Imperial College London

REPORT OF THE SOCIALLY RESPONSIBLE INVESTMENT ENGAGEMENT WORKING GROUP

November 2021

Foreword

The Socially Responsible Investment Engagement Working Group was established in September 2020 to recommend processes for implementing the fossil fuel part of Imperial's Socially Responsible Investment (SRI) Policy launched in March 2020:

'The College will continue to invest in fossil fuels companies (FFCs) that demonstrate they are actively moving towards meeting Paris Agreement targets...and will influence the behaviour of these companies through our research and collaborations, educational programmes and influence as a world-leading university, as well as being an active shareholder.'

Following a College-wide consultation, which sought the views of staff, students, external stakeholders and advisors, the Group has taken the view that the College's overall approach to decarbonisation needs to be consistent, credible and joined up. Therefore, as well as considering our investment policy for FFCs, in this report we have also included recommendations about our policy for accepting research funding from them and reinforced the need for a strong College commitment to achieving net-zero emissions.

The Group considers that, in taking a responsible, pro-active position on its decarbonisation expectations of FFCs, this engagement approach represents a major opportunity for the College to use its research, teaching, thought leadership and convening power to help ensure that FFCs are active participants in the energy transition. At the same time, we still have work to do to make sure our own house is in order. This report sets out a robust framework for both.

I am grateful to the staff, students and other stakeholders who have helped shape this approach at such a critical time in the fight against climate change.

Professor Geoffrey Maitland, Chair, Socially Responsible Investment Engagement Working Group

Executive Summary

This report addresses a process to manage Imperial's fossil fuel investments, in line with the Socially Responsible Investment (SRI) Policy launched in March 2020. Its recommendations were arrived at following extensive consultations with staff, students, external stakeholders and advisors. It is clear that there is increasing pressure on all institutions to consider the carbon emissions associated with all their investments. To this end, the approach we set out would be readily transferable to other industrial and commercial sectors.

The report contains recommendations for:

1. **Metrics** the College and its investment managers should adopt to monitor the strategic commitment of FFCs to align with the Paris agreement, interpreted as becoming net-zero by 2050, and the progress they are making to meet credible interim targets to meet this goal.

2. **Criteria** for using these metrics to evaluate whether a particular FFC is eligible for investment under the SRI Policy and for capping the carbon emissions associated with FFC investments going forward.

3. **A policy and criteria for accepting research funding** from FFCs, consistent with the College's SRI Policy, based on both the decarbonisation commitments of the company and the alignment of the proposed research with achieving net-zero emission businesses by 2050.

4. **A process for engagement with FFCs** with whom we have a close research or other relationship, using the leverage of our research, education and thought leadership in the energy transition space, and the associated sanctions and our position as a potential investor, to influence and assist them to adopt a credible, transparent, strategic approach to achieving net-zero by 2050 at the latest. This should first be piloted with a few key partners to refine the process and ensure that unintended consequences are avoided.

5. **A strong messaging and communications plan** to demonstrate the commitment of the College to use this engagement to facilitate and accelerate the decarbonisation of current fossil fuel businesses as part of its leadership of the energy transition.

6. **Criteria for evaluating** the effectiveness and impact of this engagement process on the behaviour of FFCs, as distinct from other factors driving the energy transition.

7. **Governance and management arrangements** for ensuring the successful implementation, evaluation and decision-making of these SRI engagement and monitoring processes, comprising:

- A SRI Engagement and Monitoring Manager to coordinate the whole process with the selected FFCs and all the internal stakeholders across investments, research, education, and company relationships;
- A standing SRI Engagement and Monitoring Panel, with representation from the main internal stakeholders of the process: FFC relationship manager(s) from Industry Partnerships and Commercialisation, ICU President, Vice-Provost Research and Enterprise, Vice-Provost Education, Director of Financial Strategy, Energy Futures Lab Co-Director, Sustainable Imperial Academic Lead.

