

# FOSSIL FUEL DIVESTMENT

A Briefing for Councillors



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# SUMMARY

Local governments in the UK manage pension funds worth over £230 billion. £14 billion of this – over 6% – is invested in the fossil fuel industry.<sup>1</sup> Across the UK and the world, these investments are increasingly being challenged by the fossil fuel divestment campaign.

This briefing summarises the arguments for divestment – both ethical and financial – and show how as a councillor you can advocate for divestment and take action on climate change in your council and community.

The fossil fuel divestment movement calls for organisations, institutions and individuals to demonstrate climate leadership and divest – publicly sell your shares – from fossil fuels. It is the fastest growing divestment movement the world has ever seen.

Divestment aims to morally and politically bankrupt the fossil fuel industry. It has proven to be a powerful tool in movements past;

an international campaign helped bring down the South African apartheid government. By divesting, we can break the hold of the fossil fuel industry over our political system, show our desire for, and create the space for action on climate change.

The call to divest local government pensions is also backed up by some powerful financial arguments – fossil fuel companies are increasingly recognised as risky investments, likely to become ‘stranded assets’, especially for long term investors like pension funds.

The movement for fossil fuel divestment began originally on university campuses, but it has quickly spread. More than 50 pension funds globally have now made divestment commitments, moving millions out of the fossil fuel industry. Additionally, more than 70 city, state and county governments have pledged to divest or passed motions in support of divestment.<sup>2</sup>

# WHAT IS FOSSIL FUEL DIVESTMENT?

## DIVESTMENT, SIMPLY PUT, IS THE OPPOSITE OF INVESTMENT.

While investment means buying stocks, bonds or other investments in order to generate financial returns, divestment is getting rid of particular stocks, bonds or investment funds. This could be for financial reasons, ethical reasons, or some combination of the two.

Fossil fuel divestment, therefore, is avoiding direct ownership of, or commingled funds that include, public equities and corporate bonds of fossil fuel companies.<sup>3</sup>

## THE MOVEMENT

Fossil Free - the global fossil fuel divestment campaign - is the fastest growing divestment movement of all time.<sup>4</sup>

Globally, institutions with assets worth over \$3.4 trillion dollars have made divestment commitments.<sup>5</sup> Here in the UK institutions including 20 universities, the British Medical Association, the Church of England, and two local government pension funds have made divestment commitments.

There are over 50 campaigns across the UK pushing for local government pension divestment, as well as over a hundred other campaigns targeting universities, faith groups, charities, health organisations and more.<sup>6</sup>

## THE ASK

Pension funds managed by local councils in the UK collectively invest over £14 billion in fossil fuel companies.<sup>7</sup>

The Fossil Free movement asks institutions holding investments to resolve to:

1. **Immediately freeze any new investment** in the top 200 publicly-traded fossil fuel companies
2. **Divest from direct ownership and any commingled funds** that include fossil fuel public equities and corporate bonds within 5 years.

Additionally, you could also consider **reinvestment** asks - these consider how money currently invested in fossil fuels could be reinvested into clean energy, local infrastructure or other public goods. To find out more about reinvestment, check out the Reinvesting Pensions report from Community Reinvest.<sup>8</sup>

# WHY DIVEST?

## THE ETHICAL CASE

### CLIMATE CHANGE

*"It makes no sense to invest in companies that undermine our future."*

- **Archbishop Desmond Tutu**<sup>9</sup>

At the recent COP21 climate negotiations in Paris, world leaders agreed to ambitious (and necessary) goals to address climate change, keeping temperature increases to within 1.5 degrees. We know that it will not be possible to meet these goals while we continue to dig up and burn fossil fuels. Without bold action to keep 80% of fossil fuels in the ground, a changing climate will have devastating consequences for people, societies and ecosystems around the world.

By investing £14 billion in fossil fuel extraction, our local governments are profiting from climate change. As public bodies, local governments have a responsibility to work for the public good; they shouldn't be financially and politically supporting the most destructive industry on the planet. Fossil fuel investments undermine existing local authority climate change mitigation and adaptation strategies and commitments.

