



2022 ANNUAL REPORT

CAPITAL STRATEGIES FOR A
SUSTAINABLE FUTURE

➤ OUR STORY SO FAR

It's hard to believe Climate Finance Action will turn three this year!

While CFA is a toddler, our work is so much older. Our team has been involved for many years in the pieces of work that make CFA - understanding and explaining financial services and climate risk, organizing and coalition building, and protecting public pension funds and workers' retirement savings. We pulled together these various strengths in what official became Climate Finance Action in 2020.

We've been honored to work alongside a groundswell of investors—including pension boards, state treasurers, private companies, unions and stakeholders—who want to properly weigh the financial risks caused by a company's policies, actions and inaction on climate.

It has been extremely rewarding to see the forward-thinking work done by state treasurers and other public officials and pension trustees. Work to manage the risks associated with climate change to their long-term investments. Work to use their shareholder power to influence companies that are the most significant drivers of climate change. Work to pressure asset managers to fulfill their climate commitments.

Now, in part due to the momentum that climate finance advocates have achieved, extremists who want to double down on climate-destructive business practices have launched a major offensive on public officials, trying to turn long term thinking and sustainable financial practices into yet another battle in a culture war.

Investment professionals are under attack by politicians who want them to place the short-term interests of certain industries ahead of the long-term financial wellbeing of their beneficiaries.

CFA stands behind the investors who recognize climate change as a very real risk to the financial performance of the companies in which they invest. We believe climate action is in line with fiduciary duty. We assemble coalitions and coordinate public support for specific, realistic shareholder initiatives that require corporations to plan for the realities of climate change, mitigate the risks, and align their policies with federal and international goals.

Our work is more important than ever. We are happy to share with you our progress and plans to ensure the decarbonization of our economy and a sustainable future.

Mary McAvity Cerulli

Founder and Executive Director



OUR VISION

A world where capital investments ensure a sustainable future.

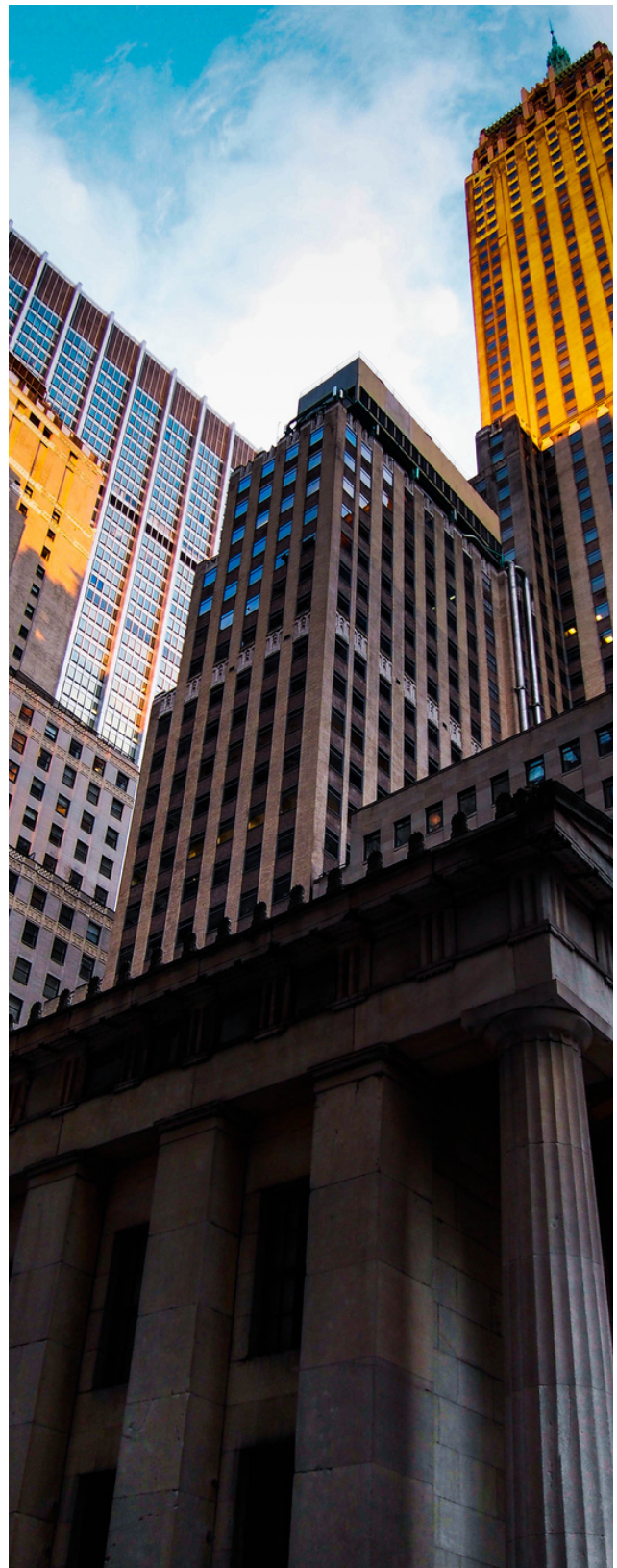
\$37 Trillion in worker's retirement savings are passively funding climate change. They could be used to create climate action.