Additional suggestions are also made on closely related issues concerning Imperial's overall net-zero ambitions, which will have a direct impact on the effectiveness of the recommended engagement process and the long-term credibility of the SRI Policy itself:

- The College should ensure the credibility of its processes to achieve the goal set out in the Sustainability Strategy to decarbonise our own operations by 2040, to establish our credentials for requiring FFCs to act in a similar fashion.
- The carbon emissions from FFCs represent only a small fraction of the carbon footprint of our Endowment Fund (as of 31 July 2020, FFCs made up only 0.5% of the portfolio or 0.8% of our public equity investments*). However, the carbon footprint of the Fund as a whole is currently not capped and is therefore inconsistent with our own decarbonisation targets. Given this, the Group suggests that the College consider (through the SRI Policy Working Group) adopting a portfolio emissions approach, by applying a cap on its pro rata share of carbon emissions from all its investment portfolio, decreasing with time towards zero by our own target of 2040. In view of the rapid and ever increasing pressure on organisations of all types to take responsibility for the emissions associated with all their investments, not addressing this brings considerable reputational risk, as well as jeopardising the opportunities the College has to be seen as a leader in the transition to net-zero. (* Paper by Group Financial Controller to President's Board, October 2020, supplemented by College Investment Finance Team)

1. Introduction

The Socially Responsible Investment Engagement Working Group (SRI EWG) was established in September 2020 to recommend processes for implementing the fossil fuel part of the College's SRI Policy launched in March 2020:

'The College will continue to invest in fossil fuels companies (FFCs) that demonstrate they are actively moving towards meeting Paris Agreement targets…and will influence the behaviour of these companies through our research and collaborations, educational programmes and influence as a world-leading university, as well as being an active shareholder.'

1.1 In particular, the Group was asked to devise a process for influencing the decarbonisation of fossil fuel companies through its research and collaborations, education programmes and influence as a world-leading university and for monitoring whether they are on track to meet the Paris targets and the impact our engagement is having on that. Its terms of reference and membership are given in **Appendix A**.

1.2 This report describes the Group's recommendations to the President's Board (July 2021) for a process of monitoring and engagement that will enable the robust implementation of the SRI Policy. The recommendations have been informed **by a report by Anthesis (ESG Consultants) (see Appendix B)** which was commissioned by the Group. References to this Anthesis Report in this document are indicated by [ARn], where n is the page number. The process adopted by the SRI EWG for consultation with key internal and external stakeholders and collecting evidence of best practice and benchmarking to inform their recommendations is described in Appendix C, which also gives summaries of the comments and evidence received [AR8].

2. General Principles

2.1 We will use available and accepted decarbonisation metrics where appropriate [AR16,17] and work to improve and enhance them with approaches developed through world-leading research in this area at Imperial [AR14].

2.2 In addition to the potential threat of divestment, where our leverage is rather small [AR26–29, 32], our engagement with fossil fuel companies (FFCs) will cover research, education/skills and thought leadership, which we can use to apply greater leverage to achieve the aims set out in section 3 and as a means to apply sanctions, where appropriate [AR30,32].

2.3 Our engagement approach with FFCs should be to act as a critical friend, influencing and assisting them to decarbonise their businesses as quickly as possible. Choosing to engage presents significant opportunities for the College [AR32] and the aim should be to communicate widely that the College is being a pro-active innovator, educator and thought leader in driving and accelerating decarbonised approaches to products, processes and services, especially in the oil and gas sector.

2.4 We should adopt a consistent, integrated and proportionate approach to decarbonisation across our investment policy for FFCs, our policy on accepting research funding from them (for which we make recommendations) and our own approach to achieving net-zero emissions through Sustainable Imperial, who were consulted as a key stakeholder during the preparation of this report [AR7,9]. The recommended process should operate closely with Sustainable Imperial and with related initiatives such as the Partnership Working Group.

2.5 Our approach should be fully transparent, both on our existing FFC investments and research funding from FFCs, and on changes in the nature of these as we apply and develop our engagement processes.

2.6 Where appropriate we should:

2.6.1 Work in partnership with other stakeholders to increase the effectiveness and the impact of our decarbonisation monitoring and engagement with FFCs

2.6.2 Position the College in a unique influencing position by exploiting our world-leading research in such areas as process lifecycle emissions approaches, process decarbonisation and systems engineering for the energy transition

2.7 The scope of the recommended monitoring and engagement process is initially limited to FFCs, with an eye on all greenhouse gas (GHG) emitters, including ourselves; over time it will need to be extended to include all industrial and commercial sectors. The Group considers it an ethical imperative for the College to (a) implement the current SRI policy on FFCs using the recommended process effectively and with minimum delay and (b) to address urgently the emissions associated with all of our investments [AR30,31].

2.8 We have proposed an integrated, long-term approach to decarbonisation expectations, with equal standards for ourselves, FFCs and, in time, all other companies with whom we interact, as a key element of Imperial being regarded as a world-leader in driving a sustainable net-zero future [AR9]. The recommended process is readily transferable to other sectors.

