



November 1, 2016

TRUSTEES OF THE DIOCESE OF NEW YORK

Ethical Investment Guidelines

In November 2015, the Convention of the Diocese of New York urged the fiduciary bodies of all Episcopal institutions in the Diocese, including vestries of parishes and including the Trustees of the Diocese, to consider adopting or strengthening ethical investment guidelines and divesting from fossil fuel companies, especially coal companies.

The Trustees are glad to report that they have voted to allocate a significant portion of Diocesan investments to funds managed with a view to the Environmental, Social and Governance quality of the companies and to screen from those funds companies with significant involvement in tobacco, firearms and fossil fuel extraction and sale. The specific guidelines are described below.

Ethical Background

In February 2015, seventeen Anglican bishops from all six continents, including the Bishop of New York, met in South Africa to explore in prayer how we all might safeguard the integrity of creation and sustain and renew the life of the earth. In their report, *The World is Our Host: A Call to Urgent Action for Climate Justice* (Holy Week 2015), the seventeen bishops wrote:

“the climate change crisis is the most urgent moral issue of our day.”

The bishops, specifically addressing Church investments, said:

“As bishops in our provinces, dioceses, congregations and communities ...

“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.”

Sustainable Investing as a Policy

The Diocese has adopted sustainable investing as a policy in the investment of its funds. Sustainable investing is a process for taking sustainability into account as a practical and an ethical guide and objective.

Environmental, Social and Governance (“ESG”) Investment Policy

The Diocese invests in funds managed by outside investment managers – funds in which other institutions also participate. Weighing both ethical and investment considerations, the Trustees have decided to allocate part of the Diocesan portfolio to funds that have an ESG investment policy.

An ESG policy usually involves the investment manager rating all potential investee companies on their environmental qualities, their social qualities, and the quality of their governance. Companies with satisfactory ratings can be considered for investment based on their financial investment qualities.

Screen

Weighing both ethical and investment considerations, the Trustees have also authorized applying a screen to an ESG fund of US and International Developed country companies, representing about 46% of our investments overseen by Church Investment Group (27% of our total portfolio), and to an ESG Core Fixed Income account of corporate bonds, representing approximately 9% of the CIG-managed investments (5% of our total portfolio).

After extensive discussion internally and with Church Investment Group and our other advisors, and reading much published discussion of the question, the Trustees decided to seek *over time* to minimize the portfolio’s exposure to the equity and fixed-income securities of fossil fuel companies, tobacco companies and firearms companies and *at this time* to reduce such exposure through investing in the CIG/HC ESG Growth Fund and the CIG/HC ESG Core Fixed Income Fund screened to exclude those companies. For this purpose, the screened companies would be companies identified by MSCI as tobacco manufacturers, companies which derive at least 10% of annual revenues from the manufacture of firearms and companies in the following MSCI sub-industry classifications: Integrated Oil and Gas, Oil and Gas Exploration and Production, and Coal and Consumable Fuels.

The Trustees expect to review the Diocesan approach to environmentally and socially responsible investing at least annually.

Summary

Vote at 2015 Convention	Status Nov. 1, 2016
The Diocese should adopt sustainable investing as an institutional investment policy goal.	Trustees have done so.
Each governing board in the Diocese should carry out a review of its own investment policies and practices for investment management in light of its understanding of the Church’s faith and mission, develop ethical guidelines for investing, and consider divesting from fossil fuel companies, particularly coal companies. This applies to the Diocesan Trustees, to the Trustees of the DIT, to the board of every other institution related to the Diocese, and to the	Trustees have adopted ethical policies, as discussed above. To implement them, the Trustees expect to consider in the near future an

Vote at 2015 Convention	Status Nov. 1, 2016
governing board (vestry) of every parish.	updated, comprehensive Investment Policy.
The Diocese should divest from companies in the coal business.	Trustees are doing so. After implementation of minimized fossil fuel/ESG policy as discussed above, securities of coal companies would represent about 0.13% of Church Investment Group/Hirtle Callaghan Diocesan portfolio.
The Diocese should establish a community development investment program.	The Trustees' Investment Committee has met with organizations with which the Diocese might collaborate to finance small business loans to immigrants, refugees and women in the Diocese. The Committee will bring the Trustees a recommendation in 2017.
The Diocese should sign on to the UN's Principles for Responsible Investment.	The Investment Committee is exploring the implications of doing so and will bring the Trustees a recommendation in 2017.

The Trustees' funds are managed by the following asset managers:

Investment In	Value at 7/31/16
Church Investment Group ("CIG"), of which our Diocese was a founder, and Hirtle Callaghan ("HC")	\$27,666,891
Diocesan Investment Trust, which is overseen by the Trustees of the Estate and Property of the Diocesan Convention of New York (not the Trustees of the Diocese) and is managed by Commonfund	9,418,031
Fernwood Foundation Fund LLC	5,170,381
Fiduciary Trust Company International: Treasuries and cash	4,776,872
Total Overseen by Trustees of Diocese	\$47,032,175