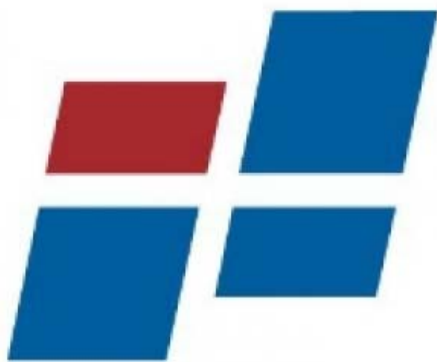


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German church bank steps up big oil divestment with 'worst in class' approach

'Investors can engage without being invested', says sustainability head



by **Carlos Tornero** | July 24th, 2019

Bank für Kirche and Caritas (BKC), the Paderborn-based Catholic church cooperative bank, has upped the ante on fossil fuels investing, expanding its exclusions criteria for big oil firms and introducing a 'worst-in-class' and 'worst-in-universe' system.

"Companies are also available to talk to you if you divested, because they're interested in bringing you back on board" – Tommy Piemonte

BKC, with more than €5bn in assets, has reviewed its responsible investment strategy to further align it with the Catholic church's social teaching – the doctrines about common good in society, among which is paramount Pope Francis's second encyclical *Laudato Si* on climate change.

Since 2016, BKC has excluded thermal coal, oil sands and shale oil, but will now widen its exclusions to cover the biggest oil producers – companies which have at least 1,000 million barrels of oil – according to Tommy Piemonte, Head of Sustainable Investment Research at BKC.

"We would like to give the industry a signal that oil is the next coal, so the next step should be to switch from oil to probably gas and then, of course, renewable energy," he told RI.

BKC has also tightened the threshold for exclusion, from 30% to 10%, for companies deriving revenue from coal mining; and 15% for electricity production from oil.

In addition, Piemonte said that BKC will replace the 'best-in-class' approach it currently uses with a combined 'worst-in-universe' and 'worst-in-class' approach to filter out companies.

"We are looking at which of them have the highest ESG materiality risks in an absolute way. Not just looking

at the sector, but at the whole universe, and from there, which of them in the peer group or sector have the biggest ESG risks,” Piemonte said.

In order to apply such an approach, BKC said it has strengthened its research capabilities with data and rating providers MSCI ESG Research, Vigeo Eiris, Sustainalytics and Imug.

In 2017, BKC joined fossil fuel divestment group the Global Climate Catholic Movement, whose [mission](#) is “to turn Pope Francis’ Laudato Si encyclical into action for climate justice”.

In addition, BKC is a founding member of [Shareholders for Change](#), a €23bn values-based investor network, [currently engaging](#) European telecoms on tax avoidance, among other issues.

Asked about the different approach taken by fellow faith investors, such as the Church of England investment bodies, which favours engagement with oil majors, Piemonte said: “You can still engage if you are not invested in a company. This is for us critical shareholding, not shareholder activism, which we also do with the companies we are invested in.

“There is such a big wave of divestments, that companies are also available to talk to you if you divested, because they’re interested in bringing you back on board.”

BKC has also revised its approach to cannabis, excluding recreational use, and controversial weapons, excluding blinding laser weapons from the portfolio.