Fossil Fuels: Engage or Divest

Seventh Generation Interfaith
November 13, 2020

Welcome!

- Participants will be in listen only mode until the Q&A section.
- We will make recording and slides available and post on our website

Seventh Generation Interfaith Coalition for Responsible Investment

Our Itinerary

- The Current Moment
- Overview of Task Force for Climate-Related Disclosures
- Climate Action 100+ Initiative
- A Province's Path to Divestment

Seventh Generation Interfaith Coalition for Responsible Investment

Our Companions

- **Rob Berridge**, Director of Shareholder Engagement, Ceres
- **Morgan Lamanna**, Senior Manager of Investor Engagements, Ceres
- **Fr. Peter Bisson, S.J.**, assistant to provincial for justice, ecology and Indigenous relations, Jesuit Province of Canada

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Reflection: A Prayer for our Earth

From Laudato Si'

All-powerful God, you are present in the whole universe and in the smallest of your creatures.

You embrace with your tenderness all that exists.

Pour out upon us the power of your love, that we may protect life and beauty.

Fill us with peace, that we may live as brothers and sisters, harming no one.

O God of the poor, help us to rescue the abandoned and forgotten of this earth, so precious in your eyes.

Bring healing to our lives, that we may protect the world and not prey on it, that we may sow beauty, not pollution and destruction.

Touch the hearts of those who look only for gain at the expense of the poor and the earth.

Teach us to discover the worth of each thing, to be filled with awe and contemplation, to recognize that we are profoundly united with every creature as we journey towards your infinite light.

We thank you for being with us each day. Encourage us, we pray, in our struggle for justice, love and peace.

Amen.

The Current Moment

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Task Force on Climate-related Financial Disclosures

Overview of Recommendations and Initiatives

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risks to the Financial System

- **Rise in Natural Catastrophes and Chronic Environmental Shifts**
  - Macroeconomic shocks and financial losses caused by storms, droughts, wildfires, and other extreme events, or by changing weather patterns over time
  - Unanticipated financial losses resulting from climate change could impact the global financial system
- **Transition to a Low-Carbon Economy**
  - Risks associated with an abrupt adjustment to a low-carbon economy, such as rapid losses in the value of assets due to changing policy or consumer preferences
  - Climate-related financial risks could affect the economy through elevated credit spreads, greater precautionary saving, and rapid pricing readjustments

Climate change presents a non-diversifiable financial risk that will likely have an impact on many companies':

Background

G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that:

- could **"promote more informed investment, credit, and insurance underwriting decisions"** and,
- in turn, "would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system's **exposures to climate-related risks.**"

Industry Led and Geographically Diverse Task Force

The Task Force's 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.

17 Experts from the Financial Sector

7 Experts from Non-Financial Sectors

8 Other Experts

Development of Recommendations

In developing its recommendations, the Task Force:

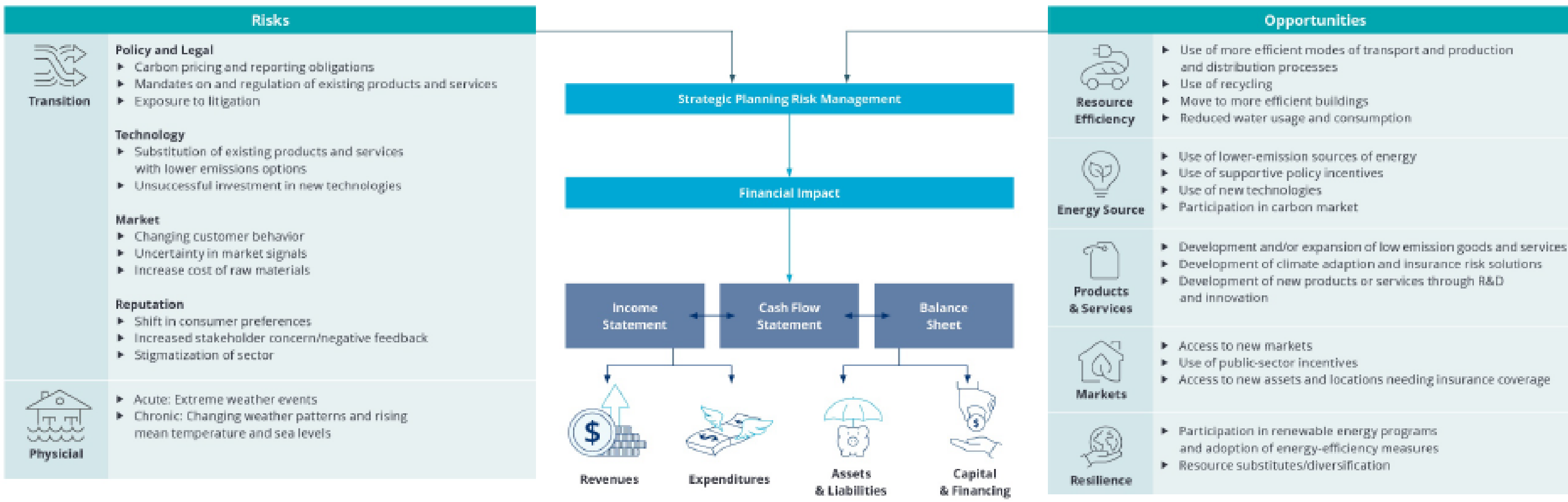
Considered the **challenges for preparers** of disclosures as well as the **benefits** of such disclosures to investors, lenders, and insurance underwriters