OUR MISSION

We ensure stakeholders understand the financial drivers of the climate crisis and the untapped power of investments to create change.

Typically, workers and retirees' money is held in pensions or employer plans that are managed by asset managers and other investment professionals. As major shareholders in a wide range of publicly traded corporations, asset managers have tremendous power over the leadership, policies, and priorities of the companies in which they invest.

Climate Finance Action works state by state to build power among local community groups, workers and their unions, large companies, and state governments to pressure asset managers to adopt specific, effective policies to align with limiting global warming to under 2°C.



➤ OUR THEORY OF CHANGE

Our Actions

Our Outcomes



We provide education and coordination

We provide training, research, coordination and strategic support for stakeholders who wish to ensure their savings address systemic climate risk.

To build community power

Employees, beneficiaries, unions, community organizations, public officials and others have the power to influence decision-makers.

To effectively engage with

Public Plans

We engage with public officials and trustees to ensure pension and other public savings plans have strong climate policies.

Employer Plans

We educate and empower employees to ask for climate-safe target-date default funds for their retirement contributions.

To leverage customer and shareholder power

Retirement plans can leverage their outsized customer power to demand action from asset managers and portfolio companies. We help ensure policies and products are designed for maximum impact.

To pressure asset managers

With \$22 trillion in assets under management, the top three asset managers own 20% of the S&P 500. Their size gives them the power to define acceptable governance and corporate behavior on climate change.

To ensure companies take climate action

Through engagement, director votes and shareholder proposals, investors can influence company leadership to disclose climate impacts and align with targets to limit global warming to 1.5°C.

OUR TEAM

Expertise translated into action.

With combined decades of experience in financial service as well as decades of union experience, our greatest strength is our ability to engage effectively with unions, businesses, investment professionals, elected officials and stakeholder organizations to facilitate dialogue on environmental issues.

We have the ability to work with decision makers and stakeholders to help them find the best path forward for each city or state.



Mary Cerulli

*Founder and Executive
Director*



Beverly Ortiz

Organizing Director



Susan Drury

Consultant



Sarae Lewis

*Communications
Director*

OUR STRATEGY

We organize stakeholder groups in key cities, states and workplaces and provide training, research, coordination, and strategic support. We have three main pillars of work.

CLIMATE FINANCE EDUCATION

- We provide education to help community groups, unions and other stakeholders understand the relationships between the financial system and the climate crisis.
- We help people understand power of large pools of capital and the levers available to create change. We provide resources on the role of asset owners and asset managers as well as how shareholder engagement works.
- We offer educational resources on ESG and the attack on sustainability.