2.9 Institutions of all kinds are increasing their response to climate change. With Imperial College being perceived in many quarters as lagging (see stakeholder interviews, Appendix C; lowest performing Russell Group university on **People and Planet University**

League Table, the reputational risk is accelerating. The external pressures on organisations to be pro-active in reducing carbon emissions, both direct and indirect, are changing very rapidly, so to avoid reputational damage the College should be actively anticipating how the current policies needs to evolve to meet expectations over the next decade and beyond. We make suggestions as to how the recommended process, and related College activity, could be extended to address these issues to ensure the College is seen to be a leader in addressing all aspects of climate change mitigation [AR7,9].

3. SRI policy for FFCs – what it means in practice

3.1 In order to formulate a process to implement the current SRI Policy for fossil fuel investment, it has been necessary for the Group to interpret the wording used in the policy (see section 1) and so refine the policy in terms of quantifiable targets and actions. These clarifications should be incorporated into a re-statement of the SRI Policy regarding FFCs on the College website.

3.2 'Invest if actively moving towards meeting Paris Agreement targets' should be interpreted as requiring FFCs to have a clear strategic plan for decarbonising their business by 2050 or earlier (effectively following a pathway consistent with 1.5°C of warming), backed up by regular evidence of decreases in scope 1, 2 and 3 carbon emissions in line with a net-zero trajectory by 2050. This is in line with current international expectations of what Paris Agreement alignment requires and with the College's own strategy for decarbonisation.

3.3 The College's aims in 'influencing the behaviour' of fossil fuel companies in this context should be: to encourage and assist them to embed decarbonisation in credible strategic business plans; to adopt a scenario-based approach [AR17,21] to achieving net-zero by 2050 at the latest, with clear timelines and interim carbon targets; to publish transparent and credible (process lifecycle) measures of their absolute emissions [AR18] and the financial and other measures [AR19] they are taking to achieve their goals; and where they are lagging to accelerate investment and action still to reach net-zero by 2050.

3.4 The current policy has no mechanism for preventing the carbon footprint of the College's Endowment Fund from increasing without bound through new FFC investments, which the Group considers is inconsistent with the intentions of the SRI policy and with its own strategy and ambition to decarbonise to net-zero by 2040. We have included how this can be addressed as part of the implementation process in our recommendations.

3.5 Our current investments in FFCs vs total endowment and also our research funding from FFCs vs overall industrial funding and total research spend are given in Appendix D, to give context to the recommendations which follow. In summary as of 31 July 2020, the Endowment had exposure to just three stocks related to fossil fuels (Equinor, Berkshire Hathaway and EOG Resources) with a total holding of £2.5m in a Fund of £478m (0.5%, or 0.8% of the £309m public equity investments). Current research funding from fossil fuel related companies has decreased from 3.7% of total College research expenditure in 2016–17 to 2.4% in 2019–20, with current total funding at £48.4m equivalent to ~£10m per annum.

4. Decarbonisation metrics to be adopted and developed – tiered approach:

4.1 A tiered approach is recommended, using the most suitable off-the-shelf ESG metric packages to start with and then migrating to more rigorous scenario-based monitoring tools as they become available and adopted by FFCs. At all stages the standard packages may be enhanced or customised by Imperial thinking and research in this area [AR14], but the implementation will be done by investment managers or consultants.

4.2 We recommend initially to use CDP (formerly Climate Disclosure Project) data and/or the Transition Pathway Initiative (TPI) tool [AR17], as determined by the SRI Engagement and Monitoring Manager (see section 13), in consultation with the in-house Endowment Team, in order to ensure that the Imperial required metrics (financial and non-financial, as summarised in [AR13]) are included.

4.3 Positive indicators include employee remuneration incentives for achieving decarbonisation targets as well as the necessary capital investment. Conversely activities such as lobbying against the need for climate change mitigation or selling assets to export carbon rather than decommissioning facilities will be taken as strong negative indicators of a company's commitment. Direct elimination of carbon emissions by shifts to renewables, energy efficiency measures or capture and storage is required rather than large-scale offsetting using nature-based solutions elsewhere, which should be reserved for harder to decarbonise sectors [AR20-22].

4.4 Then, once a suitable Science-Based Targets (SBT) tool is developed for FFCs by the World Resources Institute (WRI), we should adopt this metric and require FFC commitment to Science-Based Target Initiative (SBTi) scenarios [AR17] (or an alternative scenario-based target approach). This will enable FFCs to reach net-zero by 2050 (or earlier) with realistic interim targets, recognising that transitioning to such a metric from CDP/TPI may take a few years.

