Dear Oli,

FOSSIL FUEL INVESTMENTS

I wrote to RUSU in October 2015 setting out the University’s policy towards investing in fossil fuel businesses, in response to RUSU’s divestment campaign.

I am now able to update you on important new steps the University is looking to take to increase transparency and clarity about our current £70m investment portfolio. At the same time, we intend to take a tougher stance on the most carbon-intensive companies.

This new approach comes on the back of the University’s Investments Committee approving a series of recommendations I put forward last month. This followed a comprehensive review of the University’s current engagement with the fossil fuel industry.

We are now finalising proposals which I hope to put to the University Council for consideration at July’s meeting. These are, in summary:

- The University would move its full portfolio to an investment fund or funds which exclude companies generating the bulk of their revenues and reserves from the most carbon-intensive fossil fuels. We would aim to give priority to investment in firms which are taking significant steps to cutting fossil fuel use.
• This new policy would apply to the Research Endowment Trust, the National Institute for Research in Dairying Trust, The Hugh Sinclair Trust and University Prize Funds. (The Research Endowment Trust provides funds for specific research and education projects; the National Institute for Research in Dairying Trust aims to promote and develop high quality research into agriculture and food; the Hugh Sinclair Trust promotes research into human nutrition).

• The University would only invest in a fund - or funds, which has a strategy of proactive engagement with companies they invest in. This would aim to encourage companies to reduce their dependence on fossil fuels, change their business models and practices to reduce environmental impact, and respond to shareholder pressure on social, ethical and environmental issues.

• The University will examine in detail a number of investment fund options with its advisers – including the new Climate Active Endowment Fund (CAEF) offered by its current investment managers, Sarasin.

• We will aim for Investments Committee and then University Council to agree a formal proposal for a new investment fund or funds by the end of the year. We would then start a phased transfer of investments. We will keep the University community, including RUSU, updated during this process.

• The University would publish a new public statement of its tougher ethical investment policy on its website and annually from now on, alongside the yearly Financial Statements, currently published on 1 December each year.

• The University would publish a detailed overview of all its investment holdings on its website, broken down company by company as at 31 July each year. This formalises the current policy on publication of holdings in response to Freedom of Information requests. As a first step, I attach the Valuation and Accounting Statements for end of financial year for the previous five years, 2011 to 2015 for the Research Endowment Trust.

• The University would be active in publicising the new policy to all of its key stakeholders – research partners, industry, students and alumni.

RUSU has played a crucial part in putting this issue onto the University agenda. We are stopping short of RUSU’s proposals for automatic divestment
in the top 200 fossil fuel companies listed by reserves. As you know, this option was carefully considered but not adopted by the Investments Committee in July 2015.

RUSU should take credit for the good progress now being made. This new investment policy is a big step forward in allowing the University to be more selective, engaged and responsible in day-to-day investment decisions.

This full package strikes the right balance between securing our long-term financial position, meeting our broader commitments to society and the environment, and delivering world-class teaching and research. For example:

- it would build an investment portfolio consistent with our reputation, impact and quality as one of the world’s leading centres for environmental research and climate science – for example, with the leading role academic staff play in the UN’s Intergovernmental Panel on Climate Change and through the University’s Walker Institute
- it opens us up to clearer scrutiny of our investment decisions, corporate behaviour, culture and ethics from our broader community of prospective and existing students and staff, alumni, existing and future funders, and potential and existing business partners
- it is consistent with us cutting our carbon footprint across all our campuses – building on the £3.1m investment since 2011 to cut our carbon emissions by 35%. We are on target to reach that goal in the next 12 months
- it means, as shareholders, we would put pressure on carbon-intensive companies to cut fossil fuel use. Our judgement is that divestment and disengagement from carbon intensive industry is a limited gesture which lets firms ‘off the hook’ by reducing the incentive to improve their environmental record, while active engagement is a more effective way to achieve the results we want.

We will keep full divestment under review, given it is subject to a robust and live debate in the sector. There is a significant split between institutions which opt for some level of divestment and others, including large charitable investors such as the Wellcome Trust and Bill & Melinda Gates Foundation, which have chosen not to. Currently there are 20 UK universities that have made commitments to fully or partially divest from fossil fuels. It would be foolish to ignore this debate.
I am clear that any such move must protect academic integrity, ensure strong income generation, and enable the continuation of knowledge-led research pursued without fear or favour.

We will be confirming publicly this new proposed approach to our investments publicly on Friday 8 April.

I look forward to continue working with you on this vital issue.

Kindest regards.

SIR DAVID BELL KCB