The fossil fuel industry also shows no sign of attempting to change its behaviour to adapt to the risks of climate change. Although most major companies have now ceased to openly deny climate change, the industry still plows \$100 million every day into exploring for new reserves and maintains that it will not be prevented from burning its existing reserves.<sup>10</sup>

### POLITICAL INFLUENCE

The fossil fuel industry exerts a huge influence over our political system.

For years they have used their immense economic power to pour money into lobbying against regulations intended to address climate change or to support political candidates who are weakest on climate action. Fossil fuel companies are handed subsidies by governments totalling nearly a trillion dollars globally.<sup>12</sup>

Recent revelations have also revealed that the fossil fuel industry suppressed information and spread doubt and lies about climate change despite knowing about it for decades.<sup>13</sup> Exxon Mobil are currently under investigation for misleading investors as a consequence.<sup>14</sup>

By divesting from fossil fuels, councils and other public institutions can collectively stigmatise the fossil fuel industry, challenging the power these companies hold over our planet, economy and politics, and call for action on the climate crisis.

### DIVESTMENT CAN WIN

Successful divestment campaigns have been fought in a number of sectors with great effect. Nowhere was it more powerful than in the case of South African apartheid, where an international divestment effort played a major role in breaking the back of the regime and ending racial segregation.

By the mid 1980s a movement initiated by students saw 155 campuses, 26 state governments, 22 counties, and 90 cities divest from companies doing business in South Africa.

This, alongside the struggles of people within South Africa, played a key role in stigmatising apartheid and the government on the world stage, and ultimately led to legislative change.

### STRANDED ASSETS

We know that the vast majority of fossil fuels need to stay in the ground to meet globally agreed climate targets. So any action by governments to limit carbon emissions will leave remaining fossil fuels reserves as 'stranded' assets in a "carbon bubble" - assets which can never be used. Funds which continue to invest in fossil fuels can expect to suffer considerable losses when this "bubble" bursts.

The financial risk is particularly high for fossil fuels which contribute the most to climate change, such as coal and tar sands. To limit this risk some pension funds have moved to exclude the most "carbon intensive" investments, such as the Haringey Pension Fund.<sup>15</sup>

The financial risks of fossil fuel investments are increasingly widely recognised. The Bank of England's Governor Mark Carney stressed the risks in a speech in 2015:

*"Take, for example, the IPCC's estimate of a carbon budget that would likely limit global temperature rises to 2 degrees above pre-industrial levels. That budget amounts to between one fifth and one third of the world's proven reserves of oil, gas and coal. If that estimate is even approximately correct it would render the vast majority of reserves "stranded" – oil, gas and coal that will be literally unburnable."*<sup>16</sup>

The risks of fossil fuel investments are even clearer when contrasted with the financial impact of climate change itself. If significant action is not taken globally to limit fossil fuel consumption and mitigate climate change, the impacts will wipe trillions from the economy and, therefore, the value of all assets.<sup>17</sup>

### OUTPERFORMANCE OF 'FOSSIL FREE' FUNDS

Crucially, a number of high profile reports have also shown that a 'fossil free' portfolio can give equivalent or even higher returns for investors.

- A study of 1400 funds by the University of Edinburgh Business School concluded that funds invested in fossil fuels had performed worse than green funds over the last two years.<sup>18</sup>
- An S&P Capital IQ study which compared the performance of equities over the last 10 years concluded that a fossil free fund would have significantly outperformed fossil-fuel invested funds.<sup>19</sup>
- MSCI, who run global indices used by 6000 pension and hedge funds, reached a similar conclusion based on data from 2010-2015.<sup>20</sup>

There are plenty of mainstream funds which offer 'fossil free' options for reinvestment.<sup>21</sup>

### RISK AND VOLATILITY OF FOSSIL FUEL INVESTMENTS

The fossil fuel industry has consistently been among the most risky sectors in the global economy. A report from MSCI on fossil fuel investments concluded that divestment has the potential to reduce overall portfolio risk.<sup>22</sup>

Because of their inherently volatile nature, fossil fuels are not a sound investment for pension funds which must perform well decades, not just weeks, down the line.

