

Climate Change Action and Fossil Fuel Investments:

A joint report to the General Synod of the Scottish Episcopal Church from the Church in Society Committee and Investment Committee

This report was presented by the two committees at General Synod in June 2017. The Synod debated the report and passed the motion set out on page 14.

The Investment and Church in Society Committees will continue to work together in implementing the recommendations of the report.

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Executive Summary

This paper has been prepared by the Church in Society and Investment Committees in response to the motion passed by General Synod in 2016:

Recognising the importance of economic drivers in moving to a low carbon energy system, commend the joint discussions which have been taking place between the Church in Society and Investment Committees and invite the Committees to continue to work together and report to General Synod in 2017 on the complex issue of investment in the exploration, production and burning of fossil fuels.

Both Committees recognise the urgency of action on climate change at all levels in Society, and reiterate the call made at General Synod in 2016 to everyone in the Scottish Episcopal Church (SEC) - province, dioceses, congregations and members - all to play an active part in moving towards a low carbon economy. The paper reviews key issues in the wider debate on reducing fossil fuel use in response to climate change, and in the light of this, considers practicable options for the SEC as an investor.

It is important to understand the context of how SEC's assets are invested. This is done by what is called the Unit Trust Pool (UTP). The paper explains in some detail what the UTP is, how it is managed via our current investment manager Baillie Gifford, the investment objectives and risks, and the impact of changing the SEC's investment strategy.

The paper then explains how the existing ethical policy is implemented. Two thirds of the UTP's assets are currently held in pooled funds where they are managed with those of other investors. In pooled funds, the decision about which investments to hold are made by the Investment Manager on behalf of all the investors, so ethical screening on behalf of any of the participating investors is not possible. The SEC's ethical policy is applied to its direct share holdings, which comprise about a third of the UTP. A policy for the SEC of partial divestment is proposed. This would restrict directly held investments in the UTP in companies deriving more than 10% of their revenues from the extraction of thermal coal or tar sands.

The paper sets out the potential of engaging as an investor with companies in order to influence their policies in relation to climate change. The Committees believe that membership of the Church Investors Group (CIG), which the SEC joined in 2016, will give the SEC a greater voice and influence on companies than it could ever achieve through working alone. In addition, the two Committees will continue to engage with the UTP investment managers on ethical investment issues, but with greater frequency and formality. It is proposed to draw up a protocol which will provide the SEC with wider options on voting at shareholder meetings.

The SEC's participation in positive engagement with companies through CIG and exercising options for voting its shares through its investment manager is proposed as an attainable and effective alternative to greater divestment.

The paper concludes with a composite motion which is set out on page 14.

Introduction

In December 2015, the world's nations gathered in Paris to produce a historic agreement to reduce greenhouse gas emissions and move towards a low carbon future. This came into force in November 2016, with the formal ratification by the necessary number of nation states. This bears unequivocal witness to the global acknowledgement, at the highest levels, of the seriousness of climate change as one of the greatest threats facing the whole of humankind for the foreseeable future.

The 2016 General Synod welcomed the Paris agreement and passed the following motion in response. *That this Synod*

a) Welcome the historic agreement of the world's nations in Paris in December 2015 on the need for urgent and substantial reduction of greenhouse gas emissions, and recognises that creating a 'low carbon' future depends on practical implementation and far reaching changes throughout society.

b) Urge all parts of the Scottish Episcopal Church to play an active part in finding means of reducing the consumption of fossil fuels, including their use in heating and transport.

c) Call upon Scottish and UK Governments to increase financial and other incentives for domestic and housing sectors in energy saving and renewable energy implementation that will lead to the very substantial reductions that are needed and as part of this to simultaneously address the issues of fuel poverty which currently impact on over a third of households in Scotland.

d) Recognising the importance of economic drivers in moving to a low carbon energy system, commend the joint discussions which have been taking place between the Church in Society and Investment Committees and invite the Committees to continue to work together and report to General Synod in 2017 on the complex issue of investment in the exploration, production and burning of fossil fuels.

Thus Synod acknowledged that the implementation of climate change goals '*depends on practical implementation and far reaching changes throughout society*' and focused on three key areas for future work:

1. the need for action by national governments to increase energy saving and renewable energy incentives and address fuel poverty
2. the need for action at all levels of the Scottish Episcopal Church, and
3. the need for continuing work in relation to the principles which should underpin the church's financial investments in the area of fossil fuels.

The Church in Society and Investment Committees have taken forward their previous discussions on the complex issue of investment in the exploration, production and burning of fossil fuels and present the following report and an associated motion for discussion within General Synod 2017.

As part of the work involved in the production of this report a representative of Church and Society Committee attended the Church Investors Group annual conference on 23-24 June 2016. This conference provided an opportunity for an update on the area

of ethical investments, particularly on climate change, through presentations from the CEO of Centrica and the head of strategic planning for BP. Subsequently, members of the Church in Society and Investment Committees met with Edward Mason, Head of Ethical Investment for the Church of England's Church Commissioners, and James Corah of the investment managers CCLA, who is Secretary to the Church Investors Group, which represents institutional investors from many mainstream church denominations and church related charities, with a particular focus on ethical investment issues. This gave a valuable opportunity to explore the question of engagement with fossil fuel companies with the people who are spearheading this in the UK churches. In addition discussions have continued with other churches, especially with the Church of Scotland's Church and Society Committee.

In providing information and guidance to Synod on what actions it should authorise, we have considered not only the impact on climate change of fossil fuel extraction and use, but also the practicalities of managing the investments of a relatively small organisation, and noted what has been done by other churches and charitable bodies. In offering the advice that follows, we have sought to assess where the use of the Scottish Episcopal Church's (SEC) investments can most effectively carry forward the aim of reducing climate change, while at the same time avoiding having a major adverse impact on our investments and on the income we receive and which is vital to the continuing work of the church.

The Urgency

The urgency is that we humans are changing the very physical balances of the climate of our whole planet. As we continue to allow levels of greenhouse gases to rise, processes are set in train that heat the overall temperature of the earth's land surface, its oceans and atmosphere. Through the Paris agreement the nations have agreed to act aiming to hold 'the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change.' (Article 2a) The underlying understanding from the scientific consensus is that if the average global warming goes beyond 2°C that there will be major adverse impacts to the planet as we know it resulting in melting ice caps, rising sea levels, widespread loss of agricultural soils and water, and associated movements of the human population on an unparalleled scale.

There is a significant time lag in the physical effect in the atmosphere. We will already pass on to future generations an immense legacy of our emissions since the industrial era began. The level of carbon dioxide in the atmosphere is now approaching 50% higher than it has ever been in human history prior to 1800. On no conceivable ethical grounds can we simply continue 'business as usual' and leave it to them to clear up, after we have left. It is imperative upon us to do everything we can in our times. God calls humans to be stewards of the creation, which God has entrusted to our care, and no area is more urgently important in this stewardship than to reduce *radically* our emissions of greenhouse gases.

Moreover, global warming is a question of both justice and peace. The impacts are already falling disproportionately on the world's poor and disadvantaged, who have the least means to respond and adapt. This is especially true of regions of sub-Saharan Africa facing cultivated lands becoming desert or Pacific islands facing

permanent inundation as sea levels rise. But the poor in Scotland will also bear an unfair share of the burden, for which fuel poverty acts like a ball and chain. The awful human disruptions we are seeing of those fleeing war in the Middle East may yet prove small by comparison with the future refugee crisis, which many fear will arise as the impacts of global warming hit the poorest hardest.