Engaged in **significant outreach and consultation** with users and preparers of disclosures and other stakeholders, including two public consultations, individual discussions and focus groups with industry, webinars, and outreach events in multiple countries

Drew from existing climate-related disclosure regimes and sought to develop a decision-useful framework to **align and supplement existing disclosure frameworks**

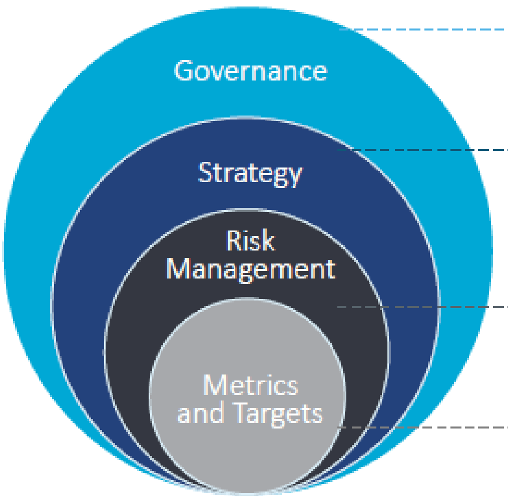
Emphasized disclosure of the **financial impacts** of climate-related risks and opportunities on a company (rather than company's impact on environment)

Climate-related Risks, Opportunities, and Financial Impact



Structure of Recommendations

The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.



The recommendations are structured around four thematic areas that represent core elements of how organizations operate:

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

The TCFD Framework

The four recommendations are supported by **specific disclosures** organizations should include in financial filings or other reports to provide decision-useful information to investors and others.

Governance	Strategy	Risk Management	Metric and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Governance – Recommended Disclosures:

a) Describe the board's oversight of climate-related risks and opportunities.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy – Recommended Disclosures:

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management – Recommended Disclosures:

a) Describe the organization's processes for identifying and assessing climate-related risks.

b) Describe the organization's processes for managing climate-related risks.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metric and Targets – Recommended Disclosures:

a) Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Disclosure Guidance

The Task Force developed **guidance for all sectors** and **supplemental guidance** for the financial sector and non-financial groups. The guidance provides additional context and suggestions to support implementation of the recommended disclosures.

Financial Sector Industries

- Banks
- Insurance Companies
- Asset Managers
- Asset Owners

The financial sector was organized into four major industries largely based on activities performed. The activities are lending (banks), underwriting (insurance companies), asset management (asset managers), and investing (asset owners).

Non-financial Groups

- Energy
- Transportation
- Materials and Buildings
- Agriculture, Food, and Forest Products

The non-financial groups identified by the Task account for the largest proportion of GHG emissions, energy usage, and water usage.