# WHAT'S DIVESTMENT GOT TO DO WITH COUNCILS?

## WHERE'S THE MONEY?

Money in local government is held in several different places, and the money controlled by any particular authority will depend on the level of local government, the size, and the set-up of local government in the area. The vast majority of investments managed by local councils take the form of **workers' pension funds under stewardship**, though councils will also have bank accounts and cash reserves.

Through these pension funds, local governments invest workers' money in fossil fuels. These investments are usually managed on a day-to-day basis by an external fund managers, but investment policy is set by the pension fund's administering council.

Research released in September 2015 revealed that local government pension funds invest over **£14 billion** in the fossil fuel industry through **direct holdings** in companies and through **commingled funds**. This is equivalent to just over 6% of funds on average, however this exposure varies greatly, with funds investing between 1.5% and 11%. Three-quarters of direct investment is in just 10 companies - including Shell, BP, and most major companies involved in coal mining.<sup>24</sup>

## WHO CONTROLS THE INVESTMENTS?

There are **100 local government pension schemes** across the England, Scotland, Wales and Northern Ireland.

Pension funds are usually administered by 'top tier' local government such as county councils. However this isn't always the case - in metropolitan counties, district/city councils administer the fund on behalf of others unitary authorities (e.g. West Yorkshire Pension Fund is administered by Bradford Council). Some counties also defer management of the fund to others (e.g. Lincolnshire County Pension Fund is managed by West Yorkshire).

London is also different as most boroughs run their own pension funds, but some are administered by London Pension Fund Authority (LPFA), which also holds its own separate fund.

**You can find out who administers all the local government schemes via the LGPS website.<sup>25</sup>**

Pension fund investments are usually managed on a day-to-day basis by an external fund manager, but **investment policy** is set by the pension fund's administering council. The pensions committee act as *de facto trustees* of the fund and so are accountable to fund members - those whose pension is part of the fund.

## IS DIVESTMENT LEGAL?

### FIDUCIARY DUTY AND DIVESTMENT

It is widely accepted, as stated by the government, LGPS, and Nigel Giffin QC in his 2014 opinion on this issue, that an administering authority owes fiduciary duty to the members of its pension scheme.<sup>26</sup> When considering action on investments, board and committee members' first responsibility, therefore, is to ensure the long-term interests of fund beneficiaries.

However, this approach does not preclude taking action on irresponsible companies.

A Local Government Association (LGA) legal opinion concluded that, "the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that that does not risk material financial detriment to the fund."<sup>27</sup>

A wider review of fiduciary duties was produced by the Law Commission (England & Wales) who stated that "*the primary aim of an investment strategy is therefore to secure the best realistic return over the long term, given the need to control for risks*". The Law Commission concluded "there is no impediment to trustees taking account of environmental, social or governance factors where they are or may be, financially material."

The Law Commission and the LGA both found that environmental concerns may also be taken into account as a non-financial factor so long as there is there is no "significant impact on returns" and "trustees have a good reason to think that scheme members would share the concern."

**A number of pension funds have taken action to exclude irresponsible companies within the existing legal framework. For examples of this, see 'Case Studies'**

## IMPLEMENTING EXISTING POLICY

Most local government pension schemes have existing policies to manage environmental, social and governance risks. Some, such as the Lothian

Pension Fund, have signified their commitment to such an approach by signing the United Nations Principles for Responsible Investment.

For example, the London Pension Fund Authority (LPFA) states in its investment principles; 'we wish to encourage environmental, social and corporate governance best practice in the companies in which we invest, as we believe this will deliver the best long term returns.' It goes on to say that "the LPFA will use its influence as a large institutional investor to encourage responsible long-term behaviour."<sup>28</sup>

This policy frames responsible investment as a process of engaging with companies about their environmental and social responsibility record.

