in the investment management world, "ESG" refers to "environmental, social and governance" questions, concerns or issues. Here "governance" means not the governance of nations or other political units but the governance of business or economic/financial enterprises – in short, "corporate governance." As the field of socially and environmentally responsible investing has developed, these three types of issue have become a principle focus of concern and analysis, and ESG has become a commonly used term. There are probably almost as many approaches to ESG as there are investors applying ESG to their investments. All ESG investors do not end up with the same portfolios or investment results. But all consider ESG along with traditional financial/economic analyses, and all judge investment success not just on financial return but also on ESG outcomes. Although ESG as such is not explicitly about sustainability, managing investment assets with ESG in mind works toward sustainability, and the UN *PRI Initiative* calls for investors to apply ESG principles.

Why become a signatory to the UN's *Principles for Responsible Investment*?

We recommend that the Diocese become a signatory to the UN *PRI* not in order to join in a UN-led movement but because the UN *PRI* and *PRI Initiative* offer useful tools to help the Diocese wisely steward its resources as it carries out its efforts to invest sustainably.

Becoming a signatory to the *PRI* means becoming a participant in the *PRI Initiative*. See, generally, http://www.unpri.org/introducing-responsible-investment

Here are the six UN *Principles for Responsible Investment*, in short form:

> *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 UN describes the *Principles for Responsible Investment Initiative* as follows:

"The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.

"In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

"The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation's investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole."

Over 1300 organizations have become signatories. In total, they have nearly $60 trillion in assets under management. The signatories include both secular and religious entities. The Church of England and its pension fund are signatories.

The *PRI Initiative* is a voluntary, cooperative effort. The sixth *Principle* is key: "*We will each report on our activities and progress towards implementing the Principles."* Every signatory must expend some effort annually to report to the others.

The Task Force recommends that the Diocese become a signatory to the *Principles for Responsible Investment* and participate in the *PRI Initiative* because in this way the Diocese can join like-minded institutions around the world working toward common goals for the environment and society, as well as for themselves as investors. The Diocese can be – and become recognized as – a participant in a worldwide investment movement. And, in seeking to invest with sustainability as a goal, as in many things, there is no need to re-invent the wheel. Investors can learn from each other, and they can increase their impact by working together.

Although the movement is voluntary, the reporting requirement makes signatories publicly accountable, at least morally, to each other. The Diocese would need to establish and maintain the internal capacity to track and report on its efforts to implement the *PRI*. In addition, the Diocese should report annually to Diocesan Convention on these matters.

(2) The Task Force recommends that each governing board in the Diocese carry out a substantive review of its own investment policies and practices for the management of Church investment assets in light of its understanding of the Church's faith and mission, including the Church's social and environmental responsibilities. The boards covered by this recommendation are the Trustees of the Diocese, the Trustees of the Diocesan Investment Trust, the governing board of every entity related to the Diocese, and the vestry, board of trustees, or other governing board of every church, parish or congregation in the Diocese. The boards and vestries would make this effort *as fiduciaries*.

> In its review, **each board or vestry should develop ethical guidelines for socially and environmentally responsible investing** (or strengthen any existing ethical guidelines). See the sample ethical investment guidelines statement in Resources, p. 27, below.
>
> The review should include, among other things, **consideration of justice for non-human creation, the interests of future generations of humanity, and support for environmental sustainability and justice.** In its review, **each board or vestry should consider divesting from companies involved primarily in the extraction or distribution of fossil fuels, and particularly (but not exclusively) companies involved primarily in the extraction or distribution of coal.**
>
> As it develops its own ethical guidelines, the Diocese should make them available to other boards and vestries in the Diocese that might find it helpful to consider them when developing their own investment policies.
>
> Both parishes and institutions with larger amounts of investment assets and those with smaller amounts of assets can carry out such a review and implement ethical guidelines going forward. SERI mutual funds and fossil fuel free mutual funds are available. Many investment managers follow SERI and ESG principles. (Such managers and mutual funds may be found through using the Links and Lists found in Resources, pp. 33-34, below.)
>
> **Each board and vestry should report** to the Bishop and the Diocesan Convention on its progress and results.

At least two governing boards already have begun: At its May 2015 meeting, the Vestry of St. James' Church, Manhattan, voted to carry out such a review. At their June 2015 meeting, the Trustees of the Diocese voted to undertake such a review. (See copies of the resolutions in Resources, p. 26, below.)

Frequently asked questions:

Why should all governing boards of institutions and parishes/churches review their investment policies and practices?

This is the appointed time for us to speak and act on behalf of God's good creation. Such a review was proposed by the seventeen Anglican bishops, and it is consistent with the General Convention's call for every diocese and parish to "engage" divestment. The review is a step toward the goal the House of Bishops stated in 2011 in its *Pastoral Teaching*: "*Our churches must become places where we have honest debates about, and are encouraged to live into, more sustainable ways of living.*"

The Task Force believes all these governing boards, as the fiduciaries responsible for managing the worldly affairs of the Diocese, its institutions and its parishes and churches, are the ones who necessarily must address the ethics of those organizations' investments in light of the Church's teaching. The Task Force members and the delegates meeting in Diocesan Convention can express views on these subjects, but only the governing boards are fiduciaries charged with responsibility for managing institutional investments. When it comes to these investments, they are the deciders. Thus this second recommendation explicitly identifies all the governing boards that should address the questions stated and calls on them to make the necessary review and decisions.

Why should all governing boards of institutions and parishes/churches adopt ethical investment guidelines for socially and environmentally responsible investing?

Fiduciaries responsible for investment management generally use investment guidelines to help them apply agreed criteria to making investment decisions in varying circumstances.

If the Church takes its ethical teaching seriously, it needs to try to act consistently with that teaching. What values does the Church stand for, and how do those values work out in investing? The Church and its institutions need to decide. Many Church institutions already have done so. And the Church does not lack for guidance, as the materials quoted and referenced throughout this report attest. (See the sample ethical investment guidelines statement in Resources, p. 27, below.)

Ethical guidelines can help those seeking to apply the Church's teaching. Governing boards are those charged with responsibility to set such guidelines for the institution or parish or church. If fiduciaries have such guidelines in place, that should help them as they seek to decide what to do about, for example, fossil fuel divestment.

Why should all governing boards of institutions and parishes/churches *consider* divesting from fossil fuels, particularly coal?

See the previous two questions. The Anglican bishops meeting in Capetown called for the Church to *divest* (not to *consider* divesting) from fossil fuels. In July the General Convention called on every diocese and parish to "engage the topic" of fossil fuel divestment but did not call for them to divest.

At this time the Task Force recommends that the Diocese decide to divest from coal. At this time the Task Force does not recommend that the Diocese decide to divest from all fossil fuels nor does the Task Force recommend that the Diocese decide *not* to divest from all fossil fuels. See the discussion under Recommendation (3), below, particularly at pages 16 and 17.

The substantive review of investment policies and practices called for in this recommendation (2) will not be meaningful unless governing boards grapple with ("consider") divestment from fossil fuels, including divestment from coal. Moreover, after such review, some governing boards may go beyond the Task Force's recommendation to the Diocese on coal and decide that divestment from all fossil fuels is appropriate at this time for their organization(s). The fiduciaries responsible should address these questions seriously and make the decisions they believe to be appropriate in light of the Church's teaching and their evaluation of relevant social, environmental, financial and economic factors – and that means addressing fossil fuel divestment now, whether you decide to divest or not to divest. Either decision may be reached in faith.

(3) The Task Force recommends that the Episcopal Diocese of New York divest from companies that derive 10% or more of their revenues from the extraction or distribution of coal and do so within a reasonable time, such as three years.

Many investors invest through commingled funds, where the investor owns shares or interests in the commingled fund and not directly in the multiple enterprises in which the commingled fund invests. Mutual funds are a common example. Divesting shares directly owned by the Diocese in a company in the coal business should be relatively easy, although it may take time. However, only a very few investors have influence over the investment choices of managers of commingled funds once the investors have put their money into the hands of those managers. Commingled funds invested in coal can be expected not to divest from coal on ethical grounds. Going forward, coal free commingled funds may be created. (Already there are fossil fuel free mutual funds – funds that have no assets invested in companies in any fossil fuel industry – see p. 33, below.) Deciding how to deal with Diocesan investments in commingled funds should be left to the Diocesan Trustees.