The Ethical Investment Advisory Group of the Church of England has recently reviewed theological and Biblical issues linked to the consequences of Climate Change and their analysis is included as Appendix 1 of this document. There are key issues from scripture related to both care of creation and justice.

Our Response

The burning of fossil fuels is embedded in the lifestyle of industrialised countries, such that every major economic sector, and every household and citizen, is to a greater or lesser extent dependent on the availability of fossil fuels. We burn them to heat our homes and places of work and leisure, to drive and fly, to provide electricity, to fuel thousands of industrial processes to provide us with the food, goods and materials on which we and our society depend. To move urgently from this dependence to a low carbon economy, without intolerable social and economic disruption is a task of immense magnitude and complexity, which should not be underestimated or oversimplified. It has far reaching social and infrastructural implications, as the ground-breaking report of the 1999 Royal Commission on Environmental Pollution and many subsequent high-level reports have made abundantly clear. But it has to be done, and by every sector of society and the economy.

As the report to General Synod 2016 identified, the issues related to reducing our carbon footprint are complex. The General Synod report said:

‘There is need for Governments within our own country and elsewhere to take action to reduce the quantities of CO₂ being released as a result of the sum of all of our activities. As recent discussions of the viability of steel making in Wales have identified this is far from a simple issue. Blanket actions are unlikely to have their intended effects while there is also a need to allow strategic industrial activity to continue. Exporting carbon gas production to other parts of the globe, by exporting our manufacturing, will not deal with the basic global issue. The overall need to reduce emissions of carbon and especially those from fossil based fuels are clear but the actions, which are required, will be wide in both range and scope. In addition to industrial use of fossil fuels, heating at home and work and transport are significant generators of greenhouse gases. While decisions on these uses will need to be taken by all owners of buildings it is clear that this represents an issue where as individuals and as members of church communities we can take both responsibility and action.’

An important factor in the Paris negotiations was the acknowledgement by the global business community of the need to move to a low carbon economy, and to manage the far-reaching implications with wisdom and foresight. Many leading companies in the field are taking serious steps to adjust their future strategies in response to the anticipated impact. This was acknowledged by the churches in an address by Rev. Dr Olav Fykse Tveit, General Secretary of the World Council of Churches, on behalf of faith-based organisations at a high level dialogue during the Paris negotiations, ‘Many in the financial and business sectors are changing their investments and practices. They are turning towards de-carbonisation, renewable energy, and new

methods of production and transportation. The green shift is already happening. We all must follow suit. The next generations are depending on us.'

There has been much discussion about financial investments in companies whose main activity is the production of fossil fuels. To what extent does this exacerbate climate problems, send entirely the wrong signals to the economy, and sit incompatibly with the ethical principles of organisations like universities and churches? Several leading Scottish universities have publicly ceased investments in some major oil and gas companies. The Church of England, Methodist Church, Church of Scotland and United Reformed Church have all in recent years passed motions at synods and assemblies divesting in companies majorly involved in thermal coal extraction and tar sands.

This report assesses what the SEC should do. It is important next to understand the way in which the SEC manages its investments.

Background to the Management of the SEC's Assets

For the avoidance of doubt the scope of this paper does not include investments held in the Scottish Episcopal Church Pension Fund which is subject to independent governance and has specific funding requirements and regulatory controls.

The SEC operates an investment vehicle known as the Unit Trust Pool (UTP) the purpose of which is to provide income to investors. Investors hold units in the fund, and an annual dividend (known as the distribution) is paid on each unit by instalments in February and August. All of General Synod's investments are held in the UTP and these account for about two thirds of the total fund value. The scheme is also open to dioceses and congregations which collectively account for about a third of the total value. Currently all dioceses hold at least part of their investments in the UTP and about 180 congregations also invest in the UTP.

The UTP comprises underlying investments held in both shares in registered companies and corporate bonds. A varied holding of this type permits the unit holders to earn a return on assets which maintains the real value of the distribution; monies which are needed to cover some of the costs of running the SEC. As detailed later two thirds of the assets are pooled i.e. are invested together with the funds of other organisations while around one third are invested directly on our behalf. Making choices as to where we invest is relatively straightforward for this part of our investments. As part of its responsibility for the management of the UTP, the Investment Committee has appointed Baillie Gifford to invest the SEC's assets. The Investment Committee sets the investment objectives, i.e. the income and capital requirements, and the returns relative to a benchmark which it expects the investment manager to achieve. This is set out in the Investment Management Agreement (IMA). Within the terms of the IMA Baillie Gifford has freedom to choose where to invest the SEC's assets.

Baillie Gifford is an Edinburgh based investment company which is active throughout the world with offices or associated companies in Hong Kong, South Korea, Japan, Australia, South Africa and North America. Baillie Gifford invests the monies entrusted to it, buying and selling within the portfolio to take advantage of where it sees potential for increasing returns either through growth in stock price or from company dividends.

Over the longer term the returns Baillie Gifford has gained for the UTP have generally been higher than the market benchmark.

Currently the Investment Committee meets twice-annually with Baillie Gifford to review performance and to discuss related issues, including ethical and governance issues. For the last two years the Church in Society Committee has been actively participating in these meetings. As part of their management of our holdings Baillie Gifford will vote at shareholder meetings of many of the companies in its managed portfolios including those held within the UTP. It reports on how it has voted at general meetings of the companies in the UTP in quarterly written reports to the Investment Committee. There would be potential for them to vote in accord with an instruction from the SEC but only for the segregated part of our holdings. For this to happen there would need to be a mechanism for identifying issues being raised at the AGMs of companies in this part of the portfolio and deciding on how we would wish our shares to be voted and conveying such a decision to Baillie Gifford.

From time to time, the Investment Committee reviews the Investment Manager's record and may explore alternative arrangements if it believes that a different Investment Manager might offer a superior service.

Investment decisions are generally a case of maximising returns while minimising risks, or uncertainties. Unfortunately, the two are closely related. Chasing higher returns means taking more risks. Risk, in the context of investments, is often misunderstood. The easiest way to think of it is 'volatility in a given period of time'. The element whose volatility is most usually worried about is Capital Value; however, Income can be volatile for some investments. So, one has to consider which is more important to the investor: Capital Value or Income and over what period of time. The Investment Committee believes that SEC is most concerned about security of Income over the relatively short term and only concerned about Capital Value over the medium to longer term. To that end, volatility of Capital Value is tolerable if, over the long term, growth in Capital Value is more likely as a result and if, over the near term, Income from those collective investments can be relatively assured. It is in this context that our regular monitoring of Baillie Gifford as Investment Managers of the UTP, with its judicious mix of Equities and Corporate Bonds, is undertaken.

The yield on UK government bonds would represent a risk free return but would be insufficient to meet the aim of the UTP, which is to maintain the real value (after inflation) of the distribution to unit holders. Consequently, riskier assets, in the form of corporate bonds and equities, form the investment portfolio. Currently the investment portfolio is managed in three parts.

