

▶ CATHOLIC RESPONSIBLE INVESTING

A Strategy for Fossil Fuels

The CBIS Catholic Responsible Investing (CRI) approach has been designed to exclude from investment consideration companies involved in activities that fundamentally contradict Catholic beliefs and values. One important issue identified for CBIS screening is **Fossil Fuel Producers and Users**.

We know the use of highly polluting fossil fuels – especially coal – needs to be progressively phased out and replaced by cleaner alternatives. Until greater progress is made on a global level, we believe it is legitimate to choose the less harmful alternative or to find short-term solutions.

CBIS is, in accordance with the Vatican’s call to “Promote responsible investments in social and environmental sectors” committed to action and evaluation of ways we can progressively divest from the fossil-fuel sector.

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Never have we so hurt and mistreated our common home as we have in the last 200 years. Yet all is not lost. Human beings, while capable of the worst, are also capable of rising above themselves, choosing again what is good, and making a new start.

—POPE FRANCIS



LINES OF ACTION

In practice, this divestment process begins with a review of companies that generate *more than 10% of revenue from the mining and processing of thermal coal, the extraction and processing of oil sands, or the burning of thermal coal for power generation.*

Once identified, CBIS methodology then seeks to determine of each company:

To what extent is it part of the problem?

- 01** This determination includes an analysis of revenue from coal and oil sands, as well as carbon intensity of power generation and coal plant capacity for utilities.

To what extent is it a part of the solution?

- 02** This determination includes an analysis of revenues from renewable energy, the existence and strength of a company-wide commitment to reduce emissions, and the extent to which a company's carbon intensity is trending downwards.

Does management and strategy incorporate climate risk?

- 03** This analysis seeks to quantify whether the company has formal structures in place for managing financial risks from climate change.

Does the company have any egregious controversies?

- 04** This analysis considers whether the company in question has serious controversies related to any environmental, social, or governance issues.

Taken together, this informed process will **exclude from portfolio consideration** companies that *1) have the highest impact on carbon emissions, and 2) those companies we believe will be unable to adapt their business model and be part of the solution to climate change.*



TAKING ON THE CHALLENGE

As an engaged shareholder, CBIS has been working with the largest companies in the oil and gas sector to address climate change for 30 years. Our efforts have sought to change the business models of certain carbon intense firms, all with an eye towards strategies that ultimately reduce demand for fossil fuels.

★ This “active ownership” approach is a key component of CRI.

Rooted in Catholic social teaching on human dignity, economic justice, and care for creation, active ownership seeks to influence corporate behavior around a variety of risks and behaviors. In the fossil fuels space, CBIS — even as the firm reassesses the scope of divestment through its review process — will encourage companies to do more to decarbonize their businesses and invest in climate solutions.

Like all issue categories, the Fossil Fuel Producers and Users screening is a continuous and ongoing process. CBIS regularly reassesses its investments to ensure alignment with its rigorous screening model and it will continue to monitor major corporate actions and significant shifts in fossil fuel revenues.

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I expect our engagements with influential oil and gas companies like BP, Shell, Exxon, and CNOOC to expand as we address low carbon and renewable technologies along with climate risk transparency.

—JULIE TANNER

Managing Director, Catholic Responsible Investments

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