4.5 Science Based Targets enhancement: Imperial researchers working on tools for transparent, robust carbon emissions and sustainability monitoring

(e.g. Professor Anna Korre (Energy Futures Lab (EFL)/ Department of Earth Science and Engineering (ESE)) and Leonardo Centre (Business School), who together form a Metrics Expert Group – see [AR14]) are encouraged to engage with SBTi (oil and gas), or other ESG metrics tool providers, to help them produce a fit-for-purpose toolkit for broad acceptance by FFCs that takes account of both their direct and indirect emissions. SBTi are keen to explore this, which could be a key engagement opportunity and place Imperial in a unique influencing position [AR43]. This also has the potential to go beyond carbon targets into a more holistic monitoring of sustainability performance, linked to the UN Sustainable Development Goals, already embedded in the Leonardo Centre approach.

5. Investment/Divestment criteria:

5.1 Whichever tool is being used, FFCs will be given a RAG rating (red, amber, green) [AR23]. Green meets all essential criteria, amber ³50%, red ‹ 50%, with some critical criteria required to meet the amber rating; detailed requirements to be set by Imperial Metrics Expert Group (see section 4.5) in association with the SRI Engagement and Monitoring Panel (see section 10). For example, for the TPI tool, green must be at Level 4: Strategic Assessment, amber at Level 3. For SBTi, rating will be set by SBTi based on degree of conformance with selected decarbonisation scenario.

5.2 For existing investments, red leads to immediate divestment; amber leads to a warning as part of the engagement process – if the FFC does not reach green after two annual warnings it is rated red and divestment follows. This effectively gives lagging companies a three year timescale in which to demonstrate with transparent evidence that they are on track to achieving a 2050 net zero target for their business.

5.3 Although new fossil fuel investments should not be encouraged, they must be rated green to be considered.

5.4 To prevent the carbon footprint of our Endowment Portfolio increasing through new FFC investments, we suggest that the Endowment Board applies a carbon cap on the College's FFC investments, based initially on the pro-rata share of the carbon emissions of all the current FFC investments (see Appendix D), and then decreasing with time to zero by 2040, in line with the College target to be net zero by 2040 (see sections 14, 15).

6. Implementation of FFC investment guidelines:

Work closely with our investment managers (IMs) to apply FFC investment constraints based on increasingly realistic decarbonisation metric tools/methodologies:

6.1 Initially require them to use CDP or Transition Pathway Initiative (TPI) data, customised where necessary to include Imperial required metrics (financial and non-financial) summarised in [AR13], with ratings set as above.

6.2 As soon as possible require FFCs to sign up to Science-Based Target Initiative (SBTi) Net-Zero 2050 (NZ-2050) scenarios once the Oil and Gas SBT is in place; this will give more rigorous tracking of interim carbon emission targets aligned with NZ-2050 and the monitoring done by SBTi or an SBT-using IM.

6.3 IMs to use data to decide if a FFC is investible by Imperial; they should also provide the decarbonisation data and evidence they obtain to Imperial. This may require a change of IMs, or the use of an investment consultant, especially if SBT capability is required.

6.4 Process owner: Director of Financial Strategy on behalf of the Endowment Board (EB). The Board must ensure that selected investment criteria are implemented, with clear reporting of investment change justification by IMs. These criteria would apply to all asset classes.

7. Research Funding Policy

7.1 Alignment of a responsible approach to mitigating climate change across our research, our own decarbonisation and our investments is the goal. However, it is important to note that investment constitutes ownership and a vote of confidence in the business. Owning and working on the problem are not the same, so it is reasonable to set a higher standard for investment [AR29].

7.2 The aim of our research on decarbonisation and the energy transition should be to benefit global society, including support for those FFCs lagging behind in decarbonising their business to accelerate and achieve net zero by 2050. What we should require is a firm commitment that they plan to decarbonise their business at an accelerating rate and that the proposed work with Imperial is on the critical path to achieving this.

7.3 For consistency with the aim of the SRI Policy to influence FFCs to align with the Paris Agreement targets, we recommend (for background see [AR34-36,39]) that both the following criteria are met for acceptance of research funding from a FFC:

7.3.1 The company must demonstrate through its annual financial and sustainability reporting and its engagement with the College that it is committed to its business becoming net-zero by 2050, even if it is lagging on meeting or setting interim emissions reduction targets and would not satisfy our criteria for investment.

7.3.2 Funding will not be accepted for research aimed primarily at maintaining the existing hydrocarbon extraction practice. Projects must be strongly directed to decarbonisation of the FF business, direct benefits

for Health-Safety-Environment (HSE) or new sustainable business.