A) 'Global Income Growth' (GIG) portfolio of managed assets to suit the requirements of the SEC (£21.2m, 33.6%, as at 31 December 2016)

The GIG portfolio is made up of directly held investments. The portfolio is constructed on Baillie Gifford's long-term global equity strategy, which aims to deliver both a dependable income stream, which grows at a rate above inflation and real capital growth, together combining to provide a total return ahead of equity markets. The SEC's ethical principles on areas where we do not wish to see investment can be applied to this part of the portfolio. It is important to note that this is the only part of the UTP where we can take ethical decisions under the current IMA. Also it is

increasingly unusual for investment managers to provide a segregated portfolio for small funds such as the SEC UTP.

B) 'Long Term Global Growth' (LTGG) pooled fund (£20.9m, 33.1%, as at 31 December 2016)

In 2009 when the new mandate was being discussed, Baillie Gifford proposed the LTGG Fund as being appropriate to our revised investment objectives. This is a pooled fund, the objective of which is to achieve long term capital growth, by investing in a relatively concentrated but well diversified portfolio of global equities, without being constrained by a specific benchmark. Baillie Gifford often describes this as a high conviction fund where each stock is included on its merits. Up to (but no more than) 10% in value of the Fund may be invested in a single stock. It is noted that it is primarily through the LTGG Fund that Baillie Gifford invests in alternative technologies e.g. Tesla Motors (electric car manufacturer).

C) 'Corporate Bond' pooled fund (£20.8m, 32.9%, as at 31 December 2016)

The existing segregated bond portfolio was retained when the UTP was realigned in 2009, but moved to the pooled Baillie Gifford Corporate Bond Fund in 2012. Baillie Gifford advised the Committee that moving to a pooled bond fund would be beneficial. It was acknowledged that this was part of a wider exercise at Baillie Gifford to move more holdings into pooled funds, however it was clear that the level of diversity would increase with transfer to the pooled fund. Baillie Gifford advised that the Corporate Bond Fund was a good match for the UTP, would provide sustainable growth whilst generating a relatively high income and limited volatility thus the risks would be better managed.

The balance of the portfolio is held in cash which is necessary for operational reasons and to pay the twice-yearly distribution to unit holders.

Only the first of these investment vehicles can be easily tailored to suit any specific demands placed on it by the UTP and General Synod. The two pooled funds are investment vehicles used by us and by a large number of other investors, the use of which allows for greater diversification thereby reducing risk, and keeps down the costs of managing the UTP, but it makes it difficult for us to influence where our funds are held. As at 31 December 2016 as a percentage of the entire portfolio direct oil and gas holdings were 0.69% (indirect 1.71%) and direct utilities holdings 0.69% (indirect 0.93%). The key issue is that SEC is a relatively small investor, our investment of around £60m has to be compared with the Church of England's £6bn. This necessitates us being part of a pool of smaller investors with inevitably more limited scope for action.

The SEC's Existing Ethical Policy

The SEC has an ethical investment policy which thus far means the exclusion of shares in companies with more than 15% of their revenues arising from one or more of: pornography, armaments, tobacco and gambling. This policy was last updated in 2013 and will be reviewed again in the light of decisions made by General Synod this year. The presumption here is that these companies are the 'worst of the worst' and we consider it un-Christian to profit from their activities. The Investment Committee and the Investment Manager both agree that the exclusion of the small number of companies which are active in the excluded sectors have little effect on the risk and

the returns of the segregated portfolio. The policy, however, cannot be imposed on pooled funds, where our investments are combined with those of other investors. This is clearly a potential problem for us, not only for areas such as extractive mining or tar sands companies but also in respect of companies with significant involvement in the existing excluded categories that are held in the pooled funds. Consequently, only the GIG portfolio is subject to this policy. The regular review meetings of the Investment Committee with Baillie Gifford allow the SEC's views of current issues to be fed into both Baillie Gifford's investment and voting decisions.

In theory, the current ethical investment policy could be extended to exclude investments in companies involved in other areas of concern, but this would not be without consequence. The more sectors that are excluded as a matter of policy, the more difficult it becomes for a fund manager to identify good investment opportunities. While the impact of current exclusions on income has been absorbed through good performance of other investments, meeting the performance objectives would become more difficult if the range of restrictions were increased significantly. Reducing the scope of investments which a manager may select for a portfolio lowers the diversification which in turn increases investment risk. This ratio of return/risk, also known as the Sharpe Ratio, is key to managing investments. Ideally the ratio should be as high as possible, i.e. high return for minimal risk; however increasing the range of exclusions lowers it.

A further and significant consideration would be if an ethical policy extended to the whole of the UTP so that pooled funds could not be used. This would result in higher management fees and administrative costs, and potentially greater investment risk.

Fossil-fuel-related investments: laying out the issues

The Church in Society Committee has examined the ethical aspects of this question for some time, and began a process of dialogue with the Investment Committee in 2014. This has led to much mutual learning of the factors important in each committee's responsibilities. These have revealed a far more complex picture than a simple 'yes' or 'no' question of divesting from companies involved in fossil fuel extraction and production. Our discussions have led us instead to reframe the question in the following terms.

Given that there is an urgent imperative to move to a low carbon economy in every sector of UK and Scottish life, how then can SEC be of best influence in speeding the difficult and long transition that is now required, in the use of its power to invest the funds entrusted to it?

We have considered the two alternative responses which we can make:

1. Divestment from fossil-fuel-related companies
2. Engaging as an investor with such companies, in order to influence their policies in the right ways.

We have explored these approaches in the light of the third significant factor, which has been discussed above; namely that SEC is a relatively small investor with limited in house infrastructure, and that it invests about two-thirds of its assets via pooled funds over which it has little influence. This presents a quite different context from

bigger organisations like the Church of England or a major university who have very large directly held investments.

There is an added complexity in deciding just what we mean by a fossil fuel company. This is clearly a rather important question both absolutely and in the context of the management of our investments. Different organisations, which have divested, have used very different definitions. We have confined ourselves to those whose primary business is in the extraction and production of fossil fuels and not, for example, road/rail/air transport providers, retailers, and electricity generators, as these have a more 'second order' involvement. In doing so, we inherently accept that fossil fuel use is embedded in the day-to-day life of our culture and its economy.

It is important to stress at the outset that consideration of its financial investments would be of little meaning unless the church also acts on the commitments it has made in several recent Synods. Motions with a bearing on these issues are reproduced in Appendix 2.

In summary, these are:

1. To engage, in so far as we are able, with the shapers of public policy on energy, transport, construction, agriculture etc., and
2. Taking our own actions to achieve low carbon lifestyles and choices across the whole reach of the SEC's activities, all churches and dioceses, and by its entire individual membership.

It is inconsistent to work out appropriate moral actions over investment, if we do not at the same time work out how we should respond to the challenges of moving to low carbon lifestyles, personally and in our dioceses, churches and central structures.

Option of Divestment

A large investor such as a major university can write to the CEO of an oil company and say it is withdrawing its considerable direct investments. This could result in both reputational and financial damage to the company although even this is debated. For the SEC, as a far smaller investor, the option of divestment will have limited impact, however. Firstly, the SEC has only limited direct investments and such an action would make a clear ethical statement but would have comparatively small influence over the companies concerned. A second difficulty is that the majority of the SEC's investments are in pooled funds in which it participates along with other investors. To divest in particular companies would require us to persuade both the Investment Manager and all the other contributors to the pooled fund to do so. If this was not possible, or if the SEC considered that the present and future direction of the Investment Manager took insufficient account of climate related issues, the SEC might be faced with changing its manager. This would result in significant upheaval and expense to the church.