### WHY NOT ENGAGE?

However, years of investor engagement with the fossil fuel industry have not delivered a sustainable energy industry, and many companies' environmental performance has worsened. A report from Ceres highlighted that the fossil fuel industry has made minimal progress towards sustainability or even transparency, despite shareholder engagement.<sup>29</sup> At the 2016 Exxon Mobil AGM, for example, none of the shareholder motions concerning climate risk were successfully passed.<sup>30</sup>

*'True engagement needs the pressure created by divestment. Engagement without divestment is like a criminal legal system without a police force.'*

**- Carbon Tracker<sup>31</sup>**

Responsible investment policies would deliver stronger results if funds made explicit a willingness to exclude individual companies and industries from its portfolio should they fail to meet minimum standards. Companies must know that exclusion is an option if engagement is to have a major effect - this was reflected in Aviva's recent policy on climate change in which they pledged to divest from companies not making 'sufficient progress'.<sup>32</sup>

Furthermore, for oil, gas and coal companies, fossil fuel extraction is their core business and are unlikely to be encouraged to change their whole business model. This makes investor engagement an inadequate tool for protecting from the risks of the carbon bubble.



# WHAT CAN COUNCILLORS DO?

**What you can do to advocate for divestment as a councillor depends on whether your council administers a pension fund or not.**

However, if your council doesn't control the fund, there's still plenty you can do. Councils and councillors are in a relatively unique position in relation to pension funds - as fund members (your pension is in the fund), employers in the fund (council workers will all have their pensions in the fund), and often as fund administrators. Furthermore, some (but not all) councils hold investments themselves - not as part of a pension fund.

## IF YOUR COUNCIL CONTROLS A PENSION FUND

### Gather information:

1. Use the Fossil Free UK pension funds tool to figure out how much of your authority's pension fund is invested in fossil fuels.<sup>33</sup>
2. Find out which local organisations, other than the council, has their pension invest in the council's fund - they might want to have a say about it as well. This information can usually be found in the pension fund's annual report.
3. Investigate any existing ethical investment or ESG (Environmental & Social Governance) policies held by the council and/or pension fund.

### Use your position as a councillor to:

1. **Discuss fossil fuel investments and risk** with the council's Chief Financial Officer - get their opinion and present them with the financial case (you'd be surprised how many don't realise that investing in fossil fuels is not as financially sound as it once was).
2. **Engage with the pension fund committee** - assess how likely they are to support divestment and which argument might be most persuasive to different members.
3. Work to **set up a meeting** with the pensions committee, local divestment campaigners, interested fund members and experts on climate risk.
4. **Put in a divestment motions to full council**, calling on the council to freeze investment in fossil fuels and divest within 5 years (see appendix for a model motion).
5. Push to update the council's **ethical investment policy** (or get one, if there isn't one already) to include fossil fuels. (see appendix for an example).
6. **Get in touch** with Fossil Free UK to let us know your progress! We can help you celebrate and publicise wins, as well as give advice on next steps.

## IF YOUR COUNCIL DOESN'T CONTROL A PENSION FUND

1. **Meet with finance officers** to find out if your council has any direct investments (outside of the pension fund), and if yes, whether any of it is invested in fossil fuels.
2. Discuss divestment with other councillors to gain support.
3. **Put in a divestment motions to full council**, calling on the council to freeze investment in fossil fuels and divest within 5 years and calling on the pension fund associated with your council to divest (see appendix for an example of a motion).
4. Push to update the council's **ethical investment policy** to include fossil fuels, or - if there is no such policy - add ethical considerations to the Treasury Management Strategy (see appendix).
5. **Get in touch** with Fossil Free UK to discuss next steps and how to apply pressure to the pension fund as well.

