Frequently Asked Questions (FAQs) for

Climate Change: Carbon-Intensive Lending Resolution

1. ***What is this resolution about and why are we submitting this to General Convention?***

   This resolution addresses the Climate Change practices of the banking industry as a priority. The church will identify, evaluate, consider shareholder resolution(s), as Lead Filer or Co-Filer, focusing on banks and other lending institutions in our portfolios. This will likely start with corporate engagement including dialogues and requests for sustainability reports. This is not a divestment resolution.

2. ***Have other denominations taken similar action?***

   Yes, the Presbyterian Church (USA) and the Church of England.

3. ***What are the Church's policies and strategies on Socially Responsible Investments?***

   Proxy Voting Policy TEC has long engaged in shareholder activism including: 1) Files shareholder resolutions; 2) Engages in dialogues with corporations regarding social issues; and 3) Votes its proxies on a broad range of issues.

   Shareholder Advocacy include Corporate Engagements on: 1) Sex and Labor Trafficking in Workplace & Supply Chains; 2) Israel/Palestine; 3) Gun Safety; 4) Immigration/Refugees/Migration; 5) Rights of Indigenous Cultures & Communities; 6) Opioid Epidemic; 7) Climate Change/Sustainability; and 8) Corporate Governance – Board Diversity.

   Portfolio Restrictions include a No-Buy List pertaining to: 1) Militarism; 2) For-Profit Prisons; 3) Tobacco; 4) Fossil Fuels; and 5) Human Rights.

4. ***How significant are the Church's portfolio holdings?***

   The Episcopal Church (DFMS) has a $440 million portfolio and the Church Pension Fund manages $13.5 billion in assets. Since 1971 the Episcopal Church's was one of early leaders of socially responsible investing. The Finance Office has a detailed history and practices outlined here. About $20 million of the Diocese of California's funds are managed by the Finance Office and mirrors DFMS' portfolio screens in #3.

Resolution #2: Climate Change - Carbon-Intensive Lending

Committee on Resolutions

Status

Accepted by the Committee on Resolutions August 4th, 2020
Updated by the Secretary of the Convention August 5th, 2020

Resolved, That the 171st Convention of the Diocese of California submits the following resolution to the 80th General Convention of The Episcopal Church:

> ***Resolved,*** the House of __________ concurring, That the 80th General Convention of The Episcopal Church direct the Executive Council (Domestic & Foreign Missionary Society aka DFMS) and its Committee on Corporate Social Responsibility (CCSR), in conjunction with the Church Pension Fund (CPF), to establish and coordinate shareholder strategy addressing Carbon-Intensive Lending by U.S. Banks and other financial lending institutions; and be it further
>
> ***Resolved,*** That the CCSR and CPF identify banks and financial lending institutions within the DFMS and CPF portfolios that are carbon-intensive lenders and initiate the appropriate shareholder strategy with these institutions to slow global warming; and be it further
>
> ***Resolved,*** That the General Convention supports joint efforts with the Church of England National Investing Bodies (NIBs) in achieving the goals of the Paris Climate Agreement; and be it further
>
> ***Resolved,*** That the General Convention make this coordination a priority for the triennium under the Episcopal Church's Covenant for the Care of Creation by authorizing reasonable costs to be treated as investment management expenses.

Explanation

Banks play a critical role in meeting the Paris Agreement's goal of limiting global temperature rise to well below 2 degrees Celsius. The Bank of England notes that the global financial system is currently supporting carbon-producing projects that will cause global temperature rise of over 4 degrees Celsius – more than double the limit necessary to avoid catastrophic warming.

The 2018 Intergovernmental Panel report on climate warns that global warming above 1.5 degrees Celsius will create devastating impacts including loss of life, ecosystem destruction, infrastructure damage, supply chain dislocations, lost production, and water and energy disruptions, among others. If warming is kept to 1.5 degrees Celsius versus 2 degrees, studies point to a potential savings of $20 trillion to the global economy by 2100. Recently, just 215 of the biggest global companies reported almost $1 trillion at risk from climate impacts, some within five years.

Major banks are beginning to responsibly manage climate risk by developing carbon measurement tools including the Paris Agreement Capital Transition Assessment and the Partnership for Carbon Accounting Financials. HSBC has committed to set a Science-Based Target. ING, BNP Paribas, Standard Chartered, and other banks have committed to measure the climate alignment of their lending portfolios against Paris goals. Some have abandoned high risk sectors including Arctic drilling and tar sands. Citibank joined the Principles of Responsible Banking, committing to align its business strategy with the Paris Agreement's global climate goals. While 40 of 58 banks now endorse the Taskforce on Climate-related Financial Disclosures (TCFD). (Source: *Risks of Maintaining Carbon-Intensive Lending*, an ICCR Resolution filed by Presbyterian Church USA) See also *Ranking the Banks, a Survey of Seven U.S. Banks by ICCR and Sustainalytics*; and *Banking on a Low-Carbon Future: Finance in a Time of Climate Crisis* – 2019. Impact Report by Boston Common Asset Management.

The Presbyterian Church USA co-filed shareholder resolutions with Bank of America Corp. (BAC) and Community Trust Bank (CTBI), while the Church of England has pledged to a formal challenge against Barclays (BCS) to stop financing projects not aligned with the Paris Climate Agreement.

The Church Commissioners for England share our support for the Paris Agreement and the goal of the international community to restrict the global average temperature rise to well below two degrees Celsius. Over the past five years, they have been Lead Filer on six climate change resolutions directed towards oil companies including Exxon

Mobil, Shell, and British Petroleum. The Church of England National Investing Bodies (£13 billion) has been an ardent leader in addressing climate change among institutional investors receiving awards for Responsible Investment, Pensions Europe ESG, and Climate Related Risk Management.

The Episcopal Church has repeatedly called for strong measures to slow global warming and its concomitant climate change, including through the Church's Covenant for the Care of Creation. This resolution builds on this policy for Executive Council's Committee on Corporate Social Responsibility ($440 million) and the Church Pension Fund ($13.5 billion) to now evaluate carbon-intensive lending policies of the banking industry for possible shareholder resolutions. This is not a divestment resolution and will likely start with corporate engagement including dialogues and request for sustainability reports for the foreseeable future. Since the United States is not a participant in the Paris Climate Agreement, joint efforts with the Church of England would be a smart strategic partnership.

For more, see the authors' Frequently Asked Questions (FAQs).

Contact

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Peace, Justice and Hunger Commission – Diocese of California
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Mike Chambers – Trinity+St. Peters, San Francisco
The Rev. Jill Honodel – St. Aidan's, Bolinas
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