

Investment statement on climate change

Whilst the Foundation is not primarily focused on environmental concerns, the trustees are mindful of the view of a wide range of experts – as expressed most clearly in COP21 and Davos 2016 – that climate risk is arguably the biggest risk to economies today. This is reinforced by data showing that at least 85% CEOs polled recognise one or more climate-related risks to their company.

Thus, the trustees wish to safeguard the Foundation's capital with regards to both stranded asset risk – meaning risk relating to particular sectors that are carbon intensive – but potentially even more important, climate-related systemic risk which is risk arising from general economic damage due to a range of factors. The trustees understand that climate-related systemic risk could have a highly negative impact not only on the Foundation's assets but also its core mission and stakeholders, and hence seek to do whatever they reasonably can to help trigger a rapid transition to renewables.

Along with university endowments, religious organisations and other asset owners who are mission-driven or have the wider public interest in mind, trustees consider that the Foundation could help model how mainstream institutional investors should be relating to fossil fuel companies, heavy users and emitters (e.g. auto, building, steel, cement, energy utilities) and key enablers (e.g. lenders, insurance

companies), since these major investors and lenders will be key to the management of systemic risk.

The trustees understand that asset owners of the size of this Foundation can maximize impact by triggering action by these major investors and lenders through working with a range of other economic actors.

The trustees wish to send the most powerful signal possible in the timeframe that is relevant, and in a way which is consistent with the Foundation's current investment strategy (namely externally managed and in a pool fund). Aware of both the strengths and limits of the other investor strategies (i.e. divest-invest and portfolio carbon management), and especially mindful of the need to significantly reduce GHGs within the next 10 years – the Trustees are of the view that “forceful stewardship” offers the best prospects of success.

Our strategy

We require our external fund manager(s) to:

- Encourage investee companies to publish their 2°C transition plans and, where relevant, support the relevant shareholder resolutions. This will be a powerful driver for the eco-efficiency and green tech (i.e. intra-firm allocation of capital in alignment with rapid energy transition);
- Encourage investee companies to reduce their negative public policy impact, which is one of the biggest causes of weak government policy (e.g. on carbon price and fossil fuel subsidies);
- Encourage investee companies to align their capital expenditure and remuneration strategies with targets agreed at COP21;
- Report on how they integrate portfolio carbon risk metrics into their mainstream risk management quantitative strategies; and
- Divest from pure play coal and tar sands as soon as possible and other fossil fuel companies as soon as it becomes prudent to do so.

Across all our investments we strive to:

- Keep the possibility of high-profile divestment alive, especially with oil and gas companies, if a public policy signal needs to be sent (e.g. if the company is a serial laggard with a non-responsive board or may be funding organisations that deny climate risk).
- Increase our exposure to renewables, especially through long-term investment strategies and impact investing.