Frequently asked questions:

Why should the Diocese divest from companies involved in the extraction or distribution of coal?

Coal is burned all over the earth. Air pollution due to burning fossil fuels is a significant public health concern in the developing world and the United States. Particulate matter air pollution from burning coal is a major contributor to air pollution related deaths around the planet. According to the most recent *World Health Organization Global Burden of Disease Report*, outdoor particulate matter air pollution contributes to more than three million excess deaths per year around the world. http://www.who.int/mediacentre/factsheets/fs313/en/ Burning coal is by far the dominant factor in such pollution, and the burning of coal is increasing, especially in the developing world.

Research has documented health threats from burning coal in U.S. power plants, including increased risks of asthma, heart attacks and premature deaths from breathing the air pollution emitted by such plants. In addition, the *International Agency for Research on Cancer* recently designated airborne particles from burning coal as a Group 1 carcinogen. http://www.iarc.fr/en/media-centre/iarcnews/pdf/pr221_E.pdf All these threats to health lead, in the U.S., to more visits to doctors and more hospital admissions. The *American Lung Association* supports a phase out of coal-fired power plants in the United States and opposes the construction of new coal-fired plants. http://www.lung.org/get-involved/advocate/advocacy-documents/energy.pdf

As compared to reducing use of other fossil fuels, reducing burning of coal would result in the greatest reduction in both climate change and air pollution health risks worldwide.

Divesting from companies involved primarily in the extraction or distribution of coal would send a signal similar to the signal sent when investors began to divest from tobacco companies. Companies should not profit from causing sickness and death.

In June 2015 the Parliament of Norway voted to order the Norwegian government pension fund to divest from companies that "rely at least 30 percent on coal," according to the New York *Times*. http://www.nytimes.com/2015/06/06/science/norway-in-push-against-climate-change-will-divest-from-coal.html The government pension fund has $890 billion in assets and is considered the largest sovereign wealth fund in the world. The decision could be viewed as paradoxical, as the assets in the pension fund largely derive from Norway's oil and gas revenues.

The Guardian (http://www.theguardian.com/environment/2015/sep/02/california-pension-funds-divest-coal) reports that, on September 2, 2015, a bill on divesting from "thermal coal" passed both houses of the California state legislature and was sent for signing, to Governor Brown, who previously had expressed support for the bill. *The Guardian* further says:

"The measure calls for the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to begin a divestment process in any holdings of thermal coal, and to complete that divestment within 18 months of the law being applied to a particular pension system.
"CalPERS and CalSTRS are the largest public pension funds in the US. CalPERS has about $292bn in assets and CalSTRS has $191bn in assets. CalPERS currently holds stock in about 30 coal companies, mostly in index funds, with a value of about $167m, according to legislative information on the bill.
"CalSTRS has 'approximately a $40m holding' in coal, according to a statement provided by Ricardo Duran, media relations spokesman for the plan.
"CalSTRS has already begun examining the divestment issue, and expects that it will take four to eight months to complete that analysis.
" 'Any effort to remove thermal coal from the portfolio must first meet the board's standard of fiduciary care,' the statement read. 'CalSTRS' first priority is, and always has been, safeguarding the financial futures of our members and their families, and to make decisions solely in the interest of our members and their beneficiaries.' "

In 2014 Stanford University decided to divest its nearly $19 billion endowment from coal. In 2014 the United Methodist Church pension fund decided to divest from coal. The Church of England announced in April 2015 its decision to divest from coal and tar sands but not from other fossil fuels. The Church of England noted that its new policy "highlights the importance of integrating the risks associated with climate change into investment decision making, in line with the [Church of England's] commitments under the UN-backed Principles for Responsible Investment."

Why does the Task Force not recommend that the Diocese divest now from all fossil fuels?

The Task Force does not recommend that the Diocese divest from all fossil fuels nor does the Task Force recommend that the Diocese *not* divest from all fossil fuels. The decision to divest from all fossil fuels and the decision not to divest from all fossil fuels may both be reached in faith. The decision to divest now, properly interpreted, may be an act of bearing witness. The decision not to divest now, properly interpreted, also may be an act of bearing witness.

Church bodies around the world have reached differing conclusions. Some have acted, and some have not. As noted above, the Church of England decided to divest from coal and tar sands and decided not to divest at this time from other fossil fuel companies, while it engaged with them on their policies. The United Methodist Church pension fund has decided to divest from coal but not other fossil fuels. The Episcopal Diocese of Massachusetts, the World Council of Churches, and the United Church of Christ and its pension fund have decided to divest from all fossil fuel companies. In July 2015, the General Convention of the Episcopal Church voted that the Church's national investment funds should be divested from all fossil fuels, but deleted from its action language that would have included the Church Pension Fund. Thus the Episcopal Church's divestment decision does not apply to the Church Pension Fund.

Proponents of divestment say something must be done now, and divestment offers the best opportunity to raise the public consciousness about climate change and the need for immediate changes in public policy to address of the effects of climate change. Proponents support “keeping fossil fuels in the ground.” They want to reduce the influence of oil companies on the public and in setting climate policy. They do not want to profit from investments in companies involved primarily in the extraction or distribution of fossil fuels.

Those who are not proponents of divestment may agree with the foregoing but say what matters most is fossil fuel use. Divesting will not change consumption of fossil fuels or reduce greenhouse gas emissions and will not affect climate change. Divesting will not affect the ability of oil companies to raise capital. Divesting will not end exploitation of the earth by global energy companies. Divesting will not end exploitation of the poor and marginalized in the name of extracting fossil fuels -- nor will it end such exploitation in the name of reducing greenhouse gas emissions. Many believe that the fossil fuel companies must be part of the solution. In this view, divesting is secondary; global dependence – including our dependence – on fossil fuels is the primary issue.

Fiduciaries weighing whether or not to divest from all fossil fuels should consider points, such as those listed above, made by both proponents and those who are not proponents

Both views make sense here in the Diocese of New York, because the institutions, organizations and parishes of the Diocese are both investors in fossil fuels and users of fossil fuels, and they all need fossil fuel energy in order to function now and for the immediate future.

The Task Force was asked to make recommendations about socially and environmentally responsible investing, not about the Diocese’s policy on the environment or on fossil fuels. The Task Force does not yet know how the Diocese wishes to respond to some of the larger issues of social and climate justice raised by the Diocese’s participation in the global fossil fuel economy.

However, the Diocese of New York is newly embarked on a strategic planning effort. In the words of Bishop Dietsche: “The purpose of the strategic plan is to recommit ourselves to the mission given to us by God, to assess the work we do in the name of God, and to create good, sustainable structures to shape and support that mission.” The Bishop’s Letter, p. 2

This strategic planning effort gives the Diocese of New York the opportunity to work its way through some of the social and climate justice issues raised for it as a participant in the global energy economy *and* as an investor in that economy.

In the meantime, the Task Force’s recommendations set out above should provide some assistance to the Diocese in working through those issues. And the planning process should help inform the Diocese’s efforts to implement the Task Force recommendations.

> *Privileged Christians in our present global context need to move from a culture of consumerism to a culture of conservation and sharing. The challenge is to examine one’s own participation in ecologically destructive habits. Our churches must become places where we have honest debates about, and are encouraged to live into, more sustainable ways of living. God calls us to die to old ways of thinking and living and be raised to new life with renewed hearts and minds.*

House of Bishops, *A Pastoral Teaching, ¶ 11*

Background

How does fiduciary responsibility fit in?

Governing boards of not-for-profit institutions have a fiduciary duty to their institutions when they set investment policies and oversee portfolios. (We refer to all governing boards of not-for-profit institutions, including vestries, as “governing boards.”)

Sometimes the suggestion is made that those charged with managing institutional investment assets would breach their fiduciary responsibility if they were to adopt a socially and environmentally responsible investment (“SERI”) policy or policies. Such a suggestion is sometimes made about applying a negative screen to an investment portfolio, such as divesting from fossil fuels, or applying a positive screen, such as seeking to invest in companies that have good employment practices and pay their employees fairly. Those making this suggestion may say that applying such a negative or positive ethical standard will limit the range of investment choices for the investment manager and thus limit potential return for the investor, and that applying such limiting principles is viewed as a fiduciary breach.