PUBLIC SHAREHOLDER POWER

- We develop local- and state-based coalitions of stakeholders to ensure the shareholder power connected with public funds aligns with a sustainable future.
- We build deep relationships with public officials to provide strategies, coordination and public support to address climate change by leveraging the power of public money.
- We provide technical expertise, research and analysis.

PRIVATE SECTOR CAMPAIGN SUPPORT

- We empower private-sector employees and institutions to ensure that their retirement plans address climate risk.
- We provide technical expertise, research and analysis to employees and institutions to understand the power of a sustainable default target date fund for retirement savings.

2022 Progress

CLIMATE FINANCE EDUCATION

We need stakeholders to understand the power of capital to mitigate the climate crisis and recognize the opportunities in a green energy future.

CFA provides education and training for unions, climate justice groups, conservation groups, socially conscious investors, students, and others. We aim to equip individuals with information and the confidence they need to engage as beneficiaries, voters, tax-payers, and climate justice advocates.

We have trained over 1,000 advocates on how it works so they can push for capital strategies that serve the common good.

National and Local Unions

- Trained **American Federation of Government Employees (AFGE)** members on climate risk in thrift savings plans. As a result, 800 union members signed a petition to Blackrock calling for climate action.
- Presented to **National Education Association (NEA)** National Leadership on how pension plans can address climate risk and use their customer power to drive climate justice. As a result, we have been asked to provide training to pension board representatives.
- Presented to the **Service Employees International Union (SEIU)** Local 1 research team.
- Shared presentation materials with the Executive Board of **CO Wins** (Colorado public union) on climate policy in the COPERA.

Community and Climate Organizations

- We did more than 20 custom presentations to coalitions of community groups. We spoke with hundreds of members of organizations like **Conservation Colorado, 350 Colorado, Pacific NW, Maine and Massachusetts, Sierra Club National and Massachusetts, Future Coalition, Mothers Out Front** and **Colorado People's Alliance**.
- Served as a panelist with Maryland State Comptroller Lierman hosted by **Our Revolution Maryland**.
- Presented "Greening your retirement savings" to **Boston's Chapter of Physicians for Social Responsibility**.
- Presented to college students and faculty Colby college with **Youth Climate Finance Alliance** and at Northeastern where we supervised a student group project on climate finance.

2022 Progress

PUBLIC SHAREHOLDER POWER

In 2022, three state treasurers and NYC comptroller publicly called on asset managers to prudently integrate sustainability factors into investment decision-making, investment analysis, portfolio construction, risk management, due diligence and investment ownership to maximize anticipated financial returns, minimize projected risk, and more effectively execute fiduciary duty.

In addition, we saw enhanced climate policy in four states. Several pension funds voted for key climate-related shareholder proposals or voted against directors at high-emitting companies in alignment with their proxy voting guidelines.

As we saw the battle heat up with dozens of states filing anti-ESG bills boycotting bank's sustainability efforts and restricting pension fund boards from considering ESG risks as material, we saw an encouraging push back from State Treasurers, Comptrollers and Attorneys Generals.

“This is not a matter of politics or whatever ideologues have termed “wokeness”—it is a matter of science and economics. If we do not find a way to dramatically reduce carbon emissions in alignment with the Paris Agreement, the harm will not only be measured in lives lost and people displaced; it will also be measured in trillions of dollars lost in our collective portfolios.

Brad Lander, New York City Comptroller, Letter to BlackRock

On the following page, you'll find some key accomplishments in each state where we seek to influence. We work alongside incredible climate organizations, community members, public officials and their investment staff who are all seeking to create change. These wins are a result of the movement itself.

MAPPING THE RESULTS



MASSACHUSETTS

CFA founder, Mary Cerulli was appointed to the Mass PRIM ESG Committee. PRIM approved 2022 Climate lobbying policy.



NEW YORK

CFA works directly with lead staff in NYC's comptroller's office. Comptroller has been pressuring BlackRock.