Potential Impact of Divestment

The potential impact of divestment varies according to the level of adjustment to the investment strategy

(a) Applying fossil fuel divestment only to directly held investments, i.e. the GIG portfolio (around one third of the UTP). This would have some impact on the Fund the extent of which could be assessed in consultation with Baillie Gifford. Baillie Gifford have confirmed that they could apply a restriction on companies materially involved in extracting thermal coal and tar sands to the GIG portfolio.

(b) Applying fossil fuel divestment to all UTP investments. This would have a significant impact on the Fund, as investment in pooled funds would not easily be possible. The Investment Committee is not aware of any pooled funds currently available that would satisfy divestment criteria and meet the investment objectives of the UTP.

Full divestment could lead to a reduction in investment returns (reducing income to unit holders), a less diverse portfolio (leading to increased volatility and risk), and higher management fees. Furthermore, Baillie Gifford have advised that they would not be able to manage the UTP on this basis. Therefore, if the SEC wished to divest completely from fossil fuels an alternative manager would need to be identified.

The Investment Committee has considered the implications of this. The cost of changing investment managers is significant as it involves the sale of the entire portfolio and purchase of new holdings. The current management fee is approximately £220k (0.4% fund value) per annum; for a fully segregated portfolio under a different fund manager this would be anticipated rise to between 1-3% (£630k to £1.9m) per annum (figures indicated by other fund managers). The administration of a segregated portfolio would also require greater ongoing involvement of General Synod staff.

Unintended Consequence of Divestment

Baillie Gifford are currently retained as fund managers because they have achieved good results for the Church. An investment manager needs to be able to use discretion in order to outperform the benchmark. It follows that the more we restrict the choice of assets, the lower the return may be, and the higher the risk, owing to reduced diversification. The challenge is to develop a policy, which combines our stated ethical positions with financial health and the desired returns.

Although the UTP's size is vanishingly small in the financial marketplace, these discussions are happening at much larger organisations than us. One hypothetical consequence of a potential mass sell-off of fossil fuel companies by investors is that share prices in these companies become depressed and consequently an attractive investment for those who have no equivalent ethical policy. Investors, such as sovereign wealth funds or corporate magnates, who have no interest in reducing the operations to which we object, might then wholly acquire fossil fuel companies thus removing them from public participation and scrutiny. Fortunately, there are alternative approaches, to which we now turn, that keep the companies' shares in the marketplace yet make sure they get a strong message of where investors like us believe change should happen. Owning shares in a company means two things. First it means receiving a periodic dividend from the profits that the company makes. Second, it (usually) confers voting rights, entitling the holder to vote at company meetings. While the dividends, along with the potential growth of a company's assets, drive investment decisions, this section considers the importance of voting at company meetings.

We label these approaches: Engagement and Voting.

Engagement

The alternative model to divestment is to engage with a company in which the SEC has investments, with a view to influencing its policies in respect of climate change. Once again the small size and lack of direct investments of SEC means it is likely to have much less influence on its own than a large investor such as the Church of England. However, the SEC has recently joined the Church Investors Group (CIG). The aims and objectives of the CIG are detailed in Appendix 3. This is a membership organisation representing the charitable and pension funds of denominations, dioceses, religious orders and Christian based charities. The CIG has 58 members, predominantly drawn from the UK and Ireland, with combined investment assets of over £17bn. CIG helps its members develop and implement ethical policy on investment, and seeks to use the power of its joint investments to engage with and influence companies on ethical matters which its members consider important. It also acts as a Christian witness in the City of London on more ethical and value-based ways of doing investment.

In relation to climate change, CIG has been working for several years with the Carbon Disclosure Project (CDP) to get companies to declare their greenhouse gas emissions and their systems, opportunities and risks with regard to moving to a low carbon economy. Companies are assessed on a scale from A (best) to E (worst or not declaring at all). The investment group CCLA, acting on behalf of CIG, identified 56 UK FTSE 350 companies, which had not scored at least C, and engaged with them. 23 have since improved their score. Independent research conducted by the University of Edinburgh Business Management School concludes that CIG's intervention was the main cause of the change.

This has led to the 'Aiming for A' initiative which has targeted the ten largest extraction and energy utility companies in the UK and most are now at A or B level. The large CIG members have used the mechanism of shareholder resolutions to get companies to commit to measures and systems in line with addressing climate change. In the UK, this requires at least 100 shareholders or 5% of the shareholder base. This is very challenging, but as a result of CIG's efforts, Shell and BP passed a resolution in 2015 to begin reporting under the scheme, and in 2016 the major mining and transport sector companies Anglo American, Glencore and Rio Tinto each passed resolutions with 96-99% support. Other companies are now being targeted for 2017.

The Church Commissioners of the Church of England have also joined with the United Methodist Church in the USA to co-file a resolution with Exxon Mobil on its portfolio resilience to climate change. Despite the company fighting extremely hard to block the motion, 38% support was gained at the first time of asking, which is considered a real breakthrough to one of the most recalcitrant oil companies.

These examples indicate that shareholder engagement can be effective in ways that lobbying as activists 'from outside' cannot be. But it should also be recognised that the biggest oil and gas producers are state-owned organisations in the Middle East, Russia and China, which are thus far fairly impervious to this type of engagement.

Voting

CIG engages with companies but it does not place votes on behalf of others at shareholder meetings. Shareholder resolutions are currently in the domain of Baillie Gifford. Baillie Gifford's ethical voting policy addresses corporate governance issues such as boardroom pay and accounting transparency. It does not, however, extend to climate issues.

Baillie Gifford have outlined options for voting shares in the GIG portfolio. These are under consideration, but it is anticipated that a policy that would allow the SEC to differ from Baillie Gifford's voting policy will be the favoured approach.

Action by Large UK Churches

The Church of England began looking at the issue in 2007, and did a comprehensive assessment, drawing on expert advisors, and its own Ethical Investment Advisory Group. It decided to sell its investments in the highest carbon fossil fuel companies, with over 10% of their revenue from thermal coal or oil from tar sands, as not consistent with the church's theological and ethical stance on climate change. Other churches have adopted similar positions (e.g. Methodist and Church of Scotland). But the Church of England Synod also laid a strong emphasis on engagement with companies in the ongoing effort to change things, for example in the complex areas of companies which are heavily involved with greenhouse gases, like the utilities that burn fossil fuels, and the automobile, aviation and mining sectors.

The policy of a combination of engagement and not investing in companies in certain major problem industries (thermal coal extraction and tar sands) is suggested as a model that the SEC should follow. The Church of England has developed Transition Pathway Initiative, which will work with the Grantham Institute of LSE on Climate Change and Environment and a data provider to support the development of a methodology to plot the progress of companies against transition to a 1.5/2 degree world. It will:

1. Define what a low carbon transition path is for companies in different sectors (in the first year it will profile; automobiles, mining, oil and gas, and utilities sectors).
2. Provide a clear, transparent and online tool hosted by an academic institution and free at the point of use that can monitor and track company and sector performance, as well as provide objective analysis that can be used to assess risk and opportunities relating to climate change transition.
3. Invite other asset owners and the wider market to adopt/support this approach to maximise its impact.
4. Outline how individual asset owners will use this tool to:
 - i) Inform investment decision-making;
 - ii) Inform and structure engagement interventions to strongly encourage companies to move along the path;
 - iii) Inform and potentially align voting at AGMs with other shareholders that support this approach.