# CASE STUDIES

More than 50 pension funds globally have made divestment commitments, moving millions out of the fossil fuel industry. Additionally, more than 70 city, state and county governments have pledged to divest or passed motions in support of divestment.<sup>34</sup>

All of this shows that divesting from fossil fuels is both possible for councils, and is the direction of travel for funds across the world. If you're interested in learning more about any of the case studies, or being put in contact with decision-makers, get in touch with Fossil Free UK.

## FUTURE SUPER (AUSTRALIA)

Future Super is an Australian pension fund. It doesn't invest in fossil fuel companies, or companies that provide services or finance to significant fossil fuel projects.

They use negative and positive screening processes to exclude investments in socially and environmentally harmful industries, while actively channeling investment into positive solutions.<sup>35</sup> This means that the fund excludes fossil fuel companies, as well as industries such as tobacco and arms.

*"Superannuation funds have a fiduciary duty to protect the retirement savings of their members. A growing number of analysts believe that this means they should be taking into account the issue of climate change when making long term investment decisions."<sup>36</sup>*

## CITY OF COPENHAGEN (DENMARK)

Copenhagen Council has agreed to divest the fossil fuel holdings of the city's 6.9bn kroner (£700m) investment fund.<sup>37</sup> The Danish capital decided to ban investments in companies that gain more than 5% of their revenue from coal, oil and gas. The criteria apply to companies that engage in prospecting, extracting or refining coal, oil and gas, as well as companies that provide equipment and services to the fossil fuel industry.

*"Copenhagen is at the forefront of world cities in the green transition, and we are working hard to become the world's first CO<sub>2</sub> neutral capital in 2025. Therefore it seems totally wrong for the municipality to still be investing in oil, coal and gas. We must change that."*

**- Frank Jensen, Mayor of Copenhagen**

## ENVIRONMENT AGENCY PENSION FUND (UK)

The Environment Agency Pension Fund (the Fund) is a defined benefit Local Government Pension Scheme in the UK with over 40,000 members and assets of £2.9 billion. In October 2015, the fund created new policies intended to mitigate climate risk in its portfolio and align its investments with a '2 degree world'.

**The fund's new objectives are:**

1. Invest 15 per cent of the fund in low carbon, energy efficient and other climate mitigation opportunities.
2. Decarbonise the equity portfolio, reducing exposure to "future emissions" by 90 per cent for coal and 50 per cent for oil and gas by 2020 compared to the exposure in our underlying benchmark as at 31 March 2015.
3. Supported progress towards an orderly transition to a low carbon economy through actively working with asset owners, fund managers, companies, academia, policy makers and others in the investment industry.  
*"The Fund's fiduciary duty is to act in the best long-term interest of our members and to do so requires us to recognise that environmental, social and governance (ESG) issues can adversely impact on the Fund's financial performance and should be taken into account."<sup>38</sup>*

## OXFORD CITY COUNCIL (UK)

Oxford City Council was the first UK local authority to make a divestment commitment.

Fossil Free Oxfordshire first approached the Oxford City Council Finance Panel in February 2014, asking them to put fossil fuel divestment on their agenda. In response, the Finance Panel devised an ethical investment policy, which recognises the need to divest from companies involved in the extraction and refinement of fossil fuels.

At a meeting of the full Council in July 2014, a motion was passed. It proposed the introduction of the Finance Panel's ethical investment policy into the Council's treasury management strategy, the motion stops short of moving indirect investments.

Still, it is a clear statement from the Council that the industry's business model and its cynical efforts to block action on climate change are unethical and not to be supported. At the same meeting, the Council endorsed the Leader of the Council's call to the Oxfordshire County Council pension fund to divest from fossil fuels.

## CITY OF MÜNSTER (GERMANY)

The City of Münster is the first German city to ban investments in coal, oil and gas companies in response to the mounting threat of climate change.

Münster's new ethical investment policy requires its two municipal pension funds worth €22 million to invest exclusively in ethically and environmentally sound companies.<sup>39</sup> Fossil fuel corporations such as RWE, Total, Shell and BASF will be excluded.