Key Elements of Disclosure Recommendations

Location of Disclosure

- The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) **annual financial filings.**
- If certain elements are incompatible with national disclosure requirements, the Task Force encourages organizations to disclose those elements in **other official company reports.**

Principle of Materiality

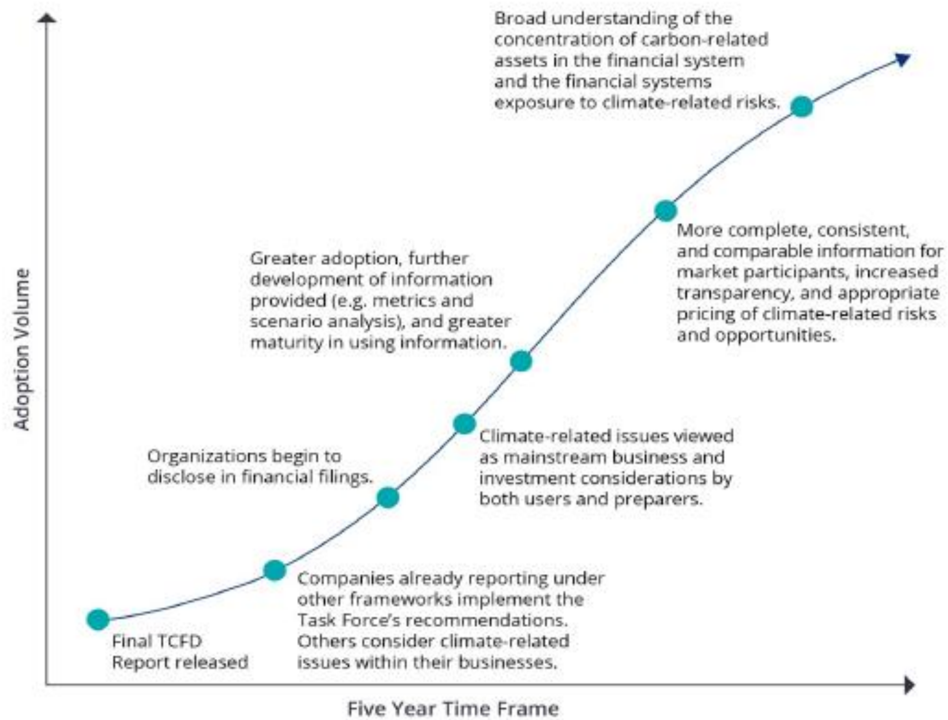
- In general, organizations should **determine materiality** for climate-related issues consistent with how they determine the materiality of other information included in their financial filings.
- However, the Task Force recommends organizations disclose information related to the **Governance and Risk Management recommendations** regardless of materiality.

Scenario Analysis

- The Task Force encourages disclosure of forward-looking information through scenario analysis — a useful tool for understanding the **strategic implications of climate-related risks and opportunities.**
- Specifically, the Task Force recommends organizations describe the resilience of their strategy, taking into consideration different climate-related scenarios, including **a 2°C or lower scenario**.

Illustrative Implementation Path

The TCFD expects that **reporting of climate-related risks and opportunities will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.



TCFD Timeline

DEC 2015 — Announcement of the establishment of the TCFD.

JAN 2016 — Task Force members were selected and announced.

JUN 2017 — When the Task Force released its disclosure recommendations in June 2017, it did so with the support of over 100 CEOs.

DEC 2017 — At French President Emmanuel Macron's One Planet Summit, Governor Mark Carney and Michael Bloomberg advanced the discussion around the TCFD and announced over 230 supporters.

MAY 2018 — Launch of the TCFD Knowledge Hub.

JUN 2018 — TCFD wins the C.K. Prahalad Award for Global Business Sustainability Leadership.

SEP 2018 — The Task Force released its first status report at the One Planet Summit in New York City and announced over 500 supporters.

JUN 2019 — The Task Force released its second status report and announced almost 800 supporters.

OCT 2019 — The Government of Japan holds first-ever TCFD Summit.

OCT 2020 — TCFD launches 2020 status report, guidance, and consultation

1,540 supporters as of October 2020 have a market capitalization of over $12.9 trillion, including over 713 financial firms, responsible for assets of $150.5 trillion.

Significant Momentum in Support of TCFD

May 2020: The Canadian government established COVID-19 relief financing to large employers contingent, in part, on employers publishing TCFD-aligned disclosures.

July 2019: In its *Green Finance Strategy*, the U.K. Government states all listed companies and large asset owners are expected to disclose climate-related information in line with the TCFD recommendations by 2022.

June 2020: The Hong Kong Monetary Authority released a white paper recommending authorized institutions "take the TCFD recommendations as the core reference" for disclosing climate-related financial information.

October 2019/2020: In Japan, the Ministry of Economy, Trade and Industry held the first TCFD Summit in October 2019 and will hold a second summit on October 9, 2020.