MARYLAND

MD passed a climate risk disclosure bill for the pension fund. CFA to present on implementation.



COLORADO

CFA has built a CO coalition, meets with the state treasurer's office to discuss pension and SecureSavings policies.



ILLINOIS

IL is pressuring Vanguard to engage on climate and will deny them business as a result of poor climate record.



VERMONT

VT publicly called on asset managers to integrate sustainability factors.



OREGON

OR State Treasurer published a Decarbonization Framework for the pension fund.



NEW MEXICO

CFA is building a coalition in NM and met with new state treasurer to discuss climate plans.



RHODE ISLAND

RI voted for "no fossil fuel expansion" bank resolutions.



WASHINGTON

WA enacted climate lobbying and director voting policies in December 2022



WISCONSIN

CFA worked with other organizations on a letter to WI state treasurer who then publicly called for financial institutions to align with net zero.



CFA spoke LACERS board and provided model language for stronger proxy voting policy. Stronger policies are now in place. were approved.

2022 Progress

PRIVATE SECTOR CAMPAIGN SUPPORT

- Below you will find a case study of our work with Mass General Brigham hospital. We educated more than 50 doctors, met with key staff multiple times and provided technical assistance and analysis to HR/Benefits, Sustainability Leadership Council, and the hospital's CFO.
- CFA collaborated with Project Drawdown, As You Sow, and The Sunrise Project on a webinar series Decarbonizing Financial Supply Chains aimed at corporate sustainability professionals, finance professionals, treasury departments, human resource staff, and other engaged employees.
- CFA presented to the Greater Boston Physicians for Social Responsibility and the Massachusetts Medical Society on Greening Employees Retirements.
- CFA is supporting early work at UMass and Chang Medical Center regarding Fidelity's Freedom Funds.

CASE STUDY

Climate Finance Action does a lot of presentations on how finance plays a role in climate change. That's how we met two passionate doctors at Mass General Brigham (MGB).

We worked to understand their current retirement options and shared detailed research on how Vanguard has been too slow in taking responsibility for the impact of its investments or changing its business practices to account for the climate transition that science demands.

Armed with information, the group started down the path to educate others and build support. The group had an excellent understanding of key decision makers - human resources/benefits, finance, the hospital's sustainability council. We did multiple presentations, planned meetings and drafted letters.

The work is not complete but we have made significant progress.

- Vanguard added sustainable options to the MGB retirement plan.
- The hospital has requested information around a sustainable target-date fund (QDIA) from Vanguard. In addition, the CFO has met with the hospital's benefits consultant and is researching other asset managers who could build a sustainable QDIA.
- The CFO recognizes the power of the hospital's voice to speak out on Vanguard's failings.
- The CFO agrees that retirement assets should be considered part of the hospitals' scope 3 emissions released later this year in a carbon footprint report.