## WASHINGTON D.C. PENSION FUND (USA)

In June 2016, the District of Columbia government announced that its \$6.4 billion pension fund has fully divested from its direct investments in 200 of the world's most polluting fossil fuel companies.

This decision followed a city council passed a motion in December 2014 urging the pension fund managers to explore ways to minimize their carbon risk, including by divesting.<sup>40</sup> The fund continues, however, to have holding in commingled funds that are not "fossil free."

*"In the past, divestment has proven to be an incredibly powerful tool for effecting positive change. By divesting from fossil fuels D.C. has helped pave the way for a brighter, better future."*

**- Council member Charles Allen<sup>41</sup>**

# HOW CAN WE HELP?

The campaign to divest our local government pension funds is run by a network of grassroots groups and supported by a coalition of organisations including 350.org, Platform, Community Reinvest, Friends of the Earth (England, Wales and Northern Ireland), Friends of the Earth Scotland, Friends of the Earth Cymru, under the banner of Fossil Free UK.

**If you would like further support to push for divestment in your council, we can help!**

We can link you up with more resources, contacts and expert advice, as well as put you in touch with a network of other councillors and decision-makers doing the same. A good first port-of-call is also the Fossil Free UK website: [www.gofossilfree.org/uk](http://www.gofossilfree.org/uk)

If you have any questions, want some help or want more information, email: [ellen@350.org](mailto:ellen@350.org)

# APPENDICES - USEFUL RESOURCES

## APPENDIX I - MODEL COUNCIL DIVESTMENT MOTION

This motion can be adapted and used whether or not your council controls the pension fund.

\_\_\_\_\_ Council recognises that:

1. Burning fossil fuels poses a serious risk to the stability of the climate upon which our well-being and economy depend. Climate change endangers the health of local residents in \_\_\_\_\_, both directly through extreme weather events and indirectly through impacts on food systems and global security.[1]
2. Research demonstrates that up to 80% world's proven fossil fuel reserves will have to remain unburnt if we are to have a reasonable chance of keeping global warming to less than two degrees Celsius [2] – the globally agreed target for climate change mitigation.[3]
3. The 2016 UN Climate Summit further agreed 'to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels'.[4] A rapid large-scale shift away from fossil fuels towards energy efficiency and alternative sources of energy is therefore needed to avert catastrophic climate change.
4. Trustees of pension funds and others responsible for investment decisions have a fiduciary duty to consider the environmental and social risks relating to their investments, including climate risks, and to adopt strategies to minimize those risks.[5]
5. Since 80% of fossil fuels must remain in the ground, the reserves of the fossil fuel industry risk becoming 'stranded assets' with little or no value – representing a substantial financial risk for those that invest in them.
6. \_\_\_\_\_ Council currently has \_\_\_\_\_ invested in the oil, coal and gas industries. [7]
7. To date, over 500 institutions representing over \$3.4 trillion in assets have committed to divest from fossil fuel companies, including the Rockefeller Brothers Fund, the World Council of Churches, Oxford City Council, the British Medical Association and the City of Oslo.[8]

In response to this \_\_\_\_\_ Council pledges to:

1. Develop and implement a Responsible Investment Policy through which it will:
  - a. immediately freeze any new investment in the top 200 publicly-traded fossil fuel companies;
  - b. divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years;
  - c. set out an approach to quantifying and addressing climate change risks affecting all other investments, and
  - d. focus future investments on areas that minimise climate change risk.
2. Call on \_\_\_\_\_ Pension Fund to divest from fossil fuels by mandating the Pension Fund Committee to develop and adopt Responsible Investment policies with the same scope.

