



This summary is edited and condensed from the original guide prepared by 350.org, Green Century Capital Management, and Trillium Asset Management. Visit www.trilliuminvest.com to download the complete guide.

Climate change is one of the most serious threats of our time. Scientists agree that carbon emissions and pollution from burning fossil fuels like coal and oil are the main cause of global warming. Many scientists, climate experts, and national governments agree that 350 parts per million (ppm) is the safe upper limit for the concentration of CO₂ in our atmosphere. It has been reported that the planet recently crossed the critical threshold of 400 ppm.

This guide aims to help individuals better understand fossil fuel divestment, provide clear steps to move your money out of coal, oil, and gas companies, and give tips on how to proactively invest in sustainable companies and investment vehicles.

Divestment is the process of removing certain investments from a portfolio based on financial, ethical, or political values. There are four primary reasons to divest:

1) To align your investments with your value. Many believe that climate change poses the greatest single threat to our families, our communities, and the world. If you want to keep your assets out of the industry that is accelerating climate change, then divesting may be the right choice.

2) To shape public policy and limit influence by energy companies. Fossil fuel companies have spent millions of dollars to influence legislation in state capitals and Congress. Divesting sends a signal that these efforts are not supported by investors and can erode their political influence.

3) To potentially reduce your financial risk. Divestment may reduce your risk of holding stranded—and devalued—carbon assets. Oil, gas, and coal mining companies hold reserves of fossil fuels that they plan to use. Currently, these reserves are counted as positive assets on a company's balance sheet under the assumption that all reserves will be able to be extracted, sold, and burnt.

4) To reallocate investment to companies leading the transition to a more sustainable economy. By divesting from companies ignoring the costs and risks associated with fossil fuels, you free up funds that can be reinvested in companies that are identifying new market opportunities related to clean energy and the move toward a more sustainable economy.

Step One: Learn what you own. Whether you intend to or not, you may hold investments in fossil fuel companies. 350.org has published a list of the 200 companies with the largest fossil fuel reserves that they are asking investors to divest from. Some investors use this list as their starting point but go beyond to exclude any coal, oil, and gas companies. Many mutual funds and portfolios invest in energy, materials, or utility companies on the list, though the overall percentage you hold may be lower than you think. For example, the S&P 1500 currently holds just 10.4% in the energy sector.

Step Two: Decide what you want to exclude and sell your fossil fuel investments. After you decide what you want to divest, sell those investments.

Step Three: Identify and Invest in Fossil Fuel Free Investments. Investment managers should not charge extra for a fossil fuel free approach. In addition to acting as the sub-advisor for the Green Century Balanced Fund, Trillium has two fossil fuel free strategies for separately managed accounts, all of which that have long track records.

Trillium's Fossil Fuel Free Core strategy invests across the range of market capitalizations and economic sectors in companies that meet Trillium's sustainability criteria.

Trillium's Sustainable Opportunities Strategy is a high-conviction, higher-tracking error sustainability-themed strategy that invests in companies positioned to thrive as we transition to a more sustainable economy.

Divestment may have limited impact on investment risk and return. In general, the level of impact depends on how many companies are excluded and how these exclusions are managed across the portfolio—including identifying appropriate replacements.

WHY IS REINVESTMENT IMPORTANT?

The other side of divestment is reinvestment—actively investing in companies involved in the transition to a more sustainable economy. Understanding how companies are identifying and managing these climate risks can help determine which ones are appropriate for your portfolio.

In the 2013 report *Do the Investment Math: Building a Carbon-Free Portfolio*, Aperio Group determined that over rolling 10 year periods from 1988 to 2012, **such a "carbon-free" portfolio resulted in a hypothetical tracking error of just 0.78% versus the benchmark and actually outperformed its benchmark 73% of the time.**

THERE ARE SEVEN PILLARS OF REINVESTMENT.

Pillar 1 Energy Efficiency

Energy efficiency includes technology, products, and services such as power systems that operate more efficiently, energy reduction in data centers, energy efficient buildings and retrofits, and automotive technologies that improve fuel economy.

Pillar 2 Power Generation

Power generation includes solar, wind, geothermal, biofuels, and other technologies used to create electricity. While wind and solar have successfully reduced costs, they face a moving bar of low natural gas prices.

Pillar 3 Storage and Distribution

Storage (via batteries, fuel cells, and flywheels) and distribution (via the electrical grid) play a critical role that will enable broad scale application of wind and solar power. Two of the biggest challenges facing wind and solar are location (wind farms generally are located far away from the urban areas they serve) and intermittent power generation (solar is only available during the day). New

developments allow for that energy to be stored more efficiently.

Pillar 4 Transportation

Transportation is the second largest contributor to greenhouse gas emissions in the U.S., after electricity. Railroads represent one of the most energy efficient modes of transportation. Automobile manufacturers, supported by auto-supply companies, are developing more efficient hybrid and electric vehicles. While it is nearly impossible to find transportation companies with zero exposure to fossil fuel, this is an important sector in the transformation to a low-carbon economy.

Pillar 5 Sustainable Agriculture

Agriculture is one of the biggest contributors to climate change while also the most vulnerable industries to extreme weather. Sustainable agriculture, including organic farming, involves the practice of efficient use of non-renewable resources and the integration of natural biological cycles.

Pillar 6 Water

Water technology and treatment is a growing business area. Using water in the most efficient manner possible while properly treating wastewater are the two key components to water management. Smart meters, water treatment systems, and technology that support efficient water management can help companies reduce both costs and risks.

Pillar 7 Sustainable Design

Strategies to address climate change through sustainable design, manufacturing processes, and packaging can be found across industries. Biomimicry (design and production modeled on biological entities and processes) is emerging as a sustainable design philosophy in clean technology development.

Investors should also keep in mind that petroleum products are used in everyday life, including plastic bags and packaging. Companies that actively seek to reduce their packaging and find alternatives to plastic can achieve cost-savings and reduce their carbon footprint.

IMPORTANCE OF A DIVERSIFIED APPROACH TO REINVESTMENT

Investors shouldn't simply substitute solar and wind stocks (or other alternative energy stocks) for fossil fuel stocks. Instead, look for a wide variety of companies that are adapting to consumer demand for new, resilient, and environmentally sustainable products and services that may provide a competitive advantage in the emerging sustainable economy.

We hope this handout has both provided you with the basic information to stop investing in the industry most responsible for climate change and to take steps toward those companies that are creating a cleaner and more sustainable economy and future.

For more information about fossil fuel free investment options, visit www.trilliuminvest.com.

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