

Guidance on Understanding University's Endowment Carbon Metric's Report

Divestment and low carbon investing

Broadly speaking, a low carbon investment strategy seeks to ensure that capital is allocated in line with internationally agreed climate goals to limit global temperature increases.

In practice, it can encompass a range of possible responses:

- **Reducing exposure to industries whose activities are misaligned with a low carbon pathway**
Divestment may be full, thereby excluding all companies engaged in coal mining and oil and gas production. Or it may involve more targeted divestment of the most carbon-intensive activities, such as the extraction of thermal coal or significant involvement in tar sands.
- **Increasing exposure to industries and companies which are contributing to climate change mitigation and adaptation**
Examples of positive investment areas include: renewable energy generators, providers of products or services which improve energy efficiency, or companies in any sector that demonstrate clear progress towards the decarbonisation of their own activities.
- **Assessing the exposure of investment portfolios and their holdings to climate risk**
There are many ways in which carbon and climate risk can be assessed. Some can be reported at a portfolio level (see below for several climate metrics relating to the University's endowment funds). Other metrics - such as the strength of company transition planning or sensitivity to carbon pricing – cannot be aggregated up to a portfolio-level report, but are nonetheless important factors that should be considered when assessing individual companies or industries.
- **Engaging with companies and policy-makers to encourage actions consistent with a low carbon future**
Engagement activity can be a very powerful tool for change, and explicitly recognises the position of investors as part-owners of the companies in which they invest. It is most effective in situations where an investor has not fully divested, as they will then retain the right to vote on company resolutions and to use that right to ask for and enforce strategic change.

When considering how to respond to the issue of climate change, investors need to carefully consider the available options in the context of their specific values and financial objectives. There is no single, 'one-size-fits-all' correct response for all investors and it is important that a complex debate is not reduced to a binary choice.

What is the University's approach?

The promotion of a more sustainable future is one of the University's core values. This is reflected in our research activities (for example the work of the Cabot Institute on global social

and environmental challenges), in our commitment to become a carbon neutral campus by 2030, and, of course, in our active and engaged student body.

The University's Fossil Free Society has advocated a pro-divestment stance through its own campaigning since 2014. Gauging opinion outside the student body, the University also identified a significant number of stakeholders and key board members willing to support a move towards fossil fuel divestment.

However, there were other important considerations to factor into the development of an acceptable divestment policy. Around 90% of the university's endowment funds were established for permanent use with fixed long-term investment objectives for the institution as a whole. Any change in policy needed to ensure that these funds would be preserved for the benefit of students, employees and the University in the future.

In establishing a flexible, time-managed policy position, the university elected to end investment in companies deriving more than 5% of turnover from the extraction of thermal coal or oil and gas from tar sands by January 2018. This goal has now been achieved.

The University has also pledged to actively manage its remaining investments in the energy sector to deliver a material reduction in the carbon emissions from these investments over the next ten years. The University's fund manager – Rathbone Greenbank Investments - has over a decade of experience in tabling shareholder resolutions at fossil fuel companies, and has been at the forefront of lobbying companies to respond to the issue of climate change.

University of Bristol Endowment funds – portfolio climate metrics

The University is committed to transparency regarding the investments of its Endowment funds. A full list of holdings can be found [here](#) and information on key measures of portfolio carbon and climate risk is presented below.

This climate reporting includes:

- **The carbon footprint (scope 1+2 emissions) of the direct equity portion of the portfolio**
This is reported for the portfolio as a whole and also just for the portion invested in the energy sector. It looks at the carbon emissions reported by companies (relating to their own activities) and calculates the amount of carbon 'owned' by the portfolio through its specific shareholdings. It reflects past climate performance (as companies report GHG emissions retrospectively) and does not take account of the carbon emissions created or abated as a result of the products or services that companies provide.
- **The embedded carbon (ie expected future GHG emissions) associated with the oil, gas and coal reserves of fossil fuel companies held in the portfolio**
This looks at the amount of coal, oil and gas that companies have found and reasonably expect to be able to extract and sell in the future. It then calculates an estimate of the amount of GHGs that would be emitted should these reserves be extracted and burned. The portfolio's 'ownership' of these potential future emissions is calculated according to its specific shareholdings.
- **The positive exposure of the portfolio to companies or investments whose products and services provide solutions to the challenge of climate change**
This considers investments within the portfolio which are strongly aligned with a low carbon transition as a result of their core activities, for example renewable energy generation. It does not capture companies whose activities are not focused on environmental technology, but which are taking significant steps to reduce their own climate impact.