OUR NEXT STEPS

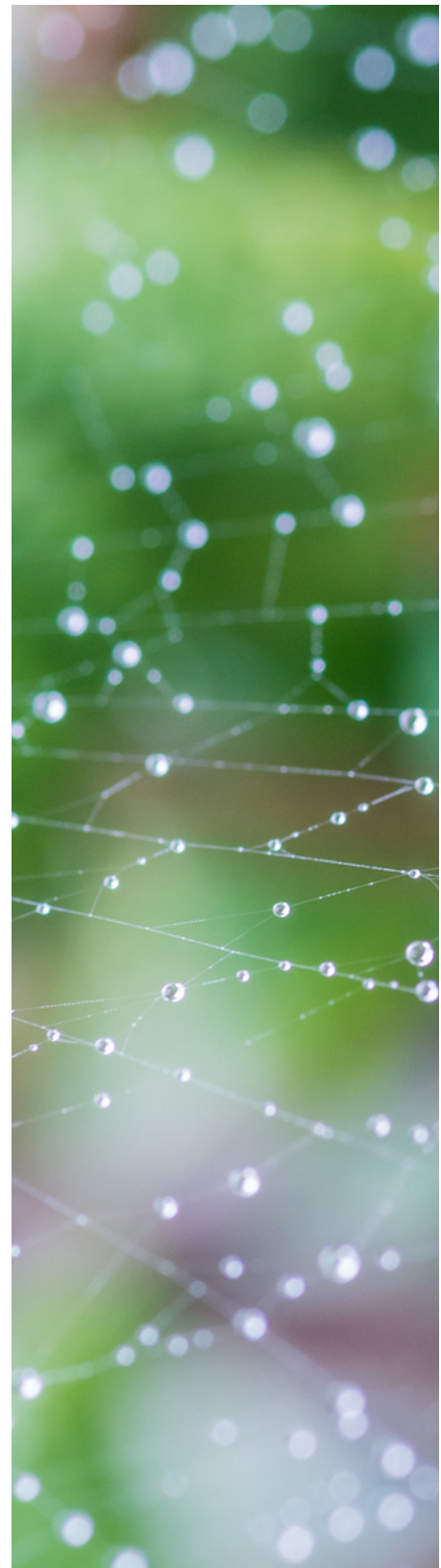
In 2022, we held our first in-person, strategic planning session. We spent several days mapping our theory of change and critical pathways for achieving our vision. We've spent time evaluating our strategies, drawing on internal learning and reflections, talking with funders, and reviewing feedback from our coalition partners.

We left the meeting with a clear picture of the value we bring to the tables we build and sit around.

Heading into 2023 and beyond, we recognize our unique ability to open dialogue between climate activists, union representatives, indigenous groups, financial professionals and elected officials. Through deep understanding, we are positioned to educate and coordinate in ways that bridge the gaps and create common goals.

What we hope to accomplish in 2023.

- Educate national public sector unions, their members and retirees about the financial drivers of climate change, the risks to worker's pensions, and the anti-ESG attacks.
- Educate local community, indigenous groups and climate organizations on the role of the state treasurer, requirements of fiduciary duty, pension fund management, and how to create impact.
- Expand our work to additional states including New Mexico and Minnesota.
- Deepen our work in key states including Colorado, Illinois, Maryland, Massachusetts, Oregon and Washington to ensure strong implementation of climate policy.
- Deliver state-based briefings to organizations interested in participating in the 2023 shareholder season. We will co-develop these sessions with Stop the Money Pipeline and Majority Action.
- Successfully defend our work against anti-ESG pressures.



STRENGTHENING OUR ORGANIZATION

In 2022 built the foundation we would need for future growth.

We hired two experienced teammates.

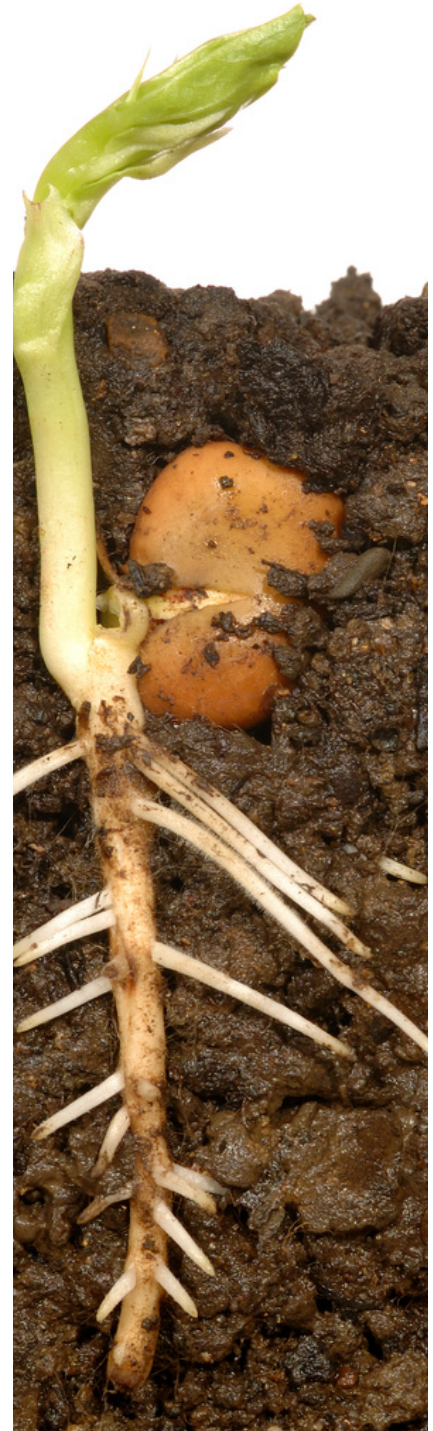
- Beverly Ortiz, organizing director, joins CFA with decades of union organizing experience.
- Sarae Janes Lewis, communications strategist, brings a background in financial services.
- Through our hires, we continue to live our value of equity with 50% BIPOC staff members.