In addition, the Anglican Consultative Council has recently called on Anglican Churches to follow a series of principles in their response to Climate Change. These are detailed in Appendix 4.

Practical Considerations for the SEC

The Investment Committee recognises that the SEC might want to enhance its ethical investing policy at intervals. Expertise in ethical investing is in short supply, and while it might be apt to have an Investment Committee that has members with both investment and ethical experience, finding such members could be a problem.

We therefore recommend that the SEC's membership of CIG be the vehicle through which detailed future ethical proposals are channelled. Such a decision recognises both the benefits of being part of a discussion forum of people with similar ethical challenges and the power of acting collectively. This recognises the limitations of the SEC's resources and the considerable benefit the members of CIG derive from its bringing together like-minded participants. The largest member of CIG is the Church of England, with some £6bn of investments. They are a few years ahead of us in the process of encouraging changes to corporate decision-making and transparency. Their human resources are somewhat greater than ours too. We recognise that our ethics are likely to be very closely correlated for the foreseeable future, and consequently we can benefit from economies of scale by following in their footsteps. Baillie Gifford is also one of the investment managers of the Church of England and so is familiar with their ethical policy. So while we continue having Baillie Gifford as Investment Manager, it makes sense for us to use these investment processes where possible.

Implications for the SEC

The work of the CIG is impressive. We are continuing to monitor progress, but the evidence to date indicates that this sort of investor engagement can indeed be very effective. It is thus clearly very valuable that the SEC, as a relatively small investor, is able to access the activities being done on a much wider frame than anything it could hope to do alone. In terms of policy, we recommend a policy centred on a combination of not investing directly in companies in certain major problem industries (thermal coal extraction and tar sands) in common with the Church of England and Church of Scotland, and of engagement with the rest, seems to be a model that the SEC could follow.

Currently Baillie Gifford do not have investments which exceed the proposed guidelines for thermal coal or tar sands, so such a policy would not result in a need to sell off shares. There would however seem to be value in seeking to restrict any future SEC investments in thermal coal and tar sands companies, and to keep under review other companies heavy in fossil fuel extraction or burning.

Since the UTP's investments are managed entirely by Baillie Gifford we need to focus much of our actions on influencing Baillie Gifford as much as attempting to influence fossil fuel related companies. In relation to this we need to ask Baillie Gifford to provide the greenhouse gas emissions, policies and climate resilience of all the companies in its pooled equity and direct equity funds for the SEC. In addition we should:

1. Encourage Baillie Gifford to seek to push any 'laggard' companies to Aim for A, and
2. Inform Baillie Gifford that we will anticipate comparably good results from assessments under the Church of England's Transition Pathway Initiative as it unfolds, and
3. Establish a policy with Baillie Gifford that allows us to vote our shares independently where appropriate.

Motion

That this Synod, conscious of its responsibilities as a Christian Church

A) Calls on all members, congregations and Dioceses to develop approaches consistent with a low carbon economy;

B) Encourages the Church in Society and Investment Committees to work with and as part of the Church Investors Group as a means of informing and setting the Scottish Episcopal Church's policy on investment in an era of climate change and helping small investors to implement such policies;

C) Seeks to follow the example of other churches in restricting its direct investments in companies deriving over 10% of their revenues from the extraction of thermal coal or tar sands;

D) Asks for an annual meeting with the Scottish Episcopal Church's Investment Managers, currently Baillie Gifford, at which the means of agreeing any limits to investments in companies with a poor environmental profile and encouraging the use of targets and processes suggested by the Church Investors Group might be discussed;

E) Seeks to put in place a mechanism, which would allow the policy of the Church Investors Group on voting at company meetings, to be put into effect;

F) Encourages the Scottish Episcopal Church Pension Fund Trustees to follow similar approaches.

David Atkinson
Convener Church in Society Committee

Adrian Tupper
Convener Investment Committee

12 April 2017

Glossary

The interpretations provided in this glossary are in the context of this paper. Other meanings may apply to some of the terms when used in different situations.

Church in Society Committee

A pendant committee of the Mission Board which addresses major issues facing Scottish society and encourages positive change in government policy and within the global community.

Investment Committee

A pendant committee of the Administration Board with responsibility for investment strategy and monitoring the performance of the Scottish Episcopal Church's Unit Trust Pool.

Unit Trust Pool (UTP)

A fund of £63m (as at 31 December 2016) in which General Synod's funds are invested. It is available to dioceses and congregations as a means of investment, generating income and capital growth. The UTP is managed by Baillie Gifford in accordance with the objectives set by the Investment Committee.

Baillie Gifford

An investment manager based in Edinburgh appointed by the SEC to manage the investments held in the UTP.

Investment Management Agreement (IMA)

The contract between the investment manager and the client that sets out how the investments are managed. The terms include the benchmark with discretion to vary the allocation, outperformance targets (expected performance over the market average), and fees. It also sets out what the manager may invest in and any exclusions. The investment manager has full discretion to buy and sell investments within the terms of the contract.

Distribution

The annual payment to unit holders in the UTP. The 2016 distribution represented a yield of 3.3% of the year end value.

Investment Strategy

The aims and objectives set by an investor.

Equities

Stocks or other securities representing an ownership interest in a company.

Corporate Bonds

Debt securities issued by a company and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.

Fixed interest securities

Includes both corporate bonds and gilts (Government Bonds). A fixed interest security pays a fixed rate of interest for a specified period. The face value is returned when the bond matures.

Benchmark

The benchmark is the allocation to different types of investment within a portfolio. Performance is measured against a relevant market index for each sector. The current benchmark for the UTP is:

Fixed Interest	35%	Pooled Corporate Bond fund
Global Income Growth	35%	Segregated Equity fund
Long Term Global Growth	30%	Pooled Equity fund

Corporate Bond Fund

A pooled fund managed by Baillie Gifford in which the UTP invests. The fund aims to produce a high level of monthly income by investing primarily in a diversified portfolio of sterling bonds.

Global Income Growth (GIG)

A portfolio of directly held investments in shares of companies making up around one third of the UTP. Managed by Baillie Gifford with a focus on income and capital growth.

Long Term Global Growth Fund (LTGG)

A pooled fund managed by Baillie Gifford. The objective is to produce superior capital returns over the long term by investing primarily in a concentrated, unconstrained global equity portfolio.

Pooled Fund

An investment vehicle where funds from many individual investors are held in a single fund. The fund manager chooses which shares or bonds to hold in order to achieve the fund's stated investment objective. A multi-asset pooled fund can provide a cost effective and administratively straightforward solution for a smaller investor if the fund meets the required investment objectives.

Segregated portfolio

A group of investments that are held directly by the investor.

Engagement

A term that is used primarily in relation to equities. Shareholder engagement with companies is a way of promoting good corporate governance and socially responsible

business practices. Engagement may take the form of meetings with company executives, shareholder resolutions, research and awareness raising. Responsible investors also regularly vote their shares at meetings.

Environmental, Social and Governance (ESG)

The main factors used to measure the sustainability and ethical impact of an investment in a company or business.

Socially Responsible Investment (SRI)

An investment strategy which seeks to consider both financial return and social good to bring about social change.