We believe that governing boards should consider the implications of limiting the range of investment choices, but we believe that applying such a positive or negative screen can be consistent with governing boards’ fiduciary duties. Governing boards may take into account the many studies showing that applying such screens retroactively to a portfolio or index (as though such screens had been applied over the past five years or ten years) would have had only a minor effect on the investment returns – sometimes slightly positive and sometimes slightly negative.

In setting investment policy and making investment decisions, a governing board may be guided by both traditional investment factors and ethical factors, and may seek to align institutional investments with the values and mission of the institution.

In fact, no investment management policy should be adopted without carefully considering the institution’s mission. As fiduciaries, governing boards should act with care, based on the information they think they need, in what they believe is in the best interests of the institution, seeking the best investment return from the portfolio as a whole, with an appropriate risk profile, and always keeping in mind the institution’s mission. The governing board should consider the circumstances of the institution, the composition of the entire investment portfolio, and the likely financial and non-financial impact of adopting or not adopting a particular SERI policy. After weighing all these factors, and weighing the institution’s mission, a governing board may, consistent with its fiduciary duties, adopt an investment screen approach, or an ESG approach, or any other approach that applies ethical standards to investment management.

See Gary, Susan N., *Is It Prudent to Be Responsible? The Legal Rules for Charities That Engage in Socially Responsible Investing and Mission Investing*, 6 Nw. J. L. & Soc. Pol'y. 106 (2011). http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/3 See also the sample *Statement of Ethical Investment Guidelines,* p. 27, below, and the materials listed in the first half of p. 36, below.

What is Socially and Environmentally Responsible Investing?

Socially and environmentally responsible investing ("SERI") is an approach to managing investments that starts with the proposition that investors can and should apply their ethical values about social and environmental matters in their investing. The investors who follow this approach include millions of individuals and thousands of institutions around the world. They seek not only to make a good investment return in a way that is ethically acceptable to them but also to influence companies and their policies, and public policy, in directions consistent with the investors' ethical values. The SERI movement took off in the 1970s and 1980s as individual and institutional investors sought to help bring an end to apartheid in South Africa through applying their ethical values in investing.

Socially and environmentally responsible investing now is an established component of the financial management industry internationally. One collaborative effort launched in 2006, the UN sponsored *Principles for Responsible Investing* has nearly 300 asset owning institutions as signatories worldwide. In the United States these include a number of state and municipal pension funds, including CALPers, from California, the largest such fund, with about $300 billion in assets, and a number of universities, including Harvard, which has the largest university endowment, at over $36 billion. The United Church of Christ and its pension fund, and the United Methodist pension fund, are also signatories. In the United Kingdom, the Church of England and its pension fund are signatories.

Socially and environmentally responsible investing began to take its current form nearly 45 years ago, in 1971. At that time the Episcopal Church helped launch the movement with the first significant act of shareholder activism applying ethical values. In May that year Presiding Bishop John E. Hines stood up at the General Motors shareholders' meeting. The Presiding Bishop asked, on behalf of the Episcopal Church as shareholder, that GM stop doing business in South Africa. From that act sprang the decades of work by investors, in this country and abroad, to end apartheid and minority rule in South Africa.

In 1973 the Interfaith Center on Corporate Responsibility ("ICCR") was organized as a direct consequence of the growing church shareholder activism focused on South Africa. Forty-two years later, ICCR is the preeminent shareholder activist organization in this country, with about 300 members. Most are investors of faith, principally Protestant denominational bodies and Roman Catholic orders. Working collaboratively through ICCR, the members advocate for corporate social and environmental responsibility in the United States, file shareholder resolutions, engage in dialogue with companies, and advocate for public policies supporting corporate responsibility. The Episcopal Church is a founding member. Outside the U.S., there are other corporate socially responsible organizations and networks, including the Ecumenical Council for Corporate Responsibility and the Church Investors Group, both based in the United Kingdom.

SERI uses three tools: *(i) applying ethical standards* in investment selection or management, *(ii) shareholder activism*, and *(iii) community investing*.

(i) Ethical standards are applied in investment management alongside traditional financial standards to develop investment programs and portfolios. Investors seek to make investment decisions that

are infused with both financial and ethical considerations. This is done through research into the socially and environmentally significant actions and policies of companies under consideration for investment (or already in a portfolio), as well as more traditional financial research. (Over the past 45 years, both the quality and the quantity of social and environmental information about companies have increased.) Then, using the results of that research, *investors apply social and environmental screens together with financial screens to set policy and choose investments.*

Ethical screens may be negative or positive. Perhaps it is not surprising that socially and environmentally responsible investors often seem first to determine what they do not want to own and then later decide what they do want to own. The movement for divestment from fossil fuel companies is the most visible current example of applying a *negative* screen to portfolio formation. Fossil fuel divestment is often accompanied by applying a *positive* screen for a type of investment thought to be a worthy alternative, such as a screen for renewable energy companies.

Proponents of traditional investment management – that is, management that applies only financial standards and analytic methods – sometimes argue that socially and environmentally responsible investing produces lower financial returns for investors. However, socially and environmentally responsible investing proponents point to numerous studies undertaken over the years that conclude that socially and environmentally responsible portfolios perform substantially the same as portfolios managed by applying only traditional financial standards and methods. See the materials listed in the first half of p. 36, below.

Some studies conclude that socially and environmentally responsible portfolios may perform better than traditional portfolios that do not take ethical values into account. Some suggest that portfolios designed with ethical values in mind may perform better over the longer term because they exclude companies that are relatively bad citizens and include companies that are relatively good citizens.

In addition, however, ethical investors seek to measure their investment "return" not just through applying traditional financial/economic analyses, but also looking at the social and environmental outcomes in light of their values. Ethical investors view the "bottom line" as something deeper and broader than do investors who focus on financial return only.

Today in the field of investment management the application of ethical standards is commonly organized under headings abbreviated "ESG." ESG refers to "environmental, social and governance" questions, concerns or issues. Here "governance" means not the governance of political units but "corporate governance." There are probably almost as many approaches to ESG as there are investors applying ESG to their investments. All ESG investors do not end up with the same portfolios or investment results. But all consider ESG along with traditional financial/economic analyses, and all judge investment success not just on financial return but also on ESG outcomes. Below are lists of issues often addressed under the three ESG headings:

> *Environmental* issues may include biodiversity loss, greenhouse gas emissions, climate change impacts, renewable and/or alternative energy, energy efficiency, resource depletion, chemical and other pollution, waste management, water use or depletion, ocean acidification, stratospheric ozone depletion, changes in land use, and nitrogen and phosphorus cycles.

> *Social* issues may include company activities in conflict or war zones, fair trade, health and access to medicine or healthcare, workplace health and safety, product health and safety, HIV/AIDS, labor standards in the supply chain, child labor, slavery, relations with local communities, the status of women, human capital, employee and labor relations, diversity, discrimination against minority groups or women, either in the workplace or in making goods and services available, weapons, and freedom of association.
>
> *Governance* issues may include executive benefits and compensation, income disparity between management and workers, bribery and corruption, shareholder rights, business ethics, board diversity, board structure, independent directors, risk management, whistle-blowing, stakeholder dialogue, lobbying and lobbying disclosure, and implications of business strategy (and implementation thereof) for environmental and social issues.

(ii) Shareholder activism refers to applying ethical values about social and environmental matters in the investor's role as an owner of shares in companies. Obviously, the decision to divest from a given company precludes any shareholder activism in respect of that company by the divesting investor. As noted above, the current movement for socially and environmentally responsible investing began with an act of shareholder activism, the filing of the first shareholder resolution based on ethical values. Shareholder activism is now accepted in the governance of U.S. business corporations.

Under federal securities laws, if certain legal requirements are met, investors may submit, as shareholders, proposals to companies in which they own shares, to be voted on at a company shareholder meeting. Such proposals may raise issues that arise from the shareholders' concerns about the company.

While some shareholders may show up at such a meeting, most will vote by submitting an instrument granting to an individual or institution the shareholder's *proxy* to vote the shareholder's shares in accordance with the holder's wishes. (See also the discussion of proxy voting at p. 29, below.)

The ESG issues named in the three lists above are all issues that have been (and may be again) raised and voted on by shareholders through the proxy voting process. Active shareholders may pursue an issue with a given company for several years, while seeking to build support in the investor community for the shareholder's views on the company's activities.