## Notes:

1. *Climate Change 2014 Synthesis Report Summary for Policymakers*, Intergovernmental Panel on Climate Change, [https://www.ipcc.ch/pdf/assessment-report/ar5/syr/AR5\\_SYR\\_FINAL\\_SPM.pdf](https://www.ipcc.ch/pdf/assessment-report/ar5/syr/AR5_SYR_FINAL_SPM.pdf)
2. See Carbon Tracker's 'Unburnable Carbon' Report: <http://www.carbontracker.org/report/unburnable-carbon-wasted-capital-and-stranded-assets/>
3. In the non-binding 'Copenhagen Accord' issued at the end of the 2009 UN Climate Summit (COP19), 'The Heads of State, Heads of Government, Ministers, and other heads of delegation present' noted that 'To achieve the ultimate objective of the Convention to stabilize greenhouse gas concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, we shall, recognizing the scientific view that the increase in global temperature should be below 2 degrees Celsius ... enhance our long-term cooperative action to combat climate change.' (<http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf>).
4. 'Paris climate deal: key points at a glance', *Guardian*, 12 December 2016, <http://www.theguardian.com/environment/2015/dec/12/paris-climate-deal-key-points>
5. Fiduciary Duties of Investment Intermediaries, Law Commission, 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/325509/41342\\_HC\\_368\\_LC350\\_Print\\_Ready.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325509/41342_HC_368_LC350_Print_Ready.pdf)
6. 'Carbon bubble will plunge the world into another financial crisis – report', *Guardian*, 19 April 2013, <http://www.theguardian.com/environment/2013/apr/19/carbon-bubble-financial-crash-crisis>
7. See the research and methodology at <http://gofossilfree.org/uk/pensions>
8. For the full list of commitments see <http://gofossilfree.org/commitments/>

## APPENDIX II - MODEL COUNCIL ETHICAL INVESTMENT POLICY

The Council will not invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values. This would include, inter alia, avoiding investment in institutions with material links to:

1. *human rights abuse (e.g. child labour, political oppression)*
2. *environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuel extraction, refinement companies)*
3. *socially harmful activities (e.g. tobacco, gambling)*

With respect to its indirect investments, the Council will work to develop a workable ethical policy aligned with the above mission and values.

## APPENDIX III - 'INTERMEDIATE' ASKS FOR PENSION FUNDS

If you aren't sure about asking for full divestment straight away, these are some options for 'intermediate' asks to the pension fund. For more information or advice on any of these, get in contact with Fossil Free UK.

1. Ask the fund to Commit to undertake an annual 'carbon footprinting' exercise to calculate the climate exposure of their portfolio and publically disclose this information.
2. Assess the carbon risk of the portfolio both on the 2°C and 1.5°C limits and on the high economic and environmental risks associated with fossil fuel extraction. Stress test the portfolio under probable scenarios.<sup>42</sup>
3. Survey pension scheme members about their views on climate change and consider these views as part of their wider duty to manage the pension fund responsibly.
4. Use the Corporate Knights 'Portfolio Decarboniser' tool to assess the financial risk of existing fossil fuel investments and the potential impact of excluding these.<sup>43</sup>