Scottish Episcopal Church Pension Fund

A fund in which the assets are subject to a trust deed. The Pension Fund Trustees are responsible for the investment of the Fund.

Church Investors Group (CIG)

A membership group which represents institutional investors from many mainstream church denominations and church related charities, with a particular focus on ethical investment issues.

CCLA

An investment managing specialising in charities, religious organisations and the public sector. CCLA manages six funds for the Church of England.

Ethical Investment Advisory Group (EIAG)

A Church of England body that provides support and advice to the Church of England's National Investing Bodies (NIBs) on matters of ethical investment.

Church Commissioners

The body with responsibility for the investments of the Church of England.

National Investing Bodies (NIBs)

The Church Commissioners, Church of England Pensions Board and the CBF Church of England Funds managed by CCLA.

Appendix 1: Papers from the Church of England on Climate Change

An extract from *Climate Change: The Policy of the National Investing Bodies of the Church of England and the advisory paper of the Ethical Investment Advisory Group of the Church of England* (April 2015)

2.1 Biblical reflections

2.1.1 We begin our reflections with the great story across the whole of the Bible, with a systematic treatment in turn of the major Christian doctrines of the Creation, the Fall, the Election of God's people, the Incarnation, Atonement, Resurrection and Eschatology, which will lead into further theological reflections drawn from the history of the Christian tradition down the ages, before coming in Section 3 to Ecclesiological reflections on the various views and positions in the Church today.

2.1.2 The Christian faith starts where the Bible starts, with the doctrine of Creation, to explain why we, and the whole universe, are here in the first place. At every stage, after the creation of the stars and planets, vegetation, fish, birds and animals, God sees that 'it is good'. (Gen 1.4, 12, 17, 21, 25). This faith in the essential goodness of the physical universe is unusual in ancient (and some modern) religions which treat the universe as evil or something to be escaped from into the intellectual or spiritual realms. However, the Bible declares that God is the Creator of everything and considers it to be good, and therefore he has his purposes for the physical world as well as for non-human species, with biodiversity being part of the glory of creation. However, it is only after the creation of male and female human beings that the adjective becomes superlative: 'God saw everything that he had made and indeed, it was very good' (Gen 1.31, emphasis added). This placing of the man and woman at the pinnacle of the created order suggests a mediating place for the human race between God and his creation, which is reinforced by the following story of Adam being placed in the garden 'to till it and keep it', as well as his giving names to all the animals (Gen. 2.15, 20). This means that Christians have a divinely mandated responsibility for the physical world, its creatures and for one another.

2.1.3 However, the next story of the Garden of Eden explains why we tend to get things wrong. It recognises that human beings are sinful, and make wrong choices out of greed or pride which leads to mutual recrimination, blaming each other or a creature, which comes between them and the good creation, leading ultimately to pain and suffering and to alienation from both the creation and its creatures (Gen. 3.6, 12-13, 14-17). Thus it is not surprising that the 'dominion' over the creation given by God to human beings (Gen. 1.26) has often become 'domination' in which human greed and selfishness have exploited the earth, its produce and its creatures for our own ends, rather than for the glory of God and the good of his world. This places upon us a responsibility to protect the planet, not only because of its own fragility, but also because of our tendency to (ab)use it for our own ends. The history of the human race also warns us to beware our human pride and overweening confidence that we can do anything (see the story of Babel in Gen. 11.1-9) and calls for a proper sense of humility in the face of challenges like climate change.

2.1.4 God's reaction to this is not to give up and destroy the world utterly (as in the Flood, Gen. 6.13), but to call into being a people to serve him in caring for his world through the story first of Noah (8.21-9.17), then the whole history of the call and choice of Israel as God's people, and eventually to enter himself into the experience of the physical universe in the incarnation of Jesus Christ (John 1.1-14). Even then human greed and pride, sin and selfishness responded by inflicting unimaginable pain and attempting to destroy him – yet through the cross and resurrection, God was making peace and reconciling everything to himself in a new creation, a task he has passed onto us (Col. 1.15-20; 2 Cor. 5.17-18).

2.1.5 Ultimately, in the End, the physical world is destined not for the destruction of global warming or the doom of heat death among the stars, but for 'a new heaven and a new earth', where the relationship between God and human beings, his creation and his creatures will be perfected (Rev. 21-22). This is the ultimate Christian hope. Before that, there is an inevitable judgement where those who 'sow the wind shall reap the whirlwind' (Hosea 8.7). Jesus's parables are full of ideas of rendering account or facing judgement and harvest (e.g. Matt. 13.24-30, 47-50; 25.14-46; Luke 16.19-31) while Paul warns that we must all stand before the judgement seat of God and Christ (Rom. 14.10; 2 Cor. 5.10), which is later depicted in the story of the great white throne (Rev. 20.11-15).

2.1.6 Therefore we now live 'between the times', in the current age where we are called to continue God's reconciling work among his people, his creatures and his creation. This means that we are all engaged in the process of change and adaptation, looking towards the coming age of God's perfection and doing what we can to make his sovereign rule, the 'kingdom of God', an increasing reality. Paul uses the image of the creation 'groaning in labour pains' as it is 'waiting in eager longing' for that consummation (Rom. 8.18-24). Paul also stresses the urgency of the need for action: 'You know what time it is, how it is now the moment for you to wake from sleep.' (Rom. 13.11)

2.1.7 Therefore we must do all we can to mitigate whatever is damaging creation and God's creatures, and to promote all that is good and brings the kingdom nearer (Rom. 13.11-14). In making decisions about investments, as with anything else, we are to reflect the loving, generous and just nature of God, to be holy, merciful and perfect as he is holy, merciful and perfect (Lev. 19.2; Luke 6.36; Matt. 5.48). In particular our response to the commands to show mercy and love our neighbour as ourselves (Lev. 19.17) must recognize that our neighbour may be from a different race, religion, or part of the world (see for example Jesus' clarification to the lawyer in the parable of the Good Samaritan, Luke 10.29-37). The judgement on the sheep and goats turned on how they had treated 'the least of my brothers and sisters' (Matt. 25.31-46). Such 'neighbours' and 'least' must not only be 'intragenerational', that is to include not only the poor who are 'always with us' (Matt. 26.11), but also 'intergenerational', with regard for those of future generations whose very existence may be damaged or precluded by our actions at this critical time. Other biblical concepts which may be of significant assistance include the ideas of Sabbath (Exod. 20.10-11; 31.14-16) and the year of Jubilee (Lev. 25.1-15), which suggest that both human beings and the land (and perhaps by extrapolation we should apply this to the very planet itself) need periods

of rest and recuperation in order to be fruitful. Similarly, the story of God feeding his people with manna in the wilderness challenges us with the notion of 'what is sufficient or enough' as there was enough for everyone's need, but those who were greedy gained nothing (Exod. 16.17-18); equally, the early church's practice of sharing resources 'as any had need' should impact upon our consideration of this crucial issue (Acts 2.44-45; 4.32-35).

2.2 Theological reflections

2.2.1 These biblical themes of attentiveness to the least in the community, the balance between work and rest, and concentrating on sufficiency and meeting needs rather than desires, all lead to the conclusion that Christian discipleship involves a calling to simplicity as a contrast to rapaciousness.

