

## University of Oxford

### Statement from Council on representations concerning fossil fuels and the investments of The Oxford Funds, 18 May 2015

1. The Oxford Funds exist to invest gifts donated to the collegiate University for the purposes of education and research, for beneficiaries today and in the future. The University is the legal trustee of The Oxford Funds. It makes investment policy decisions on behalf of its 28 investors, all of whom are members of the collegiate University.
2. The University has a Socially Responsible Investment Policy<sup>1</sup>. It states (inter alia):

*“The University of Oxford is committed to ensuring that it makes investment decisions responsibly and with integrity. The University's Policy is to ensure that its investment decisions (including those taken on its behalf) take into account social, environmental and political issues in order to maintain its ethical standards.”*
3. Council's Socially Responsible Investment Review Committee (SRIRC) is responsible for considering representations concerning the University's Socially Responsible Investment Policy. Council's Investment Committee is responsible to Council for the strategic oversight and supervision of all funds invested by, or for the benefit of, the University (including any funds placed with the University by external bodies). OU Endowment Management (OUem) is the investment manager to The Oxford Funds. OUem works within the policies set by the Investment Committee.
4. Council welcomes the considerations of, and the extensive consultations by, the SRIRC in relation to the representation from Oxford University Student Union (OUSU) concerning fossil fuel investments. The SRIRC's work has resulted in a careful and thorough assessment, as set out in its report (the SRIRC report) and published at <http://www.admin.ox.ac.uk/councilsec/governance/committees/srirc/>. It is clear that this is an issue that elicits strong opinions from a wide range of constituencies. The overwhelmingly held view is that increasing carbon dioxide emissions will have a long-term impact on global temperatures and the pressing need for substantive actions at individual, institutional, national and transnational levels to bring down greenhouse gas levels.
5. Council is therefore strongly of the view that an appropriate stance must be adopted. It has reviewed the recommendations of its SRIRC; and it has taken advice from its Investment Committee. Council has concluded that OUem already has in place robust mechanisms for ensuring that environmental and social factors are fully and properly taken into account in OUem's investment decisions. However, noting the importance of climate change to society, Council wishes to strengthen further OUem's engagement with and reporting of this issue. Council's further directions are set out below, but before turning to them, Council wishes to emphasise the current position in respect of fossil fuels and to set out the ways in which, through OUem, it ensures that The Oxford Funds continue to be invested in a socially responsible way.
6. The Oxford Funds hold no direct investments in coal and oil sands, areas of particular concern in the SRIRC report. OUem has thorough screening and due diligence processes that are designed to select investments that will produce high returns over the longterm but that avoid investments in sectors with the highest environmental and social risks. Once investments have been made, OUem maintains close engagement with fund managers. OUem favours investing in fund and investment groups where the preference is for holdings in a concentrated number of companies as these investors have a much stronger understanding of the risks across their portfolios. OUem is, and will continue to be, in frequent contact with its managers on a range of topics including any social, environmental or reputational concerns. This engagement may take the form of meetings and phone calls, site visits to companies, attendance at group meetings and, where appropriate, taking seats on advisory boards. In a few instances, The Oxford Funds will own shares directly and where that is the case, OUem retains the voting rights of those shares. As stated above, The Oxford Funds hold no direct investments in coal and oil sands; neither do the Funds hold any

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<sup>1</sup> <http://www.admin.ox.ac.uk/councilsec/governance/committees/srirc/universitypolicyonsri/>

direct investments in the energy sector.

7. As a consequence of its detailed engagement processes, OUem has a thorough view of the sector exposure of the Funds at any one time. As at 31 December 2014, The Oxford Endowment Fund had an estimated 3% exposure to the wider 'energy sector'. This comprises 1.7 % in exploration and extraction; 0.2% in refining and marketing; 0.4% in storage and transportation; and 0.7% in equipment and services<sup>2</sup>. A full breakdown of the sector exposure of the Oxford Endowment Fund will be provided in OUem's forthcoming Annual Report (to be published in the first week of June and to be made available on OUem's website).
8. The majority of the monies in The Oxford Funds have been donated to fund permanent endowments for education and research. OUem invests to take full advantage of the University's perpetuity capital, finding areas which endure beyond the tolerance of many other investors. OUem can therefore take an exceptionally long term view and it consequently has the ability to take global challenges into account when considering what investments to make. In 2010, for example, OUem researched the area of carbon emissions and how investment returns could be made from the reduced dependence on fossil fuels. OUem reviewed clean technology venture funds, funds excluding fossil fuel extractors and funds focused on renewable energy, but these funds did not meet the demanding investment and governance hurdles. OUem chose instead to support Osmosis Investment Management as it has an innovative approach focused on analysing the resource efficiency of quoted companies and their use of energy, water and waste.
9. OUem is also a member of the Institutional Investors' Group on Climate Change (*IIGCC*) (as was recommended in the SRIRC report). Through this membership, together with its collaboration with other investors and its investment in Osmosis Investment Management, OUem has access to the latest research in carbon emission monitoring. There is currently no agreed methodology in this area of research, but OUem continues to observe developments closely.
10. Noting the careful and considered ways in which OUem already engages with the issue of climate change, and taking account of the recommendations in the SRIRC report, Council has agreed the following :
  - (a) Council encourages OUem to maintain its rigorous assessment of each potential investment across an array of risk criteria, particularly its focus on environmental and social impacts alongside other investment criteria. Council recognises that OUem's Governance Policy is designed to avoid investments in sectors with the highest environmental and social risks, which has led to the present situation of no direct holdings in coal and oil sands. Council asks OUem to maintain this present state of affairs and to avoid future direct investments in coal and oil sands companies within The Oxford Funds.
  - (b) In concert with the SRIRC report, Council supports the continued inclusion, where financially prudent, of a broad range of energy investments within The Oxford Funds and requires the Investment Committee to report annually on voting decisions and manager engagement by OUem across all sectors.
  - (c) The SRIRC report raises the importance of communication and transparency around the University's investment strategy and its societal and environmental impact. Council requests that OUem continues to improve its reporting on and communication of its investment strategy, including in the report of The Oxford Funds and on its website and requires the Investment Committee to report on these matters on an annual basis.
  - (d) Council requests that the University's Environment Sustainability team reports annually on carbon usage of sample groups of staff, faculty and students as well as on the progress towards institutional carbon emissions targets.

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<sup>2</sup>For context, if the Fund was invested on a passive basis in the MSCI ACWI, a proxy for global equity markets, exposure would be 8%, and invested in the FTSE-100, a proxy for UK markets, the exposure would be 12%.