



Investment statement on climate change

Background

Trustees wish to safeguard the Foundation's capital with regards to both stranded asset risk – meaning risk relating to 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 accelerate a rapid and just transition to a net-zero carbon economy.

On 20 September 2019, Friends Provident Foundation made the following declaration:

Climate Emergency Declaration

Friends Provident Foundation recognises that business as usual risks climate breakdown with profound consequences for people and planet. We view the prevention of runaway climate change as an eco-socio-economic challenge and prerequisite to achieving our objective of a sustainable and fair economy.

The scientific evidence is clear that without rapid and far-reaching changes in energy, land use, transport, buildings, industry, and the economic system itself, we face man-made climate catastrophe and a new extinction event.

We believe it is the responsibility of every institution, business, investor and employer to transition their purpose and operations to be consistent with keeping global heating below 1.5°C compared to pre-industrial levels – the level considered 'safe' by the Intergovernmental Panel on Climate Change (IPCC), which states "global net human-caused emissions of CO₂ would need to fall by about 45% from 2010 levels by 2030, reaching net zero around 2050."

At the current rate, global heating will likely rise to 1.5°C above pre-industrial levels between 2030 and 2052. How we act and the decisions we take in the next decade are crucial. A state of climate emergency is the appropriate societal response.

The rapid transition to a net-zero emission pathway must also be a just and fair transition and go hand in hand with ensuring a more sustainable and equitable society.

Our strategy

Our investment principles and policy states:

We will not invest in companies involved in the following areas:

- Extraction, production and distribution of fossil fuels, and similarly high carbon fuels
- Unsustainable harvest of natural resources, e.g. deforestation
- Intensive farming methods that degrade the environment, e.g. palm oil

We will use our influence as a shareholder to:

- Promote a just and net-zero carbon transition, calling for the adoption of business models that are consistent with keeping global heating below 1.5°C and ensure economic shocks to workers, communities and consumers are mitigated.
- Promote responsible corporate lobbying, calling for disclosure of direct and indirect public policy intervention, and to align lobbying (including via intermediaries such as trade associations) with company social and environmental commitments.

We will particularly favour investments in:

- Providers of renewable energy generation and storage, energy efficiency and demand management services, and other companies whose business model focus is on net-zero carbon transition, resource efficiency and circular economy, and environmental sustainability.

In addition, we require our external fund manager(s) to:

- Implement active and high standards of shareholder engagement on climate change, with expectations of forceful stewardship;
- Vote for all climate change related shareholder resolutions (taking a comply or explain approach);
- Engage investee companies to publish 1.5°C transition plans and align corporate lobbying;
- Encourage investee companies to align their capital expenditure and remuneration strategies with keeping global heating below 1.5°C;
- Adopt a shareholder engagement escalation policy, e.g. will vote against Director re-elections or file shareholder resolutions if company responses are inadequate;
- Report on how they integrate portfolio climate change risk into their mainstream risk management strategies and disclose portfolio climate risk assessments; and
- Develop social and environmental impact reporting for investments, including climate impact (positive and negative).