US SIF
The Forum for Sustainable and Responsible Investment

Statement on Fossil Fuels and Sustainable and Responsible Investment

Climate change is one of the most critical issues facing Americans today. As sea levels rise and temperatures increase, severe droughts and floods and other extreme weather events are becoming more frequent. Nonetheless, the US Congress has failed to enact comprehensive legislation to curb greenhouse gas emissions, and many Americans, including a broad range of investors, are thus looking to the White House and executive branch to issue new regulations and executive orders under existing mandates. Additionally, a national student movement focusing on divestment from fossil fuels, based on the "Do the Math" campaign organized by Bill McKibben and 350.org, aims to persuade colleges, universities, churches, foundations and other investors to stop investing in the fossil fuel industry.

We welcome the growing investor conversation about climate change. Sustainable and responsible investors have challenged fossil fuel companies for decades to disclose and ameliorate their impact on climate change and on other critical environmental social issues, such as the rights and quality of life of local communities, including indigenous peoples. The engagement with fossil fuel companies occurs in an environment where renewable sources of energy accounted for about 9.3% of total U.S. energy consumption and 12.7% of electricity generation in 2011 (US Department of Energy).

In the midst of the discussion occurring about the fossil fuel industry, we have outlined the approaches utilized within the sustainable investment community:

1. **Creating portfolios without exposure to fossil fuel stocks** – Investors can choose to create portfolios that do not include fossil fuel company stocks. Some fund and separate account managers, across asset classes, are developing investment portfolios and strategies that are free of fossil fuels.

2. **Investing in fossil fuel stocks but imposing certain standards** –Investors seeking some level of fossil fuel exposure in their portfolios or already invested in fossil fuel companies also have tools at their disposal to reflect and communicate their concerns about the companies' operations and impacts.

   A. Portfolio selection –Investors can use a "best-in-class" approach to screen out the worst performing and most carbon-intensive fossil fuel companies while investing in the fossil fuel companies that have made stronger commitments to reducing emissions and investing in renewable energy. In 2012, US investment firms considered climate change and carbon criteria in developing the portfolios for 280 investment vehicles totaling $134 billion. Climate change was also among the environmental criteria most commonly considered by institutional asset owners, affecting portfolios totaling $644.8 billion at the start of 2012.

B. Shareholder Advocacy – As shareowners, sustainable investors can engage in dialogue with portfolio companies. At publicly traded portfolio companies, investors can also file or co-file shareholder resolutions and vote their shares on climate-related issues at the companies' annual meetings. Sustainable and responsible investors have advocated for companies to report and reduce greenhouse gas emissions, to expand investments in alternative energy and to address climate-related risk (including potential risk to their reputations).

3. Investing in renewable energy and energy efficiency - Investors, regardless of whether they invest in fossil fuels, can also invest in renewable energy, energy efficiency and transit-oriented development funds and vehicles.

4. Divesting from fossil fuel stocks-- Investors who have fossil fuel companies in their portfolios may choose divestment as an eventual outcome when a target company is unresponsive, has made insufficient progress, or the investor no longer believes the stock is a good fit with their investment policy. Investors choosing to divest their holdings in fossil fuel companies can communicate the reasons behind their decisions to the affected companies' investor relations departments or in public statements.

5. Public Policy - Investors can also contribute their voices to public policy debates. Sustainable and responsible investors asked members of Congress and the Administration to support climate change legislation that would promote tax incentives to stimulate clean and renewable energy and energy efficiency, substantially reduce greenhouse gas reductions and expand green collar jobs and training.

US SIF encourages investors—both individuals and institutions—to employ one or more of these strategies to address the urgent challenge of climate change.

For additional information on sustainable and responsible investing and US SIF, please visit www.ussif.org.