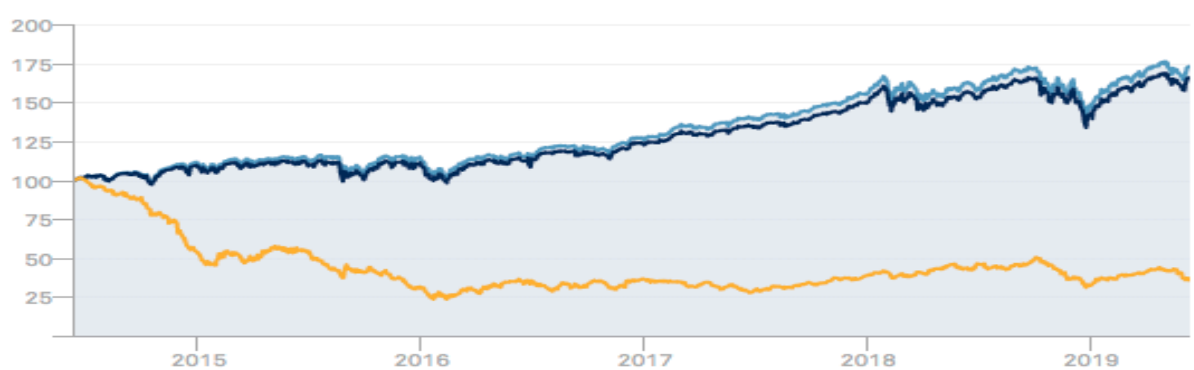
<u>Now</u> is the time to divest from fossil fuels and invest in clean energy for our children's future

Why? Because the **climate crisis impacts everything.**

- Burning fossil fuels and releasing methane are increasing climate instability, threatening Earth's critical ecosystems, human health and the economy. The Intergovernmental Panel on Climate Change has warned that global temperature increase must stay under 1.5 degree Celsius to avoid catastrophic climate change.
- The pace of climate change is unprecedented, and Minnesota is changing the fastest in the nation. [1]
- People everywhere must reduce fossil fuel extraction and transport *drastically* in a critically short time in order to maintain a livable planet. 80 percent of fossil fuel reserves *must* stay in the ground. *Any* new investment in fossil fuel infrastructure is counterproductive to that goal. Investors worldwide are responding to this challenge by turning toward renewable energy.[2]
- Historically the top 200 carbon-holding companies have produced stable and mostly positive returns to investors. For the past five years, however, these same investments have consistently underperformed the S&P 500, and even more so the S&P 500 without fossil fuels (see graph). [3]

<u>The S&P 500 Without Fossil Fuels Outperforms the S&P 500 and the Energy Sector</u>



As of Jun 12, 2019

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Index Name	Index Level	5 Yr Ann. Returns
S&P 500 Fossil Fuel Free Index TR Launch Date: Aug 28, 2015	2,853.95	11.53 % ▲
S&P 500 (TR) Launch Date: Sep 11, 1989	5,779.12	10.58 % ▲
S&P GSCI Energy TR Launch Date: May 01, 1991	424.78	-18.66 % ▼

Stability of our public pension and stability of our environment are linked.[4]

The SBI has a fiduciary duty to public employee pension holders and taxpayers, who have a stake in stable, fiscally sound investment policies that respond to accelerating climate instability and its effect on investments across the globe.

The climate crisis clearly affects a whole range of circumstances prevailing in our environment NOW. This crisis has cascading effects in the market, as returns from fossil fuels continue to decline. Fossil fuel companies threaten collapse not only of ecological systems but also of the world economy.

Because of the impact of this climate crisis, pension funds are at greater risk in an *increasingly unstable investment climate* across several different economic sectors, including:

- infrastructure, transportation
- insurance, real estate
- health care
- agriculture
- destabilization of government institutions, due to unparalleled migration of climate refugees
- increasing liability risks for greenhouse gas-emitting companies [5]

SBI investors have relied on the industry-wide Prudent Person Standard to defend continued investment in fossil fuel companies. [6] In this current economic situation, correctly interpreted, the Prudent Person Standard *compels* pension fund fiduciaries to begin to divest from fossil fuels.

We are all in this crisis together, and a judicious exit requires responsible actions from all of us, including our fiduciary representatives, to maintain healthy and safe communities in the face of increasing climate instability.

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[1] Mark Seeley, Minnesota climatologist, speaking before the MN House Energy and Climate Finance and Policy Commit

[2] Investors Chronicle, Mar 14, 2019 on Norway's Sovereign Fund https://www.investorschronicle.co.uk/shares/2019/03/14/norway-s-wealth-fund-deals-blow-to-oil-juniors/

[3] Tom Sanzillo and Kathy Hipple, IEEFA http://ieefa.org/wp-content/uploads/2018/07/Divestment-from-Fossil-Fuels_The-Financial-Case_July-2018.pdf

[4] Rose, Paul, Public Wealth Maximization: A New Framework for Fiduciary Duties in Public Funds, University of Illinois Law Review, Vol. 2018, no. 3. Pp.891-930.

[5] Inside Climate News, January 7, 2019. https://insideclimatenews.org/news/04042018/climate-change-fossil-fuel-company-lawsuits-timeline-exxon-children-california-cities-attorney-general

[6] The Prudent Person Standard is described in Minnesota Statute 356A.04 as:

> A fiduciary identified in section 356A.02 shall act in good faith and shall exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, considering the probable safety of the plan capital as well as the probable investment return to be derived from the assets.

MN350 and Divest-Invest Minnesota prepared this analysis as part of a statewide divestment campaign.
Divest-Invest MN https://www.divestinvestmn.org/ MN350 https://mn350.org/campaigns/solutions/