We built out our tools and infrastructure for future growth.

- We launched a new website with a database on state and big city pension plans available to the public.
- We integrated a sophisticated contact management system.
- We utilized centralized project management and goal tracking tools.

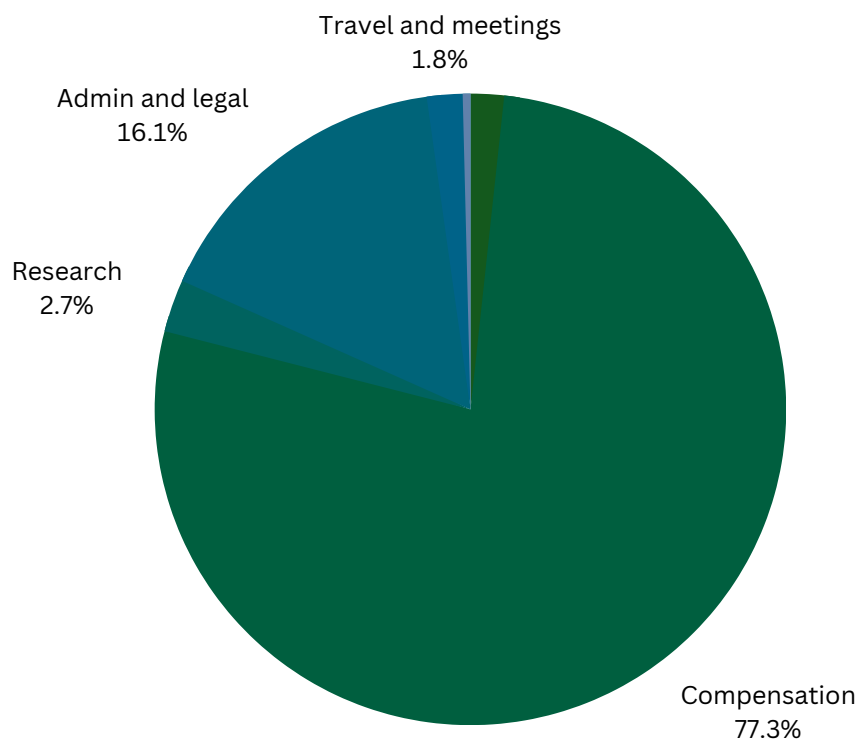
In 2023, we will take additional steps to strengthen our organization.

- We will produce a comprehensive strategic plan.
- We will expand our board of directors and advisors.
- We will diversify our funder outreach to better support our growth and bring more partners into our work.
- We will execute on strategic communications plans including frequent updates to our coalition partners, funders and board of advisors.
- We will hire 3 teammates to support our expanding work.
- We will grow our library of resources to make our work more efficient.



OUR FINANCIAL REPORT

Our superpower is our people. We have a small but experienced team that moves our work forward. The vast majority of our nearly \$460,000 budget went to salaries in 2022.



In 2022, we expect to increase our budget to \$800,000 with a focus on hiring and developing teammates to support our work.