In seeking to change corporate behavior, shareholders also may try to engage boards and managements in dialogue about the shareholders' social and environmental concerns. Typically, such dialogue may begin before a shareholder resolution is filed and may continue afterwards. Often boards and managements are responsive to proposals to discuss such concerns with shareholders. Sometimes they will agree to do what the shareholder asks. Sometimes, even if the company will not do what the shareholder asks, the company and the shareholder can negotiate a change in policy or practice.

Such dialogues have often been successful from the point of view of socially and environmentally responsible investors. In such instances, the shareholders often agree either not to file a proposal or

to withdraw their proposal, if it has already been filed. However, they have not always been as fruitful as the shareholders have hoped. Some investors have initiated lawsuits.
Walmart apparently sells more guns and ammunition than any other retailer in the United States. As a shareholder, Trinity Wall Street tried to file a shareholder resolution with Walmart to give shareholders the opportunity to vote on having the company re-evaluate its policies on sales of high capacity rifles. After unsuccessful efforts at dialogue, in 2014 Trinity Wall Street filed suit against Walmart in federal court.

On August 26, 2015 Walmart announced that it would no longer sell "modern sporting rifles," which are similar to assault rifles and accept high capacity ammunition magazines. Walmart did not link its decision to the Trinity Wall Street suit.

However, in June 2015 nine people had been killed by gunfire in Emanuel African Methodist Episcopal Church in Charleston, South Carolina. Also in June, soon after that event, the chief executive officer of Walmart gave an interview on CNN.

According to the New York *Times*, in that interview the chief executive "indicated…that he wanted to curb sales of such weapons." http://www.nytimes.com/2015/08/27/business/walmart-to-end-sales-of-assault-rifles-in-us-stores.html The *Times* further reported "'Trinity Church is very pleased to hear that Walmart will no longer sell the kinds of weapons that have caused such devastation and loss in communities across our country,' the Rev. William Lupfer, rector of Trinity Church, said in a statement. The church may drop the suit, he said."

(iii) Community investing is a form of mission investing – using investments directly to carry out mission. In mission investing, an investor uses some of its assets to accomplish part of its mission through its investing, rather than by expenditures for program activity. Community investing seeks to get capital into the hands of individuals, small businesses and not-for-profit organizations that cannot get conventional financing for their needs. They use this capital to finance affordable single family and multifamily housing, institutional facilities (such as community, healthcare and day care centers, and environmental improvements) and small business development, including through microcredit. Usually capital is made available in the form of loans.

Instead of investing in publicly traded stocks and bonds, in community investing individuals and institutions invest in alternative investment vehicles. Hundreds of community development financial institutions ("CDFIs") have been organized in the United States. CDFIs specialize in community development financing. CDFIs have professional boards and staff to carry on that business and guide and support their borrowers.

Community investing is real investing, not grant making under another name. The investor expects, and gets, investment income and return of capital at an appropriate time. In 1998 the national Episcopal Church allocated $7 million of its endowment for community development investments. Loans made through the program currently return 2-4.75% annually, with most paying around 3.5%. http://www.episcopalchurch.org/files/economic_justice_loan_report_december_2014.pdf The proceeds flow into the national budget for general purposes.

2014 Diocesan Convention Resolution on Shareholder Activism

Text of Resolution 22 as passed:

Resolved, that this 238th Convention of the Diocese of New York reaffirm the resolution of the 217th Convention of the Diocese of New York, as set forth below, urging the Diocesan Investment Trust to provide leadership in socially responsible investment by (1) aligning its actions with the guidelines of the Executive Council of the Episcopal Church's Corporate Social Responsibility and Socially Responsible Investment recommendations which are posted on the Episcopal Church's website, and (2) working with the guidance of the Treasurer of the Episcopal Church and the Church Pension Group which provides assistance for parishes and dioceses on these matters.

Explanation of the Resolution:
The Episcopal Church has met with substantial success in its pioneering efforts to articulate social witness in the modern business corporation. Yet many parishes, dioceses, and church related institutions neglect to exercise their voting rights, passing up an opportunity to support the Church's mission. This resolution clarifies that the Diocese urges the trustees of the Diocesan Investment Trust to cast their votes in support of the Church's mission, and it lays the groundwork to support their efforts to integrate social responsibility concerns with their fiduciary obligations.

From the Calendar of Business and Journal for
The 217th Convention of the Diocese of New York
held at the Cathedral Church of St. John the Divine, October 23, 1993

Replicate National Strategy on Social Responsibility in Investments at Diocesan Level

(12) Resolved, That this Convention instructs the Secretary of Convention of the Diocese of New York to commend the Executive Council of the Episcopal Church and the Church Pension Fund for their leadership in promoting social responsibility in investment; and be it further

(13) Resolved, That the Trustees of the Diocesan Investment Trust (DIT) be urged by the Convention of the Diocese of New York to develop a comprehensive program building on the work of the national church; and be it further

(14) Resolved, That such a program include (but not be limited to):

a) conscientiously voting DIT proxies and publishing DIT's voting record;
b) corresponding and meeting with companies on matters identified by the diocese and the national church as priority concerns;
c) publishing regular reports of its social responsibility program in the Episcopal New Yorker ; and
d) including in its annual report an account of its social responsibility program, and furnishing a copy of this report to this Convention.

How to get started

The process of creating an investment program grounded in principles of socially and environmentally responsible investing ("SERI") can seem daunting.

If you are used to the world of investing, SERI requires that you look beyond familiar investment metrics and industry jargon. If you are used to dealing with social and environmental issues but not familiar with investing, in SERI you will begin to encounter those metrics and that jargon. Regardless of where you come from, to create an SERI program means to bridge the gap between these two ways of looking at the world. In adopting SERI you will be seeking to link directly your institution's mission and the results that can be achieved through the prudent investment of its assets.

An institution that manages its own investment portfolio(s) can pursue SERI in a number of ways. An institution that invests through mutual funds can also take an SERI approach, because a number of SERI mutual funds exist. You probably can find a range of SERI mutual funds that may meet your needs. (SERI managers and mutual funds may be found through using the Links and Lists found in Resources, pp. 33-34, below.)

To get started, whether your institution invests in mutual funds or manages its own portfolio, consider the following to frame your effort:

Your institution or its governing board will probably want to set up a committee or task force to work through the questions.

You and the other members of that group should read *What is Socially and Environmentally Responsible Investing?* (above, at p. 19), the sample *Statement of Ethical Investment Guidelines* (p. 27, below), and *Proxy Voting for Socially and Environmentally Responsible Investing* (p. 29, below). (Also look at other materials in this report.) You should also review the SERI information provided by the national Episcopal Church on its website. http://www.episcopalchurch.org/page/socially-responsible-investing

Then, whether your institution invests in mutual funds or manages its own portfolio, try these steps:

1. Identify your institution's core beliefs, those that are central to your mission. Articulate them, test them, and test them again with your committee and constituents. Consider how they align with the DNA of your organization.
2. Prioritize your core beliefs and identify those you can actualize today through your investment activity.
3. Define the specific issues you want to pursue. (The lists of ESG issues in *What is Socially and Environmentally Responsible Investing?* and the national Episcopal Church SERI information accessible at the link given above both may help you identify issues that matter to you.) Be mindful of those issues that may represent an opportunity for you for driving meaningful change within a corporate entity (e.g., sourcing of raw materials or human labor equality) and

those that may violate your core beliefs to the extent you simply cannot profit from them (i.e., companies/activities you will exclude from your portfolios).

4. Educate yourselves on those issues and how SERI investors deal with them.
5. Determine what resources you have available and what you may need to add over time to be effective in pursuing change on the issues you've identified.
6. Consider how you might organize yourselves and collaborate with other like-minded investors to express your core beliefs through the investment process, thereby increasing your "throw-weight" and visibility and, over time, effect change consistent with those beliefs (e.g., through an SERI mutual fund or, if you manage your own portfolio, by collaborating with other Episcopal Church institutions – or, if your institution is sufficiently engaged, by joining with the Interfaith Center on Corporate Responsibility in SERI advocacy).
7. Devise a reporting mechanism to keep your committee on task and your institution informed.
8. Follow the decision making process in your institution, so everyone who should be involved is involved, and any decisions are made in good order.

Creating an SERI program requires patience. You can expect your program will evolve over time, as your experience grows.

