



ISMAPNG Environmental Sustainability *Information Sheet- Investment/Divestment*

February 2019

Investment/Divestment - What does it mean?

Investment

The Investment portfolio of ISMAPNG is diversified across multiple asset classes including cash, fixed income, domestic & international shares with a mix of Direct and Indirect investments. Direct investments involve an investment into a specific company's shares or debt securities and Indirect investments are through a managed funds / unitized structure where there is no immediate ability to influence/change the underlying investments. The returns from these investments contribute to the operational funds used to provide a wide range of services to the community as part of our mission. The existing Governance framework to manage these Investments included an approved Investment schedule as well as an excluded Investment schedule that aligned with Catholic values and provided an ethical overlay to exclude industries that were contrary to these values.

Divestment from Fossil Fuels

In simple terms, Divestment from Fossil Fuels in our portfolio is the opposite of Investment and focusses on reducing the financial stake held by ISMAPNG with investments in industries that are identified as having both Direct and Indirect exposure to Fossil fuels such as oil, gas and coal companies.

Reason for change

A number of contributing factors led to a process of change such as the wishes of the sisters, the 2017 Chapter statement to embed environmental Sustainability across the Institute, the Sustainable Living Policy, Laudato Si, and the Global Climate Catholic Movement with their promotion of a fossil fuel free divestment pledge.

Targets

The development of the below targets are focused on two timeframes within the next five years which is the timeline expected to achieve full divestment across all ISMAPNG investments.

Portfolio targets for the next three years include:-

- Exclude investments in the top 200 oil, gas and coal companies (based on fossil fuel reserves used for energy purposes)
- Exclude companies with > 5% exposure by revenue to fossil fuels in direct investments
- Maintain a carbon footprint < 20% of the benchmark (Carbon footprint data is available for both Domestic (ASX200) and International (MSCI World Index) portfolios and are expressed as tones of CO2 per million dollars invested).

Longer term Portfolio targets within the next 3 to 5 years include:-

- Nil exposure to fossil fuels in direct investments
- NIL exposure to fossil fuels in any indirect investments
- NIL exposure to fossil fuels across the entire investments portfolio
- Maintain a carbon footprint < 20% of the benchmark
- Continue to invest in climate solutions, such as renewable energy, energy efficiency, sustainable agriculture, water efficiency and more.

These targets will become part of the updated Investment policy and are just the initial step toward a lower carbon portfolio. The wording will be revised annually to ensure ISMAPNG target carbon reductions that are meaningful going forward.

Implementation

The process has already commenced with the top 200 companies within the Domestic Direct investments already removed from the portfolio and the Crestone Wealth managers are working through the process to remove the direct investments within our International equity portfolio.

Background Information

During 2018, meetings with ISMAPNG Investment managers from Crestone Wealth Management, Darren Schutz – Chief Financial Officer, Grant Alleyn from Allegra Wealth and the Finance Advisory Council (FAC) and Chris Hill the Environmental Sustainability Manager continued to scope a process for a more structured approach to implement the sustainability aspects of the Investment portfolio.

A “Roadmap to Responsible Investing” paper was approved by the ILT at their August 2018 meeting and this strategy outlined a four stage process that was agreed to focus on:-

- Divestment of fossil fuels (Exclusionary or negative screening / positive screening / norms based screening)
- Integration of other Environmental, Social, Governance (ESG) values and ethical factors (inclusive of ESG factors into traditional financial analysis)
- Sustainability themed Investing (clean energy / green technology / sustainable agriculture and forestry, green property or water technologies)
- Impact Investing Impact Investing (solving social and environmental problems)

The subsequent paper on Divestment from Fossil Fuels was endorsed in November 2018 with minor amendments by the FAC and the targets outlined above were approved by the ILT at their December 2018 meeting.



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We know that technology based on the use of highly polluting fossil fuels – especially coal, but also oil and, to a lesser degree, gas – needs to be progressively replaced without delay. Until greater progress is made in developing widely accessible sources of renewable energy, it is legitimate to choose the less harmful alternative or to find short-term solutions.

References

- Institute's Sustainable Living policy
- A Roadmap to Responsible Investing – Crestone Wealth Management
- A Roadmap to Responsible Investing – Project 1 – Divestment of Fossil Fuels – Crestone Wealth Management