

Socially Responsible Investment Policy

Investing in Fossil Fuels

The College recognises the urgent need for action to address climate change. Combustion of fossil fuels is the single largest contributor to climate change. Fossil fuels are also the main current source of global energy. We can help reduce reliance on these sources by accelerating the transition to clean energy, recognising that we cannot decarbonise our economy overnight. Imperial has an important role to play in driving that change.

The group started by asking how we at Imperial can best use all the tools at our disposal to help stop climate change:

- Our research activity
- Our educational programmes
- Our reputation as a world leading university
- Our investments

Through our research we develop new forms of clean energy and mitigate the impact of existing fossil fuels on carbon emissions, both in extraction and combustion. Our Energy Futures Lab, Carbon Capture and Storage Research Network, Leonardo Centre, Centre for Environmental Policy and Ocean Plastics Network are among the Imperial research groups already producing world-changing research that will help drive a low-carbon, low-pollution future.

Our education programmes produce talented graduates with the skills needed to take on the climate change challenge including specialist degrees in Sustainable Energy Futures and Climate Finance.

We use our reputation to influence policy and deliver expert advice to governments. Our Grantham Institute and our policy engagement programme The Forum are just two ways our academics can influence decision-makers. We also use our influence with our research partners, asking challenging questions and providing evidence and advice to inform decision making in industry and public funding bodies.

Our investments also have an important role to play. The group focused on what investment policy would give Imperial the most influence over the actions of companies for which fossil fuels are a major business component. In particular the group sought to determine whether it was more effective to divest our shareholdings or use them to influence companies' behaviour.

They heard from divest advocates that divestment campaigns can be effective ways to draw attention to climate change, stigmatise fossil fuel companies and lead to legislative change. The Working Group also heard that divestment is a singular event, a symbolic act that leaves the divestor without long-term influence. Nevertheless, the College's prominence as a world-leading institution of higher education would draw attention to such an action, possibly providing short-term influence.

Advocates of increasing shareholder activism argued that by proactively engaging with companies as shareholders alongside our other tools of influence we can push them to

address how their business with address climate change. These advocates also recognised that engagement with companies may not always succeed and that a regular, honest assessment of progress, rather than rhetoric, is required. Others argued that companies regard engagement as a public relations exercise rather than a means of really listening to their shareholders.

Both divest and active engagement advocates agreed that evidence of action being taken to meet the Paris Agreement targets was a clear indicator of a company's commitment to energy transition.

The group also discussed ways to amplify impact of the endowment given its modest size, for example by means of stewardship services to combine and resources and collaborate with like-minded investors. It was also clear that the Endowment's impact was boosted when combined with Imperial's other means of influence. Major fossil fuel companies like BP and Shell value their relationships with Imperial, not least because of our world-class research collaborations and the fact that they employ many of our graduates, and we educate many of their current employees.

Based on this we believe that active engagement through our investments is consistent with our collaborative approach to research, education and innovation on these issues. But we also acknowledge that in some cases a company may ultimately be unresponsive to our attempts to influence or be unable to make progress towards Paris Agreement targets by the very nature of their activity. In those cases the College will instruct the Endowment Board to divest.