Some additional points you might consider:

- How important is it to you to see the integration of your mission throughout your work, not just those elements that have a public face?
- Are you prepared to commit yourself to further educate yourself and others on the issues identified?
- Do you have the resources to engage actively in dialogue with companies in your portfolio(s) to encourage better corporate citizen behavior? If not, what steps can you take to build a reservoir of talent to assist with this work over time?
- Proxy voting – how is it done now? By whom? What would you like to see changed? See *Proxy Voting for Socially and Environmentally Responsible Investing*, below.
- A number of organizations hold educational workshop and forums. These include the U.S. Social Investors Forum, EuroSIF and UKSIF. You might consider attending a suitable workshop.

Resources

Resolution approved by the Trustees of the Episcopal Diocese of New York

Approved unanimously
June 18, 2015

> The Trustees of the Diocese of New York hereby undertake that, by Diocesan Convention in 2016, (1) the Trustees, as fiduciaries of funds of the Diocese, working with the Trustees' Investment Committee and others, as appropriate, will complete a substantive review, grounded in the faith and mission of the Church, of the Diocese's investment policies and practices for funds whose management is overseen by the Trustees, with a view to adopting ethical investment guidelines, to include, among other things, consideration of justice for the non-human creation as well as the interests of future generations of humanity and supporting environmental sustainability and justice, including by considering divesting from industries involved primarily in the extraction or distribution of fossil fuels, (2) after that review, the Trustees will take appropriate steps to cause the implementation of the results of the review, and (3) the Trustees will report this current action to the Diocesan Convention in November 2015 and report the results of the review and the implementing steps to the 2016 Diocesan Convention.

Resolution approved by the Vestry of St. James' Church, Manhattan

Approved unanimously
May 19, 2015

> The Vestry of St. James' Church undertakes that, by its March 2016 meeting, the Vestry, as fiduciaries of the investment funds of the parish, working with members of the Investment Committee and others, will complete a review of the investment policies and practices for the investment funds of the parish, including consideration of divesting from industries involved primarily in the extraction or distribution of fossil fuels, with a view to strengthening the parish's ethical investment guidelines to include consideration of justice for the non-human creation as well as the interests of future generations of humanity and supporting environmental sustainability and justice.

Sample Statement of Ethical Investment Guidelines

The following sample of a statement of ethical investment guidelines may be used as a reference and guide by the governing board of any institution related to the Episcopal Diocese of New York and by the governing board (vestry or board of trustees or other board) of any parish, church or congregation in the Diocese. Here we refer to any such institution or parish, church or congregation as a "Church entity."

This sample statement is derived from examples of investment guidelines in use by not-for-profit charitable organizations such as parish churches and religious organizations. This sample statement also makes reference to matters discussed elsewhere in this Task Force report, including the report of the seventeen Anglican bishops on the challenge of climate change, *The World is Our Host: A Call to Urgent Action for Climate Justice*.

This statement may be used and adopted with appropriate modifications by the governing board of any Church entity with assets to invest, whether the governing board takes responsibility directly to manage the entity's investments or the governing board hires one or more investment managers or other investment professionals to assist the board or to manage the assets.

Whether investments are managed internally or externally, the Church entity should have in place a statement such as this to provide a clear basis for understanding the Church entity's intentions for applying ethical standards to managing its investment assets. However, as you will see, the statement need not be elaborate or detailed. This sample also offers a number of opportunities to tailor a statement to the mission and goals of your Church entity.

If the Church entity hires others to manage its investment assets or to assist in management, a statement such as this *should be incorporated into* the investment management policy statement that is supplied to the outside managers or consultants. Similarly, if the Church entity does not hire others to manage its assets or assist in management, a statement such as this *should be incorporated into* the Church entity's policy statement that guides the governing board, investment committee or other internal manager. If the Church entity invests in whole or in part in mutual funds, a statement such as this *should be incorporated into* the policy statement that guides the decisions of those who choose mutual fund investments for the Church entity.

Statement of Ethical Investment Guidelines
(Sample)

Statement of mission

[Supply statement of Church entity's mission or purpose]

Purpose of this Statement

This statement of ethical investment guidelines has been adopted to establish a clear understanding between [the Church entity] [the governing board] and [those responsible for investing the assets] of the ethical standards to be applied in managing [the Church entity's] investments.

Guidelines

In response to the Gospel, to the challenge of responsible stewardship and to the Church's ethical teachings, [the Church entity] makes investment decisions taking into consideration both economic and financial factors and social justice and environmental justice factors. [The Church entity] is a steward of the financial gifts it has received. [The Church entity] has the responsibility to cultivate these gifts in order to promote the Gospel and to support, further and increase [the Church entity's] mission and its impact on others [and to further the mission of the Episcopal Church and the Episcopal Diocese of New York].

[The economic and financial factors and social justice and environmental justice factors that shall be integrated into the management of [the Church entity's] assets include:]

[If desired, insert specific standards or reference points derived from the report of the seventeen Anglican bishops on the challenge of climate change, *The World is Our Host: A Call to Urgent Action for Climate Justice*, such as justice for non-human creation, the interests of future generations of humanity, and support for environmental sustainability and justice.]

[If desired, insert any other specific standards or reference points discussed in the Task Force report, such as economic/social/governance (ESG) standards or investing to achieve sustainable returns, in a sustainable global financial system, for a sustainable Church entity, in a sustainable world.]

[If desired, insert any other specific standards or reference points]

[List any specific exclusions the Church entity wishes to adopt (e.g., *no exposure to companies that generate 10% or more of their revenue from the extraction and/or processing of thermal coal*).
Be specific where it is practical to do so, to aid you in monitoring compliance.]

[List any shareholder activities the Church entity wishes to engage in, for example, corporate engagements, the filing of shareholder resolutions and proxy voting. See *Proxy Voting*, p. 29, below.]

[On all the above, see the positions taken by the national Episcopal Church.
http://www.episcopalchurch.org/page/socially-responsible-investing]

Proxy Voting for Socially and Environmentally Responsible Investing

As indicated by the discussion at p. 19, above, in the section *What is Socially and Environmentally Responsible Investing?*, proxy voting can be an important part of a program of socially and environmentally responsible investing ("SERI"). If a Church institution or parish adopts an SERI program, the parish or institution should address the choice of securities to buy or sell – negative screens, positive screens, ESG, and so on. The institution or parish also should consider actively using its voting power as a shareholder (voting its proxies) to have a constructive effect on the policies and actions of corporations in its portfolio.

If an institution or parish invests in a mutual fund, the shares of companies in the fund are voted by the fund's management, with no input from the owners of fund shares. However, if an institution or parish invests in a mutual fund with SERI purposes, the fund's management will vote the fund's shares in furtherance of those purposes. The fund's management also may sponsor shareholder resolutions and engage in dialogue with company managements to further those SERI purposes. The fund's management can be expected to report to the fund's investors on these fund efforts.

An institution or parish with a large enough portfolio may own shares directly. Those shares may be bought, sold and managed by a professional investment manager or an investment committee or the governing board or vestry. The shares themselves are usually held in the account of the institution or parish with a bank or securities firm.

Companies in a portfolio hold their own shareholder meetings every year for the election of directors and the appointment of auditors. Every year other resolutions may come before the shareholders, as well. Some resolutions raise issues from an investment perspective or from an SERI perspective. (See the lists of ESG issues in *What is Socially and Environmentally Responsible Investing?*, above.) Activist shareholders often seek to place their own resolutions on the ballot.

As do other institutional investors, Church institutions and parishes often waste their shareholder votes by not giving instructions on how their shares should be voted. If the owner of shares gives no instructions, investment managers may either cast the owner's vote as recommended by the company's management or not vote the shares at all.

When shareholders vote their shares (either by written proxy or attendance at the annual meeting), they are actively participating in board policy-setting and corporate governance. Supporting a shareholder resolution by voting for it helps to keep the social, environmental or corporate governance issue on the agenda of the corporation's board, management, and shareholders. This is why the Episcopal Church and the Church Pension Fund vote their proxies.

The Episcopal Church and the Church Pension Fund work together to develop shared positions on SERI issues and annually make a joint effort to vote their proxies consistent with those shared positions. In addition, the Episcopal Church and the Church Pension Fund have agreed to make available, at no cost, a resource to allow an Episcopal institution or parish to take advantage of those joint arrangements and have the institution's or parish's shares voted in a thoughtful and responsible way, while minimizing the burden on the institution's staff or lay volunteers in the parish.