2.2.2 There is a very long and deep tradition within the Christian churches of adopting simple lifestyles which impinge as little as possible on the finite resources of the earth as an expression of Christian discipleship and trust in God. There is plenty of warrant for this in the gospel accounts of Jesus's life (Luke 9.58), although Jesus was not against the idea of eating and drinking well (Matt.9.11) or the symbolism of lavish celebration in the right circumstances (Mark 14.3-9). The early church seems also to have encouraged lifestyles of simplicity and generosity (Acts 2.44) and the vow of poverty became one of the central features of life in many religious communities, the Franciscan order being especially noted for this. The vocation to live simply is followed in faiths other than Christianity ("live simply so that others may simply live" as Gandhi put it) and Pope Francis's adoption of such a way of life, symbolised in his choice of papal title, has rekindled interest in this approach to faith among many people who would not claim any faith at all.

2.2.3 Simplicity of life has not, however, been uncontentious in the church. As Christianity accommodated, in some respects, to temporal power, the church moved away from an emphasis on simplicity and simultaneously generated a more extreme asceticism in reaction. These tensions became acute at periods during the middle ages, and have not disappeared today – as growing interest (at least in the West) in Mennonite theology, and communities such as the Amish, testifies.

2.2.4 It is possible that the question of simple lifestyles, vows of poverty and so on became (like many things) more complicated as time forced the early church to revise its theology of the end of all things, which had been expected imminently but came to seem further away. An ethic for a community which expects to be around for generations has to take a rather different form from an ethic for "end times". A viable and sustainable economy, for example, becomes a necessity and not an irrelevance. Chosen poverty, not least because it often relies on others who are not poor, becomes morally more ambiguous in a context where the long term is a major consideration. But, paradoxically, it is precisely that long term view which today re-emphasises the significance of simplicity and minimising humanity's impact on the environment.

2.2.5 Once the early church had, perforce, to move beyond its initial focus on an imminent parousia (popularly referenced as the Second Coming), a greater emphasis on long term issues became more deeply embedded in Christian ethics. The New

Testament marks a movement from a dependence on descendants to ensure the continuity of one's family, blood-line and inheritance into the future, to a dependence on the Christian community as the new family which ensures the persistence of the gospel ethic as a shared inheritance. Thus, as the need for a long term ethic developed, the church became the vehicle for ensuring that people could understand how what they did today held a deep significance for how the world would be after their death. This sense that discipleship means living for others, not only in the present but in generations to come, orientates Christians towards a concern for a future which they will never themselves see. With the decline of public belief in any kind of afterlife, contemporary culture has become increasingly casual about the continuities between the present and the long term future, and the Christian world-view with its developed long termism has become more explicitly counter cultural. Nor is this perspective unique to Christians. Many religions which, in their own ways, express the eternal nature of religious truths and the ephemerality of individual human life are profoundly concerned with the long term fate of the earth.

2.2.6 In Jesus's teaching, there is a clear strand of condemnation for those who seek enjoyment and consumption now at the expense of the long term (Matt.16.24-26). He contrasts immediate consumption and the desire to possess and control (which Augustine called the *libido dominandi*) with the concern for one's immortal soul. The implication is that the person who treats the fruits of the earth as his or her plaything, existing only in order to satisfy personal wants, has forfeited the rewards that God offers to those who live in ways which reflect God's own love for all that he has made. He includes, among those who have had their reward already, the ostentatiously pious as well as those who act rapaciously (Matt.6.2), but simplicity of life versus the desire for rewards now, is a constant thread in Jesus's message and, hence, an abiding theme in the church's teaching about humanity's relationship to the created order.

2.2.7 This theological focus helps shift the debate away from the dilemmas of growth and development to the ways in which consumption becomes treated as a good or as an end in itself. It is not that growth is bad, or that developing nations should be stopped in their tracks. Following the emphasis in the teaching of Jesus, amplified by Augustine, the theological (and, some would say, the economic, political and environmental) problems arise when humanity behaves rapaciously toward the created order. To seek simplicity of life is not to oppose growth and development per se. God has given humanity a creative role which echoes God's own, and our imaginations, skills and labour should be directed to transforming the material world and discovering the potentials that God has placed within it. One of the tasks of business and industry is precisely to enable people to participate in this co-creativity. But growth directed to satisfying as many of humanity's desires as possible is another matter. This consumerist mind-set has, in many developed nations, obscured humanity's relationship to, and trust on, God and skewed unsustainably our relationship with the rest of God's creation. God provides enough for all. Human activity, including industry and commerce, has the potential to develop God's created order for the benefit of all. But consumerism, by justifying the desire to accumulate beyond need, prevents the creation from serving the needs of all.

2.2.8 When this perspective is coupled with Jesus's especial love for the poor, those who have little and those who are nothing in the world's eyes, the place of simplicity in Christian discipleship is made even clearer. It is the converse of the attitude which treats everything – people, natural resources and artefacts alike – as existing only for personal benefit. It is the converse of the life which seeks fulfilment in consumption or in human acclaim. Given the extent to which consumerism has contributed to the threat to the world's resources and natural systems today, the gospel focus on an ethic of simplicity is ripe for re-emphasis. In so far as anthropogenic climate change is a consequence of the exponential rise in consumption in the last decades, and a consequence of the demand for natural resources, especially fossil fuels, which consumption has driven, then the approach to simplicity, and the gospel concern for the long term are, together, part of a very direct response. The churches are faithful to the gospel in emphasising the importance of respect for creation, epitomised in simple lifestyles which put God, not humanity, at the centre of all things, and a long term view of history which allows God to be in charge rather than assuming that all God has made is our plaything. As human consumption of natural resources accelerates, the gospel message of simplicity is a crucial corrective which might call us back from hubris to faithfulness.

2.2.9 Thus these biblical and theological reflections about the place of human beings within God's good creation, and our divinely mandated responsibility for the physical world, its creatures and for one another, especially the weakest and least, must drive any Christian response to the challenges of climate change, assisted by the lessons from the experience of the church down through history and around the globe today.

2.2.10 The basic theology that we have presented in this policy – that the world is God's and that we all have a responsibility to Creation and to our neighbour – is not contested within the Christian church. Nor is it contested that we all have a personal Christian responsibility to live more sustainable lives and to challenge ourselves about our patterns of consumption, our use of fossil fuels and our personal contribution to climate change.

2.2.11 However, our work in preparing our policy recommendations has exposed various differences which revolve around how urgently we should seek to end our dependence on fossil fuels. Should we make this our top priority, now, regardless of any short-term negative consequences for the economy? And should the Church divest, now, from all fossil fuel companies, regardless of any negative consequences for the Church's investments? For some divestment campaigners with whom we have dialogued, this a 'kairos' moment like that in the struggle against apartheid in South Africa, which demands instant attention which overrides everything else.

2.2.12 Meanwhile, others expressed their preference for a more cautious approach based upon their assessment of the scientific detail and urgency. A further approach believes that through human ingenuity and new scientific discoveries, the human race will be able to meet and offset the challenge of climate change without having fundamentally to change our attitudes to wealth creation and economic growth which have enriched many (but arguably also impoverished other parts of the human race).

2.2.13 Having received this variety of representations, the EIAG believes that mitigating climate change and effecting the transition to a low carbon economy is a task of great complexity that will not be accomplished simply through divestment from fossil fuel companies, but by sustained efforts on many fronts over many years, as is recognised by those governments who have committed to a process of carbon emissions over the decades through to 2050 and by the Shrinking the Footprint campaign, which recognises that the Church of England cannot cut emissions to 20% of their level in the first decade of this century until 2050.

