July 21, 2020

RE: Friends Fiduciary Goes Fossil Fuel Free In All Funds

Friends:

The Board of Directors of Friends Fiduciary Corporation, at the recommendation of its Investment Committee, has made the decision to exclude fossil fuel companies from all Friends Fiduciary portfolios, including our flagship Growth & Income Fund. This decision was made after careful consideration and is consistent with both the Board’s fiduciary responsibility to our many constituent investors, as well as the Quaker values that Friends Fiduciary reflects in its investment process.

In its deliberations, the Board carefully considered the investment risk of companies that hold fossil fuel reserves as well as companies involved in the extraction and refining of fossil fuels; all such companies are excluded under the new policy. In addition, companies that derive a majority of revenue from the transportation and storage of those products will also be excluded. The new policy includes refined screens for utility companies and their fuel stock mix for power generation, favoring those moving towards renewable energy. This reflects our investment philosophy that companies with climate risk exposure could represent an additional risk to shareholder value and are less likely to be sustainable in the long-term.

The Board of Directors approved the following addition to our Investment Guidelines:

- Friends Fiduciary excludes companies that explore, extract, produce or refine coal, oil or gas or have carbon reserves. Further, we exclude companies that derive a majority of their revenue from the transportation and storage of these materials, for example, pipeline transport companies.
- We seek to invest in electric utility companies that are transitioning to a lower carbon, sustainable business model. We evaluate companies on their current and future fuel mix and their plans to increase renewable energy capacity.

In reaching this decision the Investment Committee and Board considered the long-term sustainability, valuation and risk factors for these companies, their weighting in the current portfolios, and care for Creation. While the Board was considering this exclusion, FFC’s various managers were instructed not to increase fossil fuel holdings and staff will now work with them to effect an orderly sale of any holdings not in compliance with the current policy by September 30, 2020.
You may recall that the Quaker Green Fund was launched in January 2014 to provide an investment option for those constituents who did not want to invest in fossil fuel companies. This change naturally raises the question of the Quaker Green Fund and whether we should continue to offer it with its existing investment strategy.

The Board of Directors has asked staff to review the current Quaker Green Fund and develop a new potential investment offering: an all-world, all cap equity fund with a rigorous focus on companies leading the transition to a low-carbon economy. This will include investments in clean tech, renewable energy and energy conservation, water, environmental finance, and low carbon commerce. It will be the only fund of its kind that combines a concentrated, environmentally focused investment strategy with the Quaker values of simplicity, peace, integrity, community, and equality. As an all equity fund it will be an ideal supplement for constituents who want an environmentally focused investment option in addition to their balanced portfolio.

Staff is beginning conversations with some current investors in the Quaker Green Fund to “test market” this concept for a more concentrated, environmentally focused stock fund. We will share more information as the potential new fund offering progresses.

If you have any questions about this new policy and our investment options please don’t hesitate to contact me at jperkins@friendsfiduciary.org or 215-241-7272.

Sincerely,

Jeffery W. Perkins
Executive Director