Each year, the Executive Council of the Episcopal Church, on the recommendation of its Corporate Social Responsibility Committee, adopts policies on how to vote on scores of SERI issues that may come before shareholders at the annual meetings of corporations. The Executive Council from time to time also authorizes the Episcopal Church to file shareholder resolutions and engage in dialogue with company managements. Some of the shareholder resolutions the Episcopal Church and Church Pension Fund vote on each year may be sponsored by the Episcopal Church.

Any institution or parish (usually a medium-sized or larger parish) whose portfolio of stocks is held in its individual name at a bank or securities firm can sign up to have its stocks voted in accordance with these Episcopal Church voting policies. This process is carried out by Glass Lewis & Co., LLC, a leading a proxy voting firm appointed for the purpose by the Episcopal Church and the Church Pension Fund.

Votes are cast in accordance with the Episcopal Church voting policy, not in accordance with the wishes of individual institutions or parishes. However, if an institution or a parish is thoughtfully following a particular issue coming before shareholder meetings and wishes to vote differently, the institution or parish can vote as it wishes on a particular occasion.

If your institution or parish has a portfolio of individual company stocks held separately in the name of the institution or parish with a bank or securities firm, we encourage your institution or parish to

- Vote the shares it owns.

- Get details about the proxy voting program sponsored by the Episcopal Church and the Church Pension Fund (and implemented through Glass Lewis) at www.episcopalchurch.org/page/socially-responsible-investing . The documents a governing board or vestry must authorize, and the institution or parish must execute (sign), are available on request from Lisa Yoon of Church Pension Group at lyoon@cpg.org.

- Present the program to the governing board or vestry and, once approved, sign the institution or parish up to participate.

Links and Lists

A. Organizations

The inclusion of a person or organization in these links and lists is for general information purposes only and in no way represents or implies any endorsement by the Task Force, except, of course, the Task Force generally affirms Episcopal Church organizations.

Applying Ethical Standards in Investment Management

The Forum for Sustainable and Responsible Investment (formerly the Social Investment Forum)
1660 L Street, NW, Suite 306
Washington, DC 20036 USA
t: 202-872-5361
f: 202-775-8686
http://www.ussif.org/

United Nations Principles for Responsible Investment
PRI Executive
5th Floor, 25 Camperdown Street
London, E1 8DZ
United Kingdom
t: +44 (0) 20 3714 3220
For the UN PRI: http://www.unpri.org/
For the UN PRI signatories: http://www.unpri.org/signatories/signatories/

Shareholder Activism

Interfaith Center on Corporate Responsibility
475 Riverside Drive, Suite 1842
New York, NY 10115 USA
t: 212-870-2295
f: 212-870-2023
http://www.iccr.org/

Community Investing

Opportunity Finance Network
Public Ledger Building
620 Chestnut Street, Suite 572
Philadelphia, PA 19106 USA
t: 215-923-4754
f: 215-923-4755
http://ofn.org/about-opportunity-finance-network

The Episcopal Church

The Episcopal Church
815 Second Avenue,
New York, NY 10017 USA
t: 212-716-6000; 800-334-7626
www.episcopalchurch.org/page/socially-responsible-investing

Executive Council Committee on Corporate Social Responsibility
Edgar ("Kim") Byham, Chair
http://www.generalconvention.org/ccab/roster?id=366

Executive Council Economic Justice Loan Committee
Lindsey Parker, Chair
http://www.generalconvention.org/ccab/roster?id=371

Paul Neuhauser – the author of the very first Episcopal Church shareholder resolution filed with General Motors in 1971, asking GM to stop doing business in South Africa – continues as an active consultant member of the Committee on Corporate Social Responsibility. He has been and continues to be a mentor for many.

B. Socially and Environmentally Responsible Mutual Funds

The inclusion of an organization in these links and lists is for general information purposes only and in no way represents or implies any endorsement of the organization by the Task Force.

To find a very complete listing of over 200 socially and environmentally responsible mutual funds, go to the website of The Forum for Sustainable and Responsible Investment (US SIF) (link immediately below), then select "Mutual Funds." (All listed funds are members of US SIF.) Four tabs will appear, organizing the information under historical *financial performance*, *screening and advocacy* (ESG/SRI criteria applied), *proxy voting* and *investment minimums*. While that is hardly the only factor to consider in reviewing mutual funds, the listing under *screening and advocacy* indicates with an asterisk funds that have "a formal policy restricting investment in fossil fuels."

US SIF http://www.ussif.org/

In addition, below is information on Calvert, Domini and Pax World, three well-known families of socially and environmentally responsible mutual funds. The funds of all three are listed by US SIF. Each fund family includes several funds with different programs. All three offer investments for individuals and for institutions. Domini was founded by Amy Domini, who is well-known in the Episcopal Church and a former trustee of the Church Pension Fund.

Calvert Investments
4550 Montgomery Avenue,
Bethesda MD 20814
http://www.calvert.com/

Calvert says "Because our research has identified significant risks related to oil, coal, gas, and nuclear power, we have very little exposure to companies with direct ownership of these energy assets." http://www.calvert.com/perspective/climate-and-environment/global-energy-system Calvert does not appear to offer a fund that is formally fossil fuel free.

Domini Social Investments
P.O. Box 9785
Providence, RI 02940
http://www.domini.com/domini-funds

Domini says "we avoid many of the oil, coal, electric utility, and automobile companies whose products are contributing most heavily to climate change. We also recognize, however, that government must play the central role in making a transition to sustainable energy sources and that corporations and the marketplace alone cannot solve this problem." (Under *Renewable Energy*) http://www.domini.com/responsible-investing/choosing-our-investments/stakeholders-themes/ecosystems Domini does not appear to offer a fund that is formally fossil fuel free.

Pax World Mutual Funds
30 Penhallow Street, Suite 400
Portsmouth, NH 03801
http://paxworld.com/

Pax World now offers two fossil fuel free funds. http://paxworld.com/about/approach/sustainability-research/key-issues-briefs/fossil-fuels . These are the Pax World Global Environmental Markets Fund (PGRNX) and the Pax World Growth Fund (PXWGX).

C. Socially and Environmentally Responsible Investment Consultants and Managers

The inclusion of an organization in these links and lists is for general information purposes only and in no way represents or implies any endorsement of the organization by the Task Force.

To find a very complete listing of investment professionals and firms that provide services for socially and environmentally responsible investing, go to the website of The Forum for Sustainable and Responsible Investment (US SIF) (link immediately below), then select "Financial Directory." (All listed individuals and entities are members of US SIF.) Under Financial Directory choose "Advanced Search." There are about a dozen "directory categories" from which to choose, including "investment consulting firms" and "investment management firms."

US SIF http://www.ussif.org/

For consultants and managers that are signatories to the UN Principles for Responsible Investment, go to:

http://www.unpri.org/signatories/signatories/

The UN PRI site lists 288 signatories that are asset owners (i.e., investors), 915 signatories that are investment managers, and 188 signatories that are "professional service partners."