2.2.14 We also believe that such an approach which seeks to set the highest goals and aspirations while attempting to earth this in the realities of daily life along the way reflects the approach of Jesus Christ as portrayed in the gospels whose words and ethical teaching was always demanding at the highest, yet his actions and pastoral care was equally directed to the poorest and weakest, who struggled to follow him along the way.

The full paper may be found at:

<https://www.churchofengland.org/media/2235218/climate%20change%20policy%2030%2004%2015.pdf>

Introducing the Transition Pathway Initiative

<http://www.lse.ac.uk/GranthamInstitute/tpi/wp-content/uploads/2017/01/About-TPI.pdf>

Appendix 2: Resolutions of the SEC General Synod

The following lists motions passed by the General Synod since 2005 on the subject of climate change or related issues.

General Synod 2005

That this Synod note with concern that time is running out to tackle environmental injustice, in particular the effects of climate change on the development of poorer countries; urge all dioceses to promote the Churches' Environmental Programme, 'Eco-Congregation Scotland'; and call on the G8 Summit members to take radical action at home to reduce the impacts of climate change, including a change in consumption patterns and a meaningful switch to the use of renewable energy sources.

General Synod 2010

That this Synod affirm that effective theological and practical responses are required for the sustainability of the environment due to the distortion created by human over-consumption, and that such responses should be a matter for continuing and urgent review within the life of the Scottish Episcopal Church.

That this Synod ask the Church in Society Committee to prepare a Statement of Principles in 2010/11 confirming the necessity for all dioceses and congregations, as an expression of their faith in action, to encourage and protect a sustainable

environment and to consider steps to reduce energy consumption; and that, once prepared, the Statement of Principles be offered to the College of Bishops for its endorsement.

General Synod 2011

A Statement of Principles by the Scottish Episcopal Church

The whole of creation belongs to God. As human beings we are part of that whole and have a responsibility to love and care for what God has entrusted to us; so that we may experience God's delight to gift peace and abundant life. Recognising the interdependence of human beings with the rest of creation means the ethical basis of our living, as individuals and communities, rests on respect rather than control of our living planet. Accordingly, for the pursuit of social and environmental justice, we need responsible and sustainable stewardship as well as a dialogue with modern science and technology. Our quest is a proper faithful response to the potential harm that destructive living brings.

Understanding too, that our primary task, as Church, is the work of mission and serving Christ's Kingdom. This means that we have a responsibility as stewards of creation to live sustainably for the welfare of future generations and the world we are privileged to enjoy, especially in Scotland.

The SEC is continuing to shape its Whole Church Mission & Ministry policy and this now offers the context for a Statement of Principles concerning environmental sustainability and its place within the mission of our Church.

These following Principles require us to accept an obligation to develop and learn about sustainable living.

- Our daily thanksgiving, prayer life, and worship should acknowledge the wealth and beauty of God's creation.
- Sustainability has to be applied to an environment that is constantly shaped by the forces of a dynamic Earth.
- Pressure on sustainability from economic expansion and an increasing human carbon footprint cannot be ignored.
- Exploitation of human and material resources, the global energy demand, and uncontrolled consumerism undermine the basis for sustainable living in Scotland.
- A dialogue with modern science & technology is required to address global sustainability issues.
- Understanding the systems that sustain life as a whole should shape our responses and actions for sustainable living.
- Natural biodiversity of the land mass and its surrounding seas is a precious resource which we lose at our peril.

To ensure environmental sustainability in all SEC activities and minimise the risk of environmental damage:

That this Synod accept this Statement of Principles.... so as to encourage action by its Dioceses and its Charges recognising the targets set by the Scottish and UK governments [Scottish Government - 42% reduction in emissions by 2020, UK Government 50% reduction by 2025, both governments 80% reduction by 2050]

That this Synod encourage each Diocese and Charge to conduct its own environmental sustainability audit using the form recommended by the Church in Society Committee and to identify opportunities to reduce energy consumption to help the SEC become a more environmentally sustainable Church.

That this Synod request Diocesan bodies responsible for the care of church property to consider that the recording, monitoring and encouragement of energy use improvement is an integral part of the environmental sustainability audit and that if appropriate this be considered in the context of quinquennial building surveys.

General Synod 2015

That this Synod endorse:

- the actions being taken by Scottish Churches to influence Government so that the United Nations Climate Change Conference, to be held in Paris in December 2015, can result in firm and clear proposals to limit the rise in global mean surface temperature to no more than two degrees Centigrade;
- the following practical steps being taken by the Scottish Episcopal Church through the Church in Society Committee:
 - Encouraging congregations to join Eco-Congregation Scotland;
 - Working collaboratively with other concerned organisations.

Appendix 3: The Church Investors Group (CIG)

<https://churchinvestorsgroup.org.uk/>

The Aims of the CIG are:

To encourage the formulation of investment policies based on Christian ethical principles and to assist each other in putting such policies into practice.

The CIG helps members actively develop and maintain investment policies that represent their faith and wider responsible investment practice. It publishes in-depth research on issues that matter to its members and their constituents. Previous topics have included executive remuneration and climate change.

To encourage responsible business practices through engagement with company managements.

The CIG engages with business collectively with the goal of raising corporate standards. It has a track record of delivering the change that its members want to see.

To share information and views on ethical matters related to investment.

The group meets together each June for a two day conference as well as a one day member meeting in November. These gatherings allow members to both hear from expert speakers and build contacts with fellow church investors.

The CIG does not dictate policy to its members, nor does it make public statements that are attributable to them.

Appendix 4: The Anglican Consultative Council Resolution 16.08: Response to Global Climate Change

1. receives and commends for study *The World Is Our Host: A Call to Urgent Action for Climate Justice*, a statement from seventeen Anglican archbishops and bishops who met at Volmoed, South Africa, February 2015;
2. notes the dire consequences of climate change for future generations and for all of God's creation;
3. recognises the global urgency of the crisis of climate change and its impact on the well-being of all people, especially the most vulnerable in societies and encourages Anglicans everywhere to join in pastoral, priestly, and prophetic action as we seek together the redemption of all things in Christ praying and fasting, including special fasts on the first day of each month and a 'carbon fast' during Lent;
 - designing and taking strategic actions toward sustainability and resilience in our dioceses, communities and congregations, taking into account local ecological and economic contexts and opportunities;
 - reviewing and making necessary changes to church investments to ensure these are visibly supportive of a move towards a low carbon economy;
 - making energy efficiency and access to renewable energy a priority in all church operations;
 - teaching the Fifth Mark of Mission in theological and church-sponsored educational bodies;
 - urging political, economic, social, and religious leaders in our various constituencies to address the climate change crisis as the most pressing moral issue of our day consistent with the United Nations' 21st Climate Change Conference, Paris 2015;
 - recognising and supporting indigenous peoples' right to free, prior and informed consent in decisions concerning the environment and the well-being of communities; and
 - advocating for sustainable water, food, and agricultural practices in our communities consistent with the United Nations' Sustainable Development Goals.
4. requests provinces of the Anglican Communion to consider appointing a contact person to the Anglican Communion Environmental Network who will report to the Network on actions taken so that a full report may be made to the next ACC.