# ENDNOTES

1. Data refers to the 2013/14 financial year, see the breakdown at <http://gofossilfree.org/uk/pensions/>
2. For the full list of commitments, go to: <http://gofossilfree.org/commitments>
3. See the Carbon Underground for the list of the top 200 publicly-traded fossil fuel companies by size of reserve. (<http://fossilfreeindexes.com/research/the-carbon-underground/>)
4. See the Guardian article here: <http://www.theguardian.com/environment/2013/oct/08/campaign-against-fossil-fuel-growing>
5. See the full list of commitments at <http://gofossilfree.org/commitments/>
6. For the full list of campaigns by sector, go to <http://www.gofossilfree.org/uk/campaigns>
7. Data refers to the 2013/14 financial year, see the breakdown at <http://gofossilfree.org/uk/pensions/>
8. <http://communityreinvest.org.uk/reinvestingpensions/>
9. <http://www.theguardian.com/commentisfree/2014/apr/10/divest-fossil-fuels-climate-change-keystone-xl>
10. <http://www.theguardian.com/environment/2014/apr/03/exxon-mobil-climate-change-oil-gas-fossil-fuels>
11. See the campaign by Oil Change International for more information: <http://priceofoil.org/campaigns/separate-oil-and-state/dirty-energy-money/>
12. <http://priceofoil.org/fossil-fuel-subsidies/>
13. See the recent investigation by Inside Climate News on Exxon Mobil for more information: <http://insideclimatenews.org/content/Exxon-The-Road-Not-Taken>
14. <http://www.theguardian.com/environment/2015/nov/05/exxonmobil-investigation-climate-change-peabody>
15. See the press release about Haringey's decision here: <http://gofossilfree.org/uk/press-release/haringey-council-divests-from-coal-and-moves-200-million-into-low-carbon-fund/>
16. Mark Carney, speech given 29th September 2015 (<http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech844.pdf>)
17. <http://www.theguardian.com/environment/2016/apr/04/climate-change-will-blow-a-25tn-hole-in-global-financial-assets-study-warns>
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22. MSCI ESG Research FAQ (<http://gofossilfree.org/uk/wp-content/uploads/sites/3/2015/09/msci-financial-faq-divest.pdf>)
23. See the full research breakdown at <http://www.gofossilfree.org/uk/pensions>
24. Taken from the Fossil Free UK report on pension investments ([http://gofossilfree.org/uk/wp-content/uploads/sites/3/2015/08/Council\\_Pensions\\_Divest-Reinvest\\_briefing.pdf](http://gofossilfree.org/uk/wp-content/uploads/sites/3/2015/08/Council_Pensions_Divest-Reinvest_briefing.pdf))
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26. Nigel Giffin QC and LGPS (<http://www.lgpsboard.org/images/PDF/Publications/QCOpinionApril2014>)
27. 'Fiduciary Duties of Investment Intermediaries. Consultation Paper No. 215', The Law Commission. p. 88, 2013.
28. See the LPFA website (<http://www.lpfa.org.uk/What-we-publish/FUND-PUBLICATIONS.aspx>)
29. <http://www.ceres.org/roadmap-assessment/sector-analyses/oil-gas-producers>

30. See the 350.org press release for more information: <http://350.org/press-release/divest-from-exxons-deception/>
31. [http://www.carbontracker.org/divestment\\_engagement/](http://www.carbontracker.org/divestment_engagement/)
32. Read the policy here: [https://www.aviva.com/media/upload/Avivas-strategic-response-to-climate\\_change\\_Ga2clqW.pdf](https://www.aviva.com/media/upload/Avivas-strategic-response-to-climate_change_Ga2clqW.pdf)
33. The tool can be found at <http://gofossilfree.org/uk/pensions/>
34. For the full list of commitments, go to: <http://gofossilfree.org/commitments>
35. To see more on how Future Super invest, go to: [http://myfuturesuper.com.au/how\\_we\\_invest](http://myfuturesuper.com.au/how_we_invest)
36. Future Super, 'Guide to Fossil Free Investing'
37. View the press release on the decision here:  
<http://gofossilfree.org/europe/press-release/copenhagen-bans-investments-in-coal-oil-and-gas/>
38. EAPF, 'Policy to Address the Impacts of Climate Change',  
(<https://www.eapf.org.uk/~media/document-libraries/eapf2/climate-change/policy-to-address-the-impacts-of-climate-change.pdf?la=en>)
39. View the policy (in German) here:  
[https://www.stadt-muenster.de/sessionnet/sessionnetbi/vo0050.php?\\_\\_kvonr=2004039160&voselect=9748](https://www.stadt-muenster.de/sessionnet/sessionnetbi/vo0050.php?__kvonr=2004039160&voselect=9748)
40. See press release:  
<http://dcdivest.org/2014/12/03/press-release-dc-council-passes-resolution-minimize-investments-fossil-fuels/>
41. Quote from press release: <http://dcdivest.org/2016/06/06/dc-divests-pension-fund-oil-gas-coal-companies/>
42. Bloomberg LP has developed a risk tool called the Stranded Asset Risk Valuation Tool which can be used for this purpose.
43. The tool can be found at <http://www.corporateknights.com/reports/portfolio-decarbonizer/>

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