Mercer, a Canadian consulting firm and signatory, provided consulting services to those designing and developing the UN Principles for Responsible Investment. Here is a link to Mercer's discussion of its services in that area:

http://www.mercer.com/content/mercer/global/all/en/services/investments/investment-opportunities/responsible-investment.html

D. More

The resources on socially and environmentally responsible investing are extensive. Those identified below are representative and should be helpful. ***The inclusion of a person or organization here is for general information purposes only and in no way represents or implies any endorsement by the Task Force, except, of course, the Task Force generally affirms organizations and individuals of faith (and good faith) – including Archbishop Tutu and Pope Francis!***

The Bible and the Qur'an – and Theology

A Pastoral Teaching on the Environment,
House of Bishops of the Episcopal Church,
Quito, Ecuador, September 20, 2011
http://www.episcopalchurch.org/notice/episcopal-church-house-bishops-issues-pastoral-teaching

Laudato Si', Encyclical Letter of the Holy Father Francis
On Care for Our Common Home,
The Holy See, May 24, 2015
http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html

The World is Our Host: A Call to Urgent Action for Climate Justice,
Seventeen Bishops of the Anglican Communion,
Capetown, South Africa, Good Friday 2015
http://acen.anglicancommunion.org/media/148818/The-World-is-our-Host-FINAL-TEXT.pdf

Islamic Declaration on Global Climate Change,
International Islamic Climate Change Symposium/Islamic Relief Worldwide,
Istanbul, adopted August 18, 2015
http://islamicclimatedeclaration.org/islamic-declaration-on-global-climate-change/

United Nations

T*ransforming Our World: The 2030 Agenda for Sustainable Development*
United Nations, Final Text (August 2015), for adoption September 2015,
at the 70th Session of the General Assembly, New York, New York
https://sustainabledevelopment.un.org/post2015/transformingourworld

UN Principles for Responsible Investment
http://www.unpri.org/introducing-responsible-investment

Fiduciary responsibility

Gary, Susan N., *Is It Prudent to Be Responsible? The Legal Rules for Charities That Engage in Socially Responsible Investing and Mission Investing*, 6 Nw. J. L. & Soc. Pol'y. 106 (2011).
http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/3

Community Investing – Opportunities Finance Network

What Opportunities Finance Network Does – 2014 Fourth Quarter/Annual Report
http://ofn.org/sites/default/files/OFN_Q4_2014_Report_to_Investors.pdf

Sustainability and Environmental/Social/Governance Factors

The Pursuit of Sustainable Returns: Integrating Environmental, Social, and Corporate Governance Factors and Sustainability by Asset Class, 2014 Mercer
http://www.mercer.com/content/mercer/global/all/en/insights/point/2014/the-pursuit-of-sustainable-returns.html

Investing in a Time of Climate Change, 2015 Mercer
http://www.mercer.com/insights/focus/invest-in-climate-change-study-2015.html

Studies of Socially and Environmentally Responsible Investing

Sustainable Investing – Establishing Long-Term Value and Performance
DB Climate Change Advisors, Deutsche Bank Group, June 2012
https://institutional.deutscheawm.com/content/_media/Sustainable_Investing_2012.pdf

Socially Responsible and Conventional Investment Funds: Performance Comparison and the Global Financial Crisis, Becchetti, Ciciretti, Dalo & Herzel, CEIS Tor Vergata, February 7, 2014
http://ssrn.com/abstract=2397939

ESG Portfolios and Performance, Clayman & De, New Amsterdam Partners, July 2014
http://www.trcri.com/images/ESG_Portfolios_and_Performance_Research_Study_New_Amsterdam_Partners.pdf

United Church of Christ Fossil Fuels Divestment Decision

United Church of Christ votes to divest from fossil fuels, July 1, 2013
http://www.ucc.org/gs2013-fossil-fuel-divestment-vote

UCC Resolution to divest from fossil fuels, as adopted July 1, 2013
http://uccfiles.com/pdf/gs29-6.pdf

UCC fossil fuel free investment fund
http://ucfunds.org/investment-funds/beyond-fossil-fuels-2/

UCC Investment Staff presentation to the Task Force, February 3, 2015
http://www.episcopalny.com/download/other/Environment/2015-02-03_UCC_Funds_Prsntn_to_EDioceseNY.pdf

Episcopal Church Fossil Fuels Divestment Decision

78th General Convention, Salt Lake City, Utah,
June 25 – July 3, 2015

ENS June 30, 2015 Story on Divestment vote in House of Bishops
http://episcopaldigitalnetwork.com/ens/2015/06/30/fossil-fuels-climate-advisory-committee-resolutions-move-to-house-of-deputies/

Resolution A030 Create Task Force on Climate Change, as adopted July 2, 2015
http://www.generalconvention.org/gc/2015-resolutions/A030/current_english_text

Resolution C045 Environmentally Responsible Investing, as adopted July 2, 2015
http://www.generalconvention.org/gc/2015-resolutions/C045/current_english_text

Archbishop Desmond Tutu on Fossil Fuels

We need an apartheid-style boycott to save the planet,
Desmond Tutu, *The Guardian*, April 10, 2014
http://www.theguardian.com/commentisfree/2014/apr/10/divest-fossil-fuels-climate-change-keystone-xl

Going Fossil Fuel Free – in the Investment Portfolio

Global Warming's Terrifying New Math, Bill McKibben, *Rolling Stone*, July 19, 2012
http://www.rollingstone.com/politics/news/global-warmings-terrifying-new-math-20120719

The Stranded Assets Programme, Smith School of Enterprise and the Environment, Oxford University
http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/publications.php 2015

Why the Fossil Fuel Divestment Movement May Ultimately Win,
Marc Gunther, *Yale Environment 360*, July 27, 2015
http://e360.yale.edu/feature/why_the_fossil_fuel_divestment_movement_may_ultimately_win/2898

Or Not

Why Divestment Fails, Ivo Welch, *The New York Times*, May 9, 2014
http://www.nytimes.com/2014/05/10/opinion/why-divestment-fails.html

David Swensen on the Fossil Fuel Divestment Debate, Robert Litterman, *CFA Institute*, April 14, 2015
http://advisoranalyst.com/glablog/2015/04/14/david-swensen-on-the-fossil-fuel-divestment-debate.html

Why the Fossil Fuel Divestment Movement May Ultimately Win, Marc Gunther, *Yale Environment 360*
http://e360.yale.edu/feature/why_the_fossil_fuel_divestment_movement_may_ultimately_win/2898

Going Coal Free But Not Fossil Fuel Free – in the Investment Portfolio

Stanford to Purge 18 Billion Endowment of Coal Stock, M. Wines, *The New York Times*, May 6, 2014
http://www.nytimes.com/2014/05/07/education/stanford-to-purge-18-billion-endowment-of-coal-stock.html

United Methodist Pension Fund – Climate Change (Thermal Coal) Guideline 2014
http://www.gbophb.org/climatechange/#3

Church of England Church Commissioners & Pensions Board to divest from thermal coal & tar sands
https://www.churchofengland.org/media-centre/news/2015/04/national-investing-bodies-and-transition-to-a-low-carbon-economy.aspx April 30, 2015

Episcopal Diocese of New York Strategic Plan – The Bishop's Letter

A House Built on Rock: Inaugurating the Strategic Plan for the Diocese of New York, August 27, 2015
http://live-diotest2.pantheon.io/download/Diocese/Strategic_Plan_2015.pdf

Acknowledgements

Many people have helped the Task Force carry out its work. None of them is responsible for what the Task Force has recommended or written. The Task Force alone is responsible for this report.

Three individuals deserve special mention.

David Klassen, Chief Investment Strategist for the United Church Funds, and Kathryn McCloskey, Director, Social Responsibility for the United Church Funds, met with the entire Task Force in February 2015. The United Church Funds is the investment unit within the United Church of Christ responsible for managing investment assets of national UCC bodies, including the United Church of Christ itself and the Pension Boards of the United Church of Christ. Dave is both Chief Investment Strategist for the United Church Funds and Chief Investment Officer for the UCC Pension Boards. Dave and Katie shared their knowledge and wisdom about socially and environmentally responsible investing, the work done across their denomination, including in the United Church Funds, that led to the 2013 decision of the UCC General Synod to divest from fossil fuels, and the work carried on after that to implement the decision, including the creation of a fossil fuel free fund.

Robin Odland, Executive Vice President, Financial Services, of Opportunities Finance Network, met with the entire Task Force in March 2015. Opportunities Finance Network ("OFN") is the principal trade association and advocacy organization for community development financial institutions ("CDFIs") in the United States. OFN is also a loan fund for CDFIs. Thoroughly and with good humor Robin introduced the Task Force members to a segment of the U.S. investment and financial world that many of us knew little about before that meeting. We learned that community development investing really does exist, and we learned how it works.

Dave and Katie and Robin responded to all the Task Force members' questions with patience and skill, and stayed after the appointed time to be sure no one's questions went unanswered. Without them, the Task Force could not have accomplished what it has done. We thank them most warmly.

Throughout our labors, Bishop Andrew ML Dietsche and the staff of the Episcopal Diocese of New York have been very helpful and supportive.

The Diocesan Environment Committee invited members of the Task Force to attend one of the Committee's meetings, which we were happy to do. The meeting gave Committee members and Task Force members the opportunity to get to know one another and to learn more about the issues of concern to each group. We had an excellent discussion. We thank the Committee for its support.

