First Church in Cambridge, Congregational

Sustainability Investment Principles

First Church in Cambridge (FCC) has an Investment Policy that sets forth policies and procedures to guide the Investment Committee and the Investment Manager in the management of investable funds (the "Portfolio"). It includes the General Principles, Roles and Responsibilities, and Investment Policies and Procedures that guide the allocation of investments across asset classes, the standards of conduct for the Committee and the Manager, reporting requirements, spending rates for the Portfolio, procedures for withdrawals and limitations associated with donor imposed restrictions. The Investment Policy was amended in 2014 to incorporate environmental considerations, including the statement that "The Investment Committee will work with the Investment Manager to determine appropriate metrics to evaluate the Portfolio with respect to environmental concerns and shall report on these Metrics at least as often as annually".

In March 2014, the Sustainable Investment Working Group, acting through representatives of the Earth Stewardship and Investment Committees, published a paper, *Sustainable Investment at First Church, A Commitment and Next Steps for 2014* which was shared with interested members of the congregation and presented to and accepted by the Executive Council. Among these steps is the development of a statement of Sustainability investment Principles specifying the integration of environmental concerns into the FCC Investment Policy, as they relate to climate change and the environmental impact of greenhouse gas emissions from use of fossil fuels.

Background

The Portfolio is invested by the Investment Manager with oversight by the Investment Committee in a diversified set of equity and fixed income mutual funds in accordance with the Investment Policy. As a result, investment allocations are made among funds and it is the responsibility of the fund manager to select specific investments. Distributions from the Portfolio are a material component of the FCC operating budget which in turn supports the life and mission of the Church. The Investment Committee is therefore mindful of its fiduciary responsibilities both to the Church and to its donors to preserve and increase the inflation adjusted long term value of the Portfolio.

The Sustainable Investment Working Group has identified climate change and the impact of human activities on global warming as pervasive threats to life on Earth as we know it. In that sense, climate change poses significant risks both to our economy and to the capital markets and entities, public and private, that shape it. And further, that as stewards of God's creation, FCC has a moral obligation to respond as individuals and as an institution to reduce our carbon footprint and dependence on fossil fuels and to take positive steps to support clean energy policies and development of cleaner, more efficient forms of energy. Incorporating these concerns in the Investment Policy is the purpose of these Principles.

The Investment Committee recognizes that the impact of humans on climate is highly complex, and our understanding of the science of climate change and solutions to reduce greenhouse gas emissions, through mitigation and adaptation is imperfect, though rapidly improving over time. The consideration of climate change and carbon asset risk as important factors, among others, in investment decisions and choices is also evolving quickly as the financial community responds to new information and policies about climate change. As a result, while the intent of the Sustainability Investment policies may remain unchanged, the means of implementing them will evolve as new information becomes available. Moreover, sustainability in a broader sense encompasses both the activities which contribute directly to climate change, such as the production and use of carbon-based fuels, and the ability to mitigate or respond to the risks imposed by climate change. While both have important implications for investments, the principles below are confined to investments that pursue activities, both positive and negative, which directly affect climate change.

Sustainability Investment Principles

Consistent with the intent of the General Principles of the Investment Policy of FCC, the following principles and procedures will be adopted with respect to sustainability:

1. Climate change is a risk factor that must be incorporated both in investment decisions and in assessing the risk profile of the Portfolio. Moreover, decisions to invest or divest on the basis of climate change risk is in accordance with the moral and theological values of the Church.

2. The portfolio will be reviewed at the fund level at least annually for investments which negatively impact climate change (the negative screen). Currently this impact is measured by carbon intensity (defined here as the percentage of investments in carbon producing entities such as coal and oil and gas) that are listed on Carbon Tracker or other appropriate carbon research indices. Funds which have more than a threshold percentage in this category for two consecutive quarters will be divested. The threshold is intended to be the targeted upper limit in carbon intensity: both the limit and the methodology will be reassessed by the Investment Committee no less that every two years. The current threshold is 10% as measured by the Carbon Tracker.

3. Investments will be made in funds or entities that have targeted a positive impact on climate change (including investment opportunities in funds that support a clean energy economy such as energy efficiency, alternative and renewable energy, and clean energy technologies), provided that investments opportunities can be identified that meet the investment standards set forth in the Investment Policy (the positive screen). Targeted investment levels: 5% by 2017 and 10% by 2020. Such investment targets will be reassessed by the Investment Committee no less than every 2 years for portfolio performance, market trends in new energy investments, energy conservation and other relevant information (positive and negative), and the Investment Committee shall make recommendations with respect to modifying such targets and time periods.

4. The Investment Committee will report to the congregation annually on the performance of the Portfolio for the preceding year, invite discussion on positive and negative investment screens and propose targets for the coming year.

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