

CLIMATE CHANGE

Ethical Position Paper



Climate Change has the potential to significantly impact the long-term financial performance of superannuation funds. The issue is heavily debated, but it is clear that if governments and other bodies regulate carbon emissions, this will have a serious impact on the operations of companies and pose risks to our fund that must be addressed.

Climate Change is without a doubt one of the most debated, and incredibly important, issues of our times. Media exposure has increased awareness, provoking social action and making clear the heavy societal and financial impact climate change may have. As long term financial stewards, Christian Super seeks to do its part in tackling potential Climate Change risks, exercising environmental and financial stewardship through its targeted investing and mitigating risks posed to retirement savings. Through this facts sheet and others in the series our intention is to express our view, how this effects our investment strategy and hopefully provoke thought about how to invest money in an ethical and responsible way.

Brief Biblical Theology Overview

A survey of the Bible identifies two key themes that can instruct us on an appropriate Christian response to climate change. Firstly we see that we are to be stewards of creation and secondly we are commanded to care for the poor.

Stewardship of Creation

"The earth is the LORD's, and everything in it, the world, and all who live in it" Psalm 24:1

As Christians living in God's creation we are charged with the duty of caring for it. God's creation mandate in Genesis 1:26 to rule over all the earth instructs us to be good stewards over what God has entrusted to us, the earth in all its complexity. As Psalm 24 says, the earth and everything in it is ultimately God's and so as his people we should seek to bring glory to him by sacrificially exercising stewardship over it.

We also see that in Exodus 23:10-11 God's people are commanded to care for the land by allowing it to rest and recover from intensive use every seven years. While this command was specific to Israel, we can see some parallels with our situation today. Many parts of the created environment have been overworked as we strip them and use them for industrial development. This is one of the major factors that have given rise to our current climate situation. Wisdom would suggest that there are times when we should allow the land and our environment periods of rest and rejuvenation.

Caring for the poor

The bible presents a clear message of caring for the less fortunate among us, particularly the poor. The bible is littered with verses that express this idea (see Isaiah 41:17, Luke 4:18). If we are to be like Jesus then we must adopt his attitude, one of standing up for the rights and livelihood of the poor and oppressed. As will be discussed below this has particular importance when developing a Christian approach to Climate Change.

Our Stance

Climate Change is a highly complex issue that has caused division among both scientists and the general community. While there are a number of dissenting scientists and much uncertainty surrounds the issue, we believe that the case for Climate Change is very strong. At Christian Super we see climate change as a threat to the earth that God has entrusted to us. Consequently, as an organization in a position to make some impact, we feel action must be taken. We believe it is imperative that we voice a distinctly Christian perspective through our investments and investment strategies.

The predictions surrounding potential climate change are truly frightening. According to the latest Intergovernmental Panel for Climate Change (IPCC) report, by the end of the century the expected sea level rise will be between 18cm and 59cm, with temperatures rising between 1.8°C and 4.0°C, depending on our ability to reduce emissions. These rises, if they eventuate, will have drastic effects on the planet with flooding in low lying areas, more frequent and severe natural disasters and increased variability in weather conditions.

With these changes occurring, our western society with its infrastructure and technology will be able to adapt. However, at the other end of the spectrum, for the poor, who Jesus instructs us to care for, this will mean displacement and resource shortage that could have drastic consequences. We have a responsibility as Christians to do something to prevent disaster for a vast number of people made in God's image.

Due to the potential impact of these Climate Change effects we see it fit to adopt a level of precaution when approaching our investments. This precautionary idea means we will not be waiting to see whether climate change predictions come true. If they do and we fail to act the results will be catastrophic. We will adopt an investment strategy that reflects a biblical approach of sacrificially exercising our dominion over the earth, both now and for the future.

From an economic perspective, climate change has the potential to be the single largest risk factor for superannuation and investment returns over the coming decades. As such, taking a long term perspective and planning for the future will ultimately lead to better long term investment performance. It should not surprise us that good stewardship of creation and good financial stewardship meet at this point.

What is CS doing?

Through investing positively we feel that we will not only do our part to reduce the effects climate change will have on the environment but also position ourselves as a Fund to protect our members from investment risks should the problem continue to grow. In order to achieve these goals we have implemented some key investment decisions and policies.

Through our research process we identify companies that we see acting against their own long term interests by ignoring Climate Change risks and potential impacts and reduce investment in them. This flexibility in investment is vital to minimize our exposure and protect retirement savings from potential climate risks. We are working with The Climate Institute to investigate ways of incorporating Climate Change risk analysis into our portfolios, and will continue to develop investment strategies to combat these significant risks.

Our major investment decision in the area of Climate Change has been our investment in the Macquarie Clean Technology Fund. This fund comprises of investments in renewable energy projects and clean technologies; power generation from geothermal, wind, solar and tidal sources, clean water technology and methods for using energy more efficiently. Such energy sources and efficiencies are far more sustainable than current fossil fuel sources and so promotion of the use of such technologies will go a long way to tackling Climate Change.

While positive investment is our focus, we do implement exclusions on companies that continue to ignore the risks they face. We seek to avoid or minimize exposure to companies that are heavy emitters or heavily carbon dependent in their operations. This will protect the portfolio from loss of value that may occur when these companies face risks unprepared.

Through adopting this stewardship of creation approach Christian Super will be providing our members with financial security while ensuring we are *adding values to money*.



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FINANCIAL PLANNING

It is strongly recommended that you seek professional financial planning advice from a licensed financial adviser. Christian Super can connect you with a Financial Planner for financial advice consistent with Christian principles. Please call Christian Super on 1300 360 907.