Gary Glynn, the chair of the Diocesan Investment Committee, met with us, as did JoAnn Hanson Senior Vice President of the Church Investment Group, a consultant to the Investment Committee. We were very glad of the opportunity to meet. We had an informative discussion of investing using environmental/social/governance screens, and Mr. Glynn and Ms. Hanson were most helpful.

Craig Willey, the President of the Diocesan Investment Trust, and the DIT Board of Trustees kindly met with several members of the Task Force to discuss its work. They welcomed us most warmly and answered all our questions. We endeavored to respond to theirs.

Members of the Task Force met separately with representatives of the vestry and investment committee of St. James' Church, Manhattan, and with representatives of the vestry and investment committee of Trinity Wall Street. In both meetings the vestry and investment committee members and Task Force members engaged in a lively and very positive discussion.

While the subjects of the Task Force's work may be viewed by some as controversial, the Task Force members felt only welcomed by those in the Diocese who met with us.

Outside the Diocese of New York, many others were helpful. The staffs of the Episcopal Church and Church Pension Fund were supportive and responsive to our inquiries. Steve Pierce of the Diocese of Massachusetts kindly spoke with us about that Diocese's former community development loan fund, the Pelham Fund. Rick Blakney, chief of the staff of the Trustees of Donations of the Diocese of Massachusetts, shared with us the efforts of the Diocese of Massachusetts to deal with issues raised for that Diocese and its Trustees of Donations by calls for fossil fuel divestment. (Under the law in Massachusetts, the Trustees of Donations hold legal title to the investment assets of the Diocese of Massachusetts, while that Diocese has beneficial title. Under New York law, the Diocese of New York holds both legal and beneficial title to its investment assets.)

Many other people outside the Diocese have provided information, insight, access to resources, wisdom and support. Amy Domini, of Domini Social Investments, Tim Smith of U.S. Trust Company (Boston) and, especially, Julie Gorte, of Pax World Management, all answered with good humor what must have seemed like endless questions. Omar Love of Mercer was especially helpful in providing background on the UN Principles for Responsible Investment.

The Task Force chair cannot omit to mention his gratitude for the counsel provided to the chair over the years by Kurt Barnes, David Beers, Kim Byham, Margareth Crosnier de Bellaistre, Kathleen Cullinane, Amy Domini, Brian Grieves, Fletcher Harper, Stephanie Johnson, Barton Jones, Paul Neuhauser, Lindsey Parker, Tim Smith, Dennis Sullivan, Harry Van Buren and Warren Wong.

Thank you all!

Task Force

2013 Diocesan Convention Resolution calling for appointment of the Task Force

Resolved: That the 237th Convention of the Diocese of New York ask the Bishop, in consultation with the Committee on the Environment and the Diocesan Investment Trust, to appoint a Task Force to study the merits of socially and environmentally responsible investing for The Episcopal Diocese of New York, which will make an interim report at Diocesan Convention, 2014, and make recommendations to its congregations and institutions at the Diocesan Convention, 2015.

Explanation of the Resolution:
Socially and environmentally responsible investing provides a real and substantial focus for promoting values at the heart of the church's mission. According to Forbes, $3.74 trillion dollars in total managed assets in the United States today fall under investment guidelines of this kind. By taking advantage of tools like investment screening, shareholder activism, and community investing, we can be part of a growing movement to exert a positive, ethical influence over corporate policies in the direction of sustainability, human rights, equity, and justice.

Task Force Members

Paul R. Ainslie	Vice President, Christian Brothers Investment Services; former President, Board of Trustees of the Diocesan Investment Trust; Parish: St. Paul's Church, Staten Island
Christopher Ashley	Graduate student, Union Theological Seminary; delegate to 2013 Diocesan Convention; Parish: St. Michael's Church, Manhattan
The Rev. Chase Danford	Assistant Rector, Grace Church, Manhattan; member of the Executive Council Corporate Social Responsibility Committee
Wolcott B. Dunham, Jr.	Of Counsel, Debevoise & Plimpton LLP; Trustee of the Diocese; Board Chair, Union Theological Seminary; Senior Warden, St. James', Manhattan
The Rev. Canon Jeffrey Golliher	Vicar, St. John's Church, Ellenville; Program Director, Environment and Sustainable Communities, Anglican Communion Office at the UN; chair, Diocesan Committee on the Environment

Task Force Members, continued

Susan Jansen	Investment professional, Sage Capital Group; member of the Diocesan Investment Committee; former Treasurer and member of the Board of Directors, Episcopal Charities of the Diocese of New York; Parish: Christ's Church, Rye
W. B. McKeown, chair	retired General Counsel, Wildlife Conservation Society; member of the Executive Council Committee on Corporate Social Responsibility and of the Executive Council Economic Justice Loan Committee; Parish: The Cathedral Church St John the Divine
The Rev. Yejide Peters	Rector, All Saints' Church, Briarcliff Manor; member of the Diocesan Committee to Elect a Suffragan; member of the Executive Council Committee on the Status of Women
George Thurston, Sc.D.	Professor, Population Health and Environmental Medicine, New York University School of Medicine; Parish: St. Mary's Church, Tuxedo Park
The Rev. Winnie Varghese	Priest and Director of Community Outreach, Trinity Wall Street; Chair, Diocesan Commission on Social Concerns; Deputy to General Convention 2015
Sister Faith Margaret, CHS	Diocesan Treasurer
Michael McPherson	Diocesan Chief of Finance and Operations
George Wade	Of Counsel, Shearman & Sterling LLP; Diocesan Chancellor

Episcopal Diocese of New York

Resolutions for Diocesan Convention 2015

Proposer of Resolution(s): W.B. McKeown, Task Force chair, on behalf of the Task Force

Parish or Organization: Task Force on Socially and Environmentally Responsible Investing

Telephone and E-mail: 860-304-3677; wbm@cherubim.net

Title of Resolution(s): Task Force Recommendations:
Diocesan Community Development Investment Program and Applying Ethical Standards in the Management of Church Investment Assets

Text of Resolution(s):

Whereas: the Bishop of the Episcopal Diocese of New York at the request of the 237th Diocesan Convention appointed a Task Force on Socially and Environmentally Responsible Investing (the "Task Force") to study the merits of socially and environmentally responsible investing for Diocese and make recommendations at this 2015 Diocesan Convention, and the Task Force has made a report to this Convention (the "Task Force Report"):

Resolved: the 239th Convention of the Diocese of New York urges the Trustees of the Diocese to take such actions as may be necessary and appropriate to establish an Episcopal Diocese of New York community development investment program consistent with the discussion and principles laid out in the Task Force Report and to report thereon to the Diocesan Convention in 2016, 2017 and 2018; and further

Resolved: the 239th Convention of the Diocese of New York urges the Trustees of the Diocese to take such actions as may be necessary and appropriate to cause the Diocese of New York to adopt sustainable investing as an investment policy goal and to become a signatory to the United Nations Principles for Responsible Investing, all consistent with the Task Force Report; and further

Resolved: the 239th Convention of the Diocese of New York urges the Trustees of the Diocese, the Trustees of the Diocesan Investment Trust, the governing board of every entity related to the Diocese, and the vestry, board of trustees or other governing board of every church, parish, or congregation in the Diocese to take the following actions consistent with the Task Force Report:

(i) to carry out a substantive review of its own investment policies and practices for the management of Church investment assets in light of its understanding of the Church's faith and mission, including the Church's social and environmental responsibilities; and

(ii) to develop ethical guidelines for socially and environmentally responsible investing (or strengthen any existing ethical guidelines), and in developing such guidelines, to include, among other things, consideration of justice for non-human creation, the interests of future generations of humanity, and support for environmental sustainability and justice; and

(iii) in developing such guidelines, to consider divesting from industries involved primarily in the extraction or distribution of fossil fuels, and particularly (but not exclusively) industries involved in the extraction or distribution of coal; and

(iv) to report on the foregoing to the Bishop and the Convention in 2016, 2017 and 2018; and further

Resolved: the 239th Convention of the Diocese of New York desires that Diocesan funds not be invested in coal companies and urges the Trustees of the Diocese to take such actions as may be necessary and appropriate consistent with the Task Force Report to cause the Episcopal Diocese of New York to divest from companies that derive 10% or more of their revenues from the extraction or distribution of coal and do so within a reasonable time, such as three years.

Explanation: Please see the Task Force Report.