June 2019: The European Commission incorporated the TCFD recommendations into its *Guidelines on Reporting Climate-Related Information* to support companies in disclosing climate-related information under the European Union's reporting requirements.

February 2020: Banco de México recommended providing a clear strategy on how regulation and supervision will promote disclosure of physical and transition risk analysis of financial institutions and corporations, following the TCFD recommendations.

September 2020: Banco Central Do Brasil announced plans to disclose in line with the TCFD recommendations and issue regulation for banks to disclose in line with the recommendations in 2021/2022.

June 2020: The Monetary Authority of Singapore indicated banks should use international reporting frameworks like the TCFD to guide their environmental risk disclosure.

August 2019: The Australian Securities and Investment Commission updated its regulatory guidance on climate-related disclosure, encouraging TCFD-aligned reporting and welcoming TCFD as the preferred market standard.

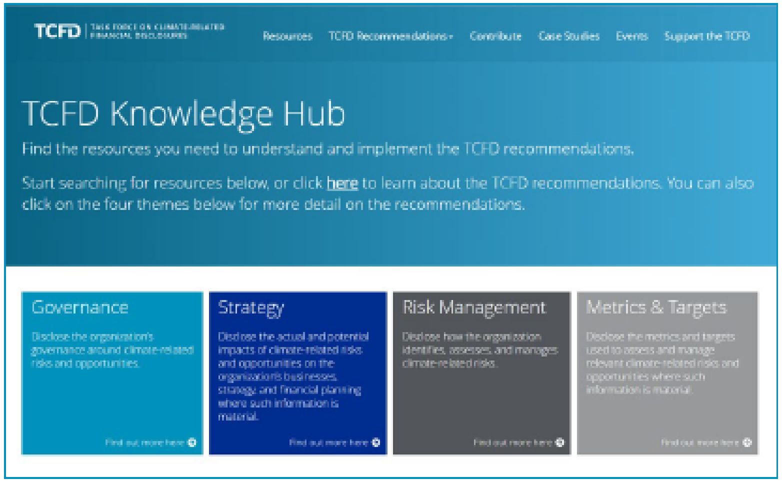
Climate Action 100+, comprised of over 450 investors with over $40 trillion in assets under management, engages the world's largest corporate GHG emitters to strengthen disclosures by implementing the TCFD recommendations.

May 2020: The National Treasury of South Africa published a draft technical paper recommending regulators and the financial sector establish standards on identifying, monitoring, and reporting environmental and social risks, including climate-related risks, that incorporate the TCFD recommendations.

September 2020: The New Zealand government announced it would introduce a mandatory climate-related financial disclosure regime based on the TCFD framework.

The Task Force's Current Work

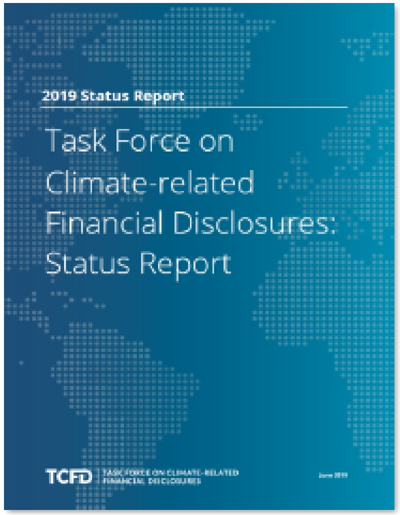
The Task Force has undertaken several initiatives to support and monitor adoption of its recommendations over the past few years, including the following:



- Supporting "preparer forums" and workshops to help companies with implementation
- Supporting development of resources and tools (e.g., TCFD Knowledge Hub)
- Delivering status reports to the FSB in 2018, 2019, 2020, and working towards a fourth status report to be delivered in September 2021
- Delivering new 2020 guidance on scenario analysis and risk management
- Consulting on forward-looking metrics for the financial sector (consultation open from October 29, 2020 to January 27, 2021)