7.4 The company and PI should justify that a proposed project is directed towards decarbonisation and the energy transition to NZ-2050 by supplying a statement alongside the proposal of how it is hoped that it will achieve this and transform the business, provide indications of the potential impact of the research outputs on completion of the research and evidence of the decarbonisation of the business during the subsequent translation/development/commercialisation stages. [Research funded by FFCs is already heavily focused on these areas, with >80% of projects in the current portfolio likely to meet these criteria.]

7.5 Due diligence for this should be carried out by Enterprise's Industry Partnerships and Commercialisation (IPC) Faculty teams and integrated into the College's Relationship Review Policy (RRP) and its associated processes. The above company and project decarbonisation acceptability criteria will be incorporated into the RRP alongside ethics, other reputational concerns, export control and other issues requiring screening before acceptance of a project. A decision will be reported to the SRI Engagement and Monitoring Panel (see section 10), with the option to escalate the final decision on acceptability to the SRI E&M Panel where the decision is marginal or requires further input. Ideally the due diligence for climate change mitigation should take place as early in the proposal process as possible, typically at the 'Gleam' stage alongside ethical due diligence.

8. FFC Engagement

8.1 The College should focus on FFCs we do research with (strategic partners and managed accounts) and selected major investments. The process should first be piloted with one or two companies to refine how it operates and ensure that unintended consequences are avoided.

8.1.1 For example, the focus initially could be on pilot studies with our highest funding strategic partner Shell, using another strategic partner Equinor (in whom we also invest and many see as a leader in decarbonising its business) as a benchmark, expanding once the process is established to the other strategic partners and managed accounts (e.g. BP, Petronas, Total, Exxon, Aramco). In time the process might be tested on a non-partner investee (e.g. Berkshire Hathaway). The engagement period would be 5 years, long enough for impact to be measured, and could be renewed. The engagement list should be reviewed and refreshed every 5 years.

8.2 The engagement process should leverage all aspects of our relationship with the company (investment, research, education and skills, sponsorship, consultancy and advisory groups) to influence them to adopt and implement credible strategies for achieving NZ-2050 [AR30,31].

8.3 Hold annual meeting between each selected FFC (represented typically by senior management, academic and investor relations, business strategy and energy transition management) and Imperial SRI Engagement Panel, augmented as appropriate.

8.4 Aims of meeting:

8.4.1 Update on decarbonisation performance over past 12 months by FFC and Imperial, in context of required decarbonisation criteria and relevant SBTi scenario, and upcoming three-year plans.

8.4.2 Include reporting by Imperial of the company performance using its own decarbonisation metrics (Korre, EFL/ESE and Leonardo Centre, Business School) and comparison with competitors.

8.4.3 If FFC resistant to SBTi (O&G) approach, discussion of the need to adopt lifecycle analysis and a transparent quantitative emissions accounting approach for all processes [AR11,21,22], in line with Imperial methods. It should be emphasised that the College considers adoption of some type of NZ2050/1.5oC scenario-based approach, with credible interim carbon reduction targets and process lifecycle carbon accounting, as essential for an acceptable (green) decarbonisation rating. The College should use its influence with key partners to get such an approach adopted across the industry.

8.4.4 Discussion on how Imperial research and work on metrics has influenced the FFC's decarbonisation capability, approach or reporting.

8.4.5 Agree actions on research/education and skills/other initiatives, including collaboration with others [AR38].

8.4.6 If appropriate, Imperial to use the opportunity for messaging and warnings to convey any concerns about the FFC's decarbonisation progress which might affect its (a) investability; (b) the College's willingness to continue as a research partner; (c) any sanctions the College feels might need to be considered if progress continues to fall short.

8.5 Imperial should use its convening power and thought leadership for more collective initiatives on decarbonisation of oil and gas value chains. These activities should be chosen carefully to avoid duplication with existing initiatives and to maximise added value.

8.5.1 The College could bring a systems engineering approach, of which there is relatively little expertise in FFCs, to manage the complexity of the energy transition, identify viable alternative technology pathways (and the technology gaps and opportunities) and optimise both carbon reductions and financial returns along the transition timeline.

8.5.2 The College could consider convening an Energy Value Chain Decarbonisation Forum, where oil and gas companies and their main users – power, heating, transport, petrochemical companies – work together to ensure NZ-2050 is on track right across the FF supply and value chains. This approach could, for example, supply the connectivity needed to address the complex issue of how oil and gas scope 3 emissions are addressed more collectively [AR37].

8.5.3 The engagement activities outlined here can be supported through existing College structures at EFL and the Grantham Institute and the Transition to Zero Pollution initiative, together with specific departments e.g. ESE, Centre for Environmental Policy (CEP), Business School. The Vice-Provost for Research and Enterprise should work with these existing routes to deliver the engagement by agreeing with the relevant Directors and Deans to prioritise these activities, aligned with relevant resources.

8.6 Engagement with FFCs in the education and skills space has significant scope for Imperial to influence their approach to decarbonisation, both by increasing awareness of the sustainability credentials of our graduates and responding to the specific needs of these companies for people and training to accelerate their energy transition [AR38]. Whilst some Departments are already responding to this need (for instance Earth Science and Engineering are discontinuing their Petroleum Engineering MSc course in 2022 and replacing it with a course having a greater emphasis on transferable skills across the energy sector), there is much scope for innovation here. The College is encouraged to be pro-active in developing specific opportunities for our educational programmes to contribute to this engagement process.

8.7 The College should show more active engagement with and through Principles for Responsible Investment (PRI) and Research Investment Network – Universities (RINU), both of which we are already signatories to, and join or help create coalitions for FFC engagement with like-minded and complementary partners such as universities favouring pro-active engagement (e.g. Manchester, LSE, MIT, NUS – the international element is important). Collective shareholder pressure has a role to play in influencing FFCs [AR26,28,30,32].

8.8 Work with IMs (Imperial in-house Endowment team, Endowment Board, SRI Engagement Panel) to ensure that what shareholder pressure we have is applied, e.g. to make representations at annual meetings to hold FFCs to account; give students a voice in this process.

8.9 Continued engagement with internal groups, particularly student groups such as Positive Investment Imperial and Divest Imperial, is important to keep internal stakeholders informed of how the SRI policy is being pro-actively implemented and how the impact on FFC behaviour is being monitored.

8.10 A suggested timeline for the engagement and monitoring process is given in Appendix E (see also [AR44]. To some extent this depends on the level of ambition and resource allocated [AR41].

9. Messaging – key messages to be communicated in engagement conversations with FFCs:

9.1 Effective engagement requires clarity in the messages we wish to pass to FFCs. This section pulls together the various messages (for investment, research, education and general collaboration) we should aim to communicate to the FFCs we choose to engage closely with.

9.2 Imperial commits to decarbonise its own operations and properties in a transparent manner by 2040. For credibility it is important that this is carried out with the same degree of transparency and rigour as we are demanding of FFCs (see section 14).

9.3 The College will only invest in FFCs who commit to decarbonising their business to NZ-2050, reflect this in their business strategy, investments and evolving/transforming operations. They must provide the evidence for continued progress to meet this target by commitment to an SBT approach (or equivalent) and NZ-2050 scenarios and demonstrate that they have met (or are on track to meet) the required interim (e.g. 3 yearly) targets.

9.4 Imperial will only carry out research with FFCs

9.4.1 if the company has demonstrated its realistic commitment to its business becoming net-zero by 2050, even if it is lagging on meeting or setting interim emissions reduction targets and would not satisfy our criteria for investment;

9.4.2 on areas primarily directed towards decarbonisation of their business, the NZ-2050 energy transition and other sustainable business issues such as environmental compliance. These criteria are incorporated into the College's Relationship Review Policy for Industry Research Partners alongside other ethical, export control, conflict of interest and related issues.

9.4.3 We are committed to carrying out research that will enable fossil fuel products and processes to be decarbonised and then replaced, in a way that enables continued employment, through transferable skills as well as re-training, as the sector transforms and maintains quality of life as hydrocarbon-based products are replaced by more sustainable alternatives.

9.5 The College will seek to influence the decarbonisation behaviour of FFCs through its education activities and its thought leadership. It will:

9.5.1 ensure all graduates and post-graduates have sustainable approaches to science and engineering

integrated into their skill set – not just a course, more a way of thinking;

9.5.2 welcome 'pull' from FFCs on the skills and expertise they require to successfully decarbonise and transition their businesses to zero carbon emission products and processes;

9.5.3 offer CPD courses to FFC employees, including management, on topics related to climate change, decarbonising their business and making it increasingly sustainable. Examples include customising the Grantham Institute 'Science in the City' programme for FFCs; modifying the new iExplore module on climate change; access to Energy Future Lab Sustainable Energy Future MSc modules as CPD for FFC employees.

9.6 The College will use its convening power to build and facilitate partnerships to drive decarbonisation across the FF value chain and enable best practice to be shared where appropriate. FFCs are encouraged to work with Imperial on multi-company initiatives, for example addressing FF supply and demand issues together, or decarbonising the FFC supply chain, including steel manufacture. Imperial can bring its world-leading systems engineering expertise to bear on helping FFCs manage the complexity of their energy transition, identify preferred technology pathways, gaps and opportunities which optimise both carbon reductions and financial returns as the business is transformed towards NZ2050.

9.7 Possible sanctions: if a FFC fails to meet an acceptable level of commitment to and performance in decarbonising its business in line with NZ-2050 (see sections 4 to 7) then, in addition to divestment, the College may consider not associating itself with the company through, for example, (a) research collaboration; (b) facilitating student recruitment, especially on campus; (c) accepting donations or sponsorship; (d) invitations to sit on College committees or advisory boards.

10. Ownership and Coordination of Engagement, Monitoring and Evaluation

10.1 To own and coordinate this recommended process, create a permanent SRI Engagement and Monitoring Panel. Since this covers more than investment, here SRI = Socially Responsible Interaction [AR42].

10.2 This panel needs to have a degree of neutrality on decisions concerning accepting research funding or withdrawing from existing relationships. The group recommends that this neutrality is reflected in where the panel sits organisationally. One option is reporting to the College Secretary's Office as part of its responsibility for our Relationship Review Policy; another is to the Provost through the SRI Policy Working Group, although this may risk mixing policy implementation with policy setting. Given the broad scope of the role and the key elements of investments and research, we also recommend that whichever option is adopted, there should be functional (dotted line) reporting to the Director of Financial Strategy and to the Sustainable Imperial activity through its academic lead, with which the process must have strong alignment.

10.3 The roles of this Panel set out below could be extended in time from FFCs to other companies and sectors emitting significant GHGs:

Role 1: To collect and evaluate the evidence of decarbonisation performance and future sustainable business transformation by FFCs being monitored using several sources:

- TPI/CDP/SBT performance from IMs for companies invested in, annually via in-house Endowment Team
- CDP or SBTi (O&G) for all current and potential research partners (or for any FFC who approaches the College about any donation/sponsorship or joint activity), via IPC;
- Imperial lifecycle decarbonisation/sustainability metrics, via Imperial Metrics expert group (Korre/Leonardo Centre) or from SBTi if these tools embedded in this;
- Input from annual decarbonisation engagement meetings;
- Any other relevant information e.g. from a Value Chain Decarbonisation Forum

Role 2: Review annually and update where appropriate the metric monitoring approach and FFC investment constraints in line with current best practice.

Role 3: Investments

- Confirm that the College investment guidelines/exclusions are being correctly applied
- Give feedback and discuss the evolution of the FFC investment guidelines at an annual meeting with the Financial Strategy Director, Endowment Team and Endowment Board.
- Liaise with the Endowment Team to submit any proposed changes to the FFC investment constraints for Council approval where deemed necessary.

Role 4: Research

- Receive decisions on acceptability of research funding/projects from FFCs and arbitrate where necessary.

Role 5: Education and Skills/People Pipeline

- Recommend educational and CPD routes to enhance FFC sustainability behaviour and performance.

Role 6: Sanctions

- Recommend any warnings or actions on sanctions/distancing from FFCs not meeting required NZ-2050 decarbonisation performance, judged by the available metrics.

Role 7: Engagement Process

- To evaluate the impact of Imperial's decarbonisation

engagement process on the behaviour and performance of FFCs in decarbonising their business to achieve NZ-2050 (see section 11).

Role 8: Annual Report

- To produce an Annual Report on the engagement work and decisions of the SRI E&M Panel.

10.4 Suggested composition of SRI E&M Panel:

- SRI Engagement and Monitoring Manager (new position, see section 13)
- Relationship manager(s) from IPC
- Sustainable Imperial Academic Lead
- ICU President or delegate
- Vice-Provost Research and Enterprise or delegate
- Vice-Provost Education or delegate
- Director of Financial Strategy
- Representative of Imperial's FF decarbonisation research community from EFL

10.5 This group brings together responsibility for the engagement process, the monitoring process, the investment process and the range of levers and sanctions Imperial can bring to bear to influence FFCs to transition their businesses to net-zero. Consideration should be given to having an external person on the Panel to stress its independence; someone who knows the College well, such as a member of Council, would be appropriate. Possible observer status for student groups such as Divest Imperial and Positive Investment Imperial should also be considered.

10.6 A suggested timeline for the engagement and monitoring process that the SRI E&M Panel and Manager (see section 13) will drive and coordinate is given in Appendix E.

10.7 The proposed engagement and monitoring process is transferable to other industrial and commercial sectors and can readily be extended to include other measures of sustainability good practice in line with the UN Sustainable Development Goals; indeed the Leonardo Centre approach already includes these. Early piloting of the process with other sectors could form part of extending our SRI decarbonisation requirements beyond FFCs (see section 15).

11. Potential criteria to assess the effectiveness and impact of Imperial's FFC decarbonisation engagement process [AR24]

11.1 Influence of Imperial approaches on SBTi(O&G) methodologies adopted by FFCs to provide quantitative metrics that properly account for GHG emissions over the full life cycle of all their processes and operations, without leakage or unacceptable offsetting.

11.2 Extent to which Imperial monitoring methods or results are used by IMs to overcome the shortcomings of off-the-shelf metrics tools.

11.3 Extent to which these Imperial approaches are adopted by FFCs and the wider energy/climate change communities, even if they are not part of SBTs.

11.4 Metrics: For engagement meetings and major planned activities, the organisers with the SRI Engagement and Monitoring Manager (see section 13) should build in some form of impact assessment from the beginning (e.g. surveys before and after engagement).

11.5 Impact of Imperial research or consultancy with FFCs on the decarbonisation of their businesses: new technologies, systems engineering to optimise decarbonisation pathways, policy and business models etc.

11.6 Any impact of convening power and collective engagement if pursued e.g. Value-Chain Decarbonisation Forum in addressing more coordinated scope 3 emissions reduction.

11.7 Events or training with companies or the sector, demonstrating pro-activity by the College even if impact is difficult to track.

11.8 Impact by Imperial alumni as technologists or managers driving decarbonisation/sustainable business growth within FFCs.

11.9 Achievement of the various interim stages in the engagement and monitoring timeline shown in Appendix E can be viewed as a measure of the effectiveness of the engagement process. Suggested impact checkpoints: annually till 2025, then every three years.

12. Communications – messaging to internal and external stakeholders

12.1 Overall the aim is to communicate widely that the College is being a pro-active innovator, educator and thought leader in driving and accelerating decarbonised approaches to products, processes and services, especially in the oil and gas sector [AR9, 38-43].

12.2 Develop a communication plan with Imperial Communications and Public Affairs team (together with Grantham and EFL Comms staff) to publicise:

12.2.1 The process Imperial is adopting for evaluating the decarbonisation performance of FFCs and the criteria by which they divest or deem them investable under the current Imperial SRI Policy;

12.2.2 The process Imperial is implementing for pro-active engagement to monitor and influence for good the decarbonisation behaviour of FFCs, through research, education and its position as a world-leading university and thought leader;

12.2.3 That Imperial will only carry out research with FFCs which will lead to decarbonisation of their business, to aid and accelerate achieving NZ-2050, as

long as the company demonstrates a credible strategic commitment to achieving this goal;

12.2.4 That the College will not accept funding from FFCs for research that is simply directed at propagating the existing extraction business, such as producing more hydrocarbon or reducing lifting costs rather than using reservoirs for CO2 or hydrogen storage or extracting geothermal energy, for instance. Whilst most subsurface research might be exploited to some extent to improve oil and gas recovery, acceptable projects must have as their major focus methods to prevent or reduce carbon emissions, such as these examples. So projects centred on enhanced oil recovery or extraction of difficult to recover heavy oil, for example, would not be considered.

12.2.5 The sanctions Imperial would consider applying if the decarbonisation performance of a FFC with which it has a relationship is deemed unacceptable according to the above criteria.

12.2.6 The commitment of Imperial to decarbonise its own operations by 2040, using the same SBT transparent evidence-based approach which it requires of the FF sector.

12.2.7 The monitoring and engagement approach developed by the College can be readily extended beyond FFCs to measure and influence the carbon emissions performance of companies in a wide range of industrial and commercial sectors.

12.2.8 The Leonardo Centre performance monitoring approach includes other environmental and sustainability measures in addition to GHG emissions, in line with the UN SDGs.

12.2.9 These messages should be directed at a range of audiences:

- The College community
- Alumni
- The energy sector
- The international academic community

12.3 Decisions on divestment (and major changes in investments) should be made as publicly as possible, with the reasons explained, both to call out bad practice and poor performance in transitioning FF businesses to net zero and to demonstrate the effectiveness of Imperial's SRI Policy, especially where divestment can be coupled to examples of where engagement has promoted good decarbonisation performance.

12.4 There should be transparency on the Imperial website of the details of the Imperial Endowment and its FF holdings and how they change with time under