Overview of 2020 TCFD Status Report

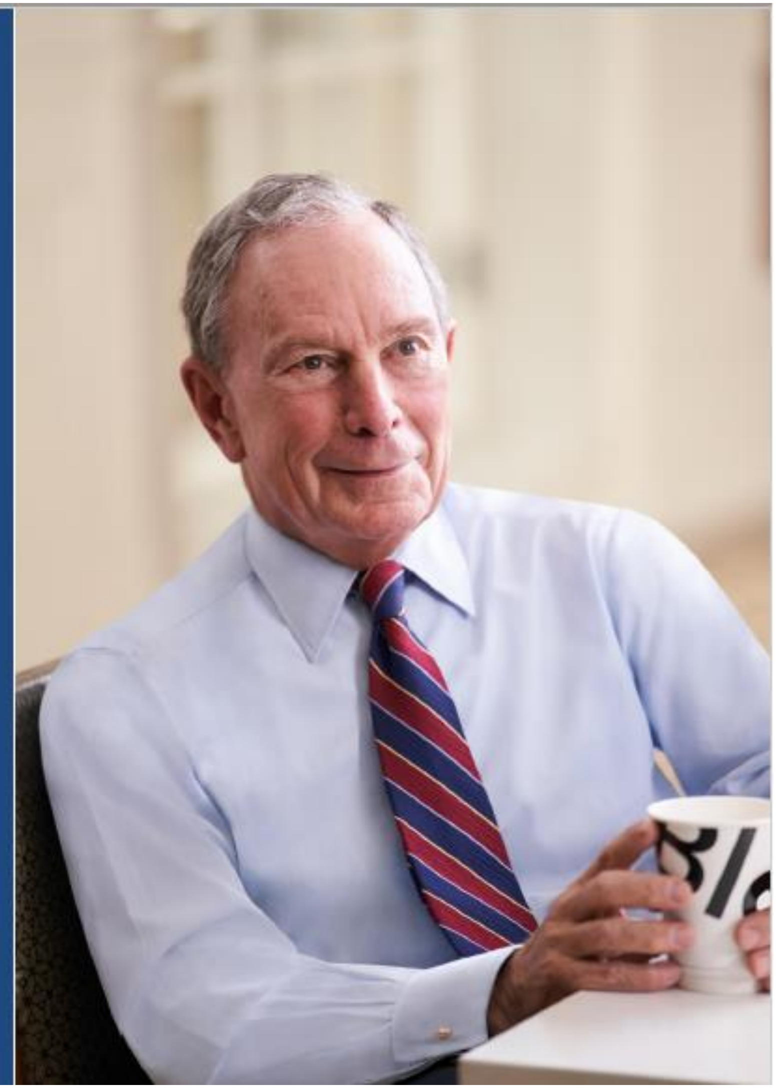
The Status Report provides an overview of current disclosure practices related to the TCFD recommendations as well as additional information to support preparers in implementing the recommendations.



The Task Force's 2020 report focuses on the following:

- summarizing **disclosure practices, over a three-year period,** relative to core elements of the recommended disclosures
- providing **examples of disclosures** that contain information aligned with the recommended disclosures
- providing case studies on **companies' efforts to implement the recommendations and users' views** on the usefulness of available disclosures
- sharing **user perspectives on decision-useful information**
- summarizing **major initiatives that support the TCFD** and implementation of its recommendations

Appendix



Task Force Members

Michael Bloomberg
Chairman
Founder
Bloomberg LP and
Bloomberg Philanthropies

Christian Thimann
Vice Chair
CEO and Chairman of
the Management Board
Athora Germany

Graeme Pitkethly
Vice Chair
Chief Financial Officer
Unilever

Yeo Lian Sim
Vice Chair
Special Advisor,
Diversity
Singapore Exchange

Denise Pavarina
Vice Chair
Senior Advisor
Aggrego Consultores

Mary Schapiro
Vice Chair for Global
Public Policy
Special Advisor to the
Founder and Chairman
Bloomberg LP

Task Force Members *(continued)*

Jane Ambachtsheer
Global Head of Sustainability
BNP Paribas Asset Management

Matt Arnold
Head of ESG & Corporate Responsibility Engagement
JPMorgan Chase & Co.

Wim Bartels
Partner
Corporate Value
KPMG

Bruno Bertocci
Managing Director
Head of Sustainable Equity Investors
UBS Asset Management

David Blood
Senior Partner
Generation Investment Management

Richard Cantor
Chief Credit Officer
Moody's Corporation

Koushik Chatterjee
Executive Director & Chief Financial Officer
Tata Group

Brian Deese
Managing Director, Global Head of Sustainable Investing
BlackRock

Mary Draves
Vice President, Environment, Health, Safety and Sustainability
Dow

Eric Dugelay
Partner
Sustainability Services
Deloitte

Takehiro Fujimura
General Manager
Corporate Sustainability & CSR
Mitsubishi Corporation

Rosanna Fusco
Vice President
Environment
Eni

Alan Gómez
Vice President
Sustainability
Citibanamex

Thomas Kusterer
Chief Financial Officer
EnBW Energie Baden-Württemberg AG

Diane Larsen
Assurance Audit Partner, Global Professional Practice
EY

Stephanie Leaist
Senior Advisor
CPP Investments

Task Force Members *(continued)*

Mark Lewis
Global Head of Sustainability Research
BNP Paribas Asset Management

Sylvain Vanston
Group Head, Climate & Environment
AXA

Michael Wilkins
Managing Director, Sustainable Finance
S&P Global Ratings

Eloy Lindeijer
Chief of Investment Management, Member Executive Committee
PGGM

Steve Waygood
Chief Responsible Investment Officer
Aviva Investors

Jon Williams
Partner
Sustainability and Climate Change
PwC

Ruixia Liu
General Manager, Risk Management Department
Industrial & Commercial Bank of China

Martin Weymann
Head Sustainability, Emerging & Political Risk Management, Group Risk Management
Swiss Re

Russell Picot (Special Advisor)
Chair, Audit and Risk Committee, LifeSight;
Board Chair of HSBC Bank (UK) Pension Scheme Trustee;
Former Group Chief Accounting Officer, HSBC

Martin Skancke
Chair, Risk Committee
Storebrand

Fiona Wild
Vice President
Sustainability and Climate Change
BHP

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ASIA INVESTOR GROUP ON CLIMATE CHANGE

Ceres

Investor Group on Climate Change

IIGCC
The Institutional Investors Group on Climate Change

PRI Principles for Responsible Investment

Seventh Generation Interfaith Coalition for Responsible Investment Webinar

November 13, 2020

Agenda Items

1. The Climate Action 100+ Initiative highlights
2. Successes to date, including net-zero commitments
3. Status of engagement with North American companies Oil & Gas Companies - ConocoPhillips, Chevron, Phillips 66, ExxonMobil, Marathon Petroleum and Valero Energy

Climate Action 100+ Overview

160

GLOBAL

COMPANIES

engaged across

33 MARKETS

As of September 2020, over 500 investor signatories, representing

$47

TRILLION

in assets under management

Up to

TWO THIRDS

of global industrial emissions accounted for by the companies targeted by Climate Action 100+

Climate Action 100+

Global Investors Driving Business Transition

Over 7,000 separate items of Climate Action 100+ related media coverage since launch.

CA100+ featured in the UN's Yearbook of Global Climate Action 2019 released at COP25 in Madrid.

United Nations
Climate Change Secretariat

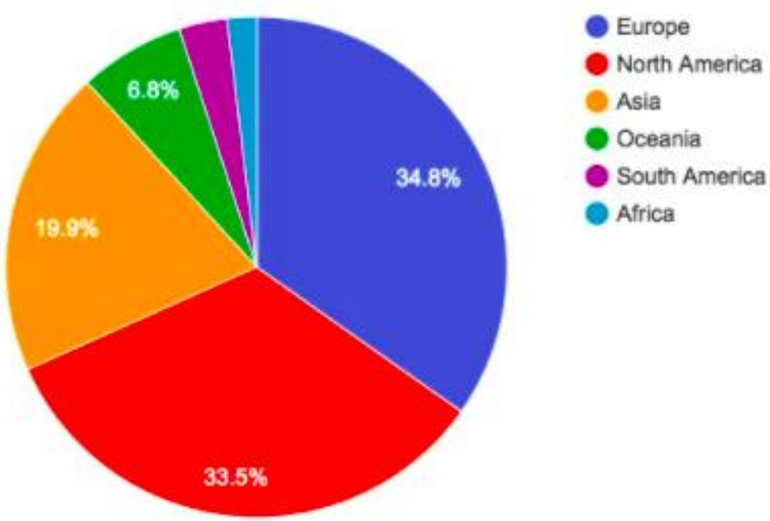
Marrakech Partnership

Global Climate Action

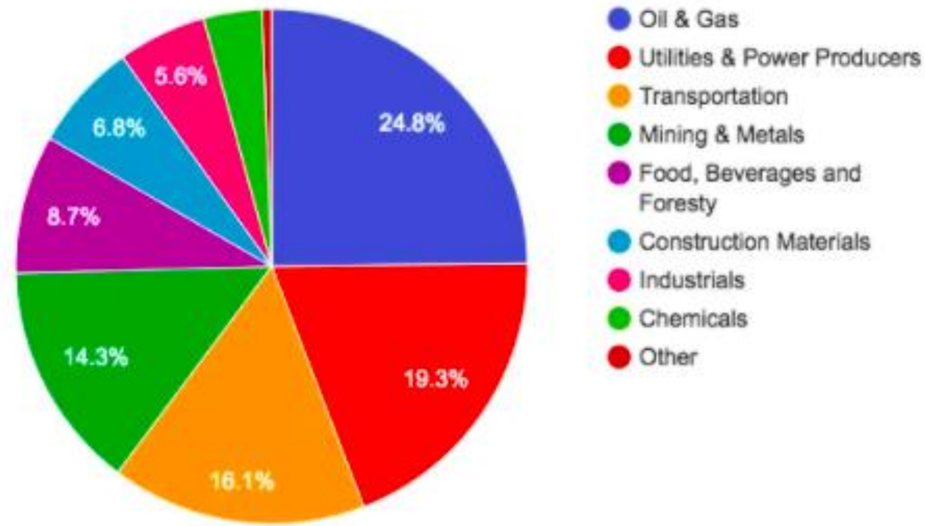
Climate Action 100+ first Progress Report was released in September 2019

Climate Action 100+ Focus Companies (160 total)

CA 100+ Focus Companies by Region



CA 100+ Focus Companies by Sector



$8.1 trillion market capitalization
(Bloomberg June 2019)

Over 29.9 gigatons CO2 emissions
(CDP 2018 emissions reported)

Climate Action 100+ Company Commitments

Commitment	Description Summary
1. Implement a strong climate governance framework	• Board level responsibility for climate risk; • Remuneration aligned with Paris Agreement ambition; and • Oversight of corporate climate policy activity
2. Take action to reduce greenhouse gas emissions across the value chain	Action plan setting out how the company will make its business consistent with the ambition of the Paris Agreement (strive for net zero emissions by 2050)
3. Provide enhanced corporate disclosure in line with TCFD	Disclosure that aligns to the TCFD framework, is integrated into financial filings. and includes a well below 2 degrees climate scenario analysis

Current planned engagement and escalation strategies for the next 6 months

- A prevailing majority of investors across all regions intend to engage companies through **group meetings*.**
- Some regions are anticipating **joint statement with companies** engaged.
- Some engagements will see **multiple escalation strategies** considered during the course of 2021.

*During 2020, CA 100+ investors met with the CEO and/or board chair at 36 focus companies.

Climate Action 100+ Net Zero Company Benchmark overview

BENCHMARK INDICATORS

1	NET ZERO GHG EMISSIONS BY 2050 (OR SOONER) AMBITION
2	LONG-TERM (2036 - 2050) GHG REDUCTION TARGET
3	MEDIUM-TERM (2026 - 2035) GHG REDUCTION TARGET
4	SHORT-TERM (2020 - 2025) GHG REDUCTION TARGET
5	DECARBONIZATION STRATEGY
6	CAPITAL STOCK ALIGNMENT
7	CLIMATE POLICY ENGAGEMENT
8	CLIMATE GOVERNANCE
9	JUST TRANSITION
10	TCFD DISCLOSURE

NOTES

- **Indicator #2** - Long-term GHG emissions targets for most sectors will need to reach zero emissions prior to 2050, and in some sectors/regions much earlier.
- **Indicator #3** – Medium-term GHG emissions targets will need to be consistent with a 45% cut in emissions versus a 2010 baseline by 2030.
- **Indicator #5** – Offsetting or 'CO_2 removal' should not be used by companies operating in sectors where viable decarbonisation technologies exist.

Plus 22 sub-indicators

Proxy voting and the Net-Zero Company Benchmark

- The Benchmark provides a basis for reviewing and aligning signatory unique proxy voting policies with the over-arching Climate Action 100+ commitment areas.*

- The Benchmark may also be referenced by analysts and proxy voting advisory firms in determining their voting recommendations.

- Signatories and networks are participating in stakeholder consultations that seek to align voting advice with the new Benchmark.

* All investor signatories to the Climate Action 100+ initiative are responsible for their own voting decisions – this includes pre-declaration and vote solicitation. Climate Action 100+ investor networks do not seek to provide voting recommendations or to facilitate block voting.

Appendix

Successes to date, including net-zero commitments; European O&C Companies

- **BP** First oil super major to commit to **net zero emissions by 2050 including Scope 1, 2, and 3 emissions;** Supported shareholder resolution put forth by investors to align business strategy with the Paris Agreement

- **Repsol** World's first major oil producer to **pledge complete decarbonization including Scopes 1, 2, and 3 emissions**; Announcement highlighted Climate Action 100+ investors; Pay of 1,500 top managers linked to achieving target

- **Royal Dutch Shell** Committed to **net zero emissions by 2050 including Scopes 1 and 2, and to reduce Scope 3 emissions by 65% by 2050;** Executive compensation pegged to interim targets; Lobbying alignment & disclosure

- **Total** Committed to **net zero emissions by 2050, including Scopes 1 and 2 worldwide, net-zero emissions by 2050 including Scopes 1, 2, and 3 in Europe**; and 60% reduction by 2050 for Scope 3 emissions worldwide with intermediate targets of 15% by 2030 and 35% by 2040

North American Utilities and Transportation Companies

- **Duke Energy** *Net-zero carbon emissions by 2050; 50% by 2030; increased ambition on renewables, scaled back role of natural gas, and provided more robust scenario analysis (scope not specified, % of emissions in target is not specified)*

- **Dominion Energy** *Net-zero carbon emissions by 2050; including decreasing methane emissions 65% by 2030 and 80% by 2040 (scope not specified, % of emissions in target is not specified)*

- **Southern Company** *Net-zero emissions by 2050; intermediate goal of a 50% reduction of GHG emissions from 2007 levels by 2030.*

- **Xcel Energy** *Committed to 60%-80% reduction in carbon emissions from 2005 levels by 2030; 100% carbon free electricity to customers by 2050 (target = scope 3, 96% of emissions in target)*

- **NRG Energy** *Committed to increase their 2C SBT to a 1.5C SBT and reach net zero emissions by 2050 (target = scope 1 & 2, 100% of emissions in target)*

- **Ford** Committed to *carbon neutrality* by 2050; interim carbon neutrality targets.*

- **Delta Airlines** *Committed to carbon neutrality* by 2030; pledged to invest USD $1B to achieve this goal*

* Carbon neutrality refers to achieving zero carbon emissions by balancing such emissions with carbon removal.

US O&G Companies are moving, but remain well behind European peers

The Good

- **ConocoPhillips** demonstrates that engagement can fundamentally change a company's trajectory
- **Marathon Petroleum**: the power of escalation
- **Chevron**: a work in progress

The Bad

- **Phillips 66 and Valero** show that the refining sector is uniquely challenging

And ExxonMobil

- Need for significant escalation

Significant progress via engagement at other North American O&G targets

- Net zero commitment at pipeline company Williams
- Multiple companies with flaring and methane reduction targets

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IGNATIAN SOLIDARITY NETWORK

Home Who We Are What We Do

ENVIRONMENT, NEWS

JESUIT PROVINCE OF ENGLISH CANADA JOINS CATHOLIC INSTITUTIONS AROUND THE WORLD IN DIVESTING FROM FOSSIL FUEL EXTRACTION

BY ISN STAFF | *October 4, 2016*

Today, on the Feast of St. Francis of Assisi, Catholic institutions and communities from all over the world celebrated the culmination of the month-long Season of Creation with the largest joint announcement of their decision to divest from fossil fuels.

Catholic communities committing to switch the management of their finances away from fossil fuel extraction include: The Jesuits in English Canada; the Federation of Christian Organisations for the International Voluntary Service (FOCSIV) in Italy; the Presentation Society of Australia and Papua New Guinea; SSM Health in the United States; the Diocese of the Holy Spirit of Umuaramá in the Brazilian state of Paraná; the Missionary Society of St. Columban, based in Hong Kong and with a

Questions

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Thank you to our Companions

- Rob Berridge, Ceres
  berridge@ceres.org
- Morgan Lamanna, Ceres
  lamanna@ceres.org
- Fr. Peter Bisson, S.J., Jesuit Province of Canada
  pbisson@jesuits.org

Thank You

SeventhGenerationInterfaith.org

Seventh Generation Interfaith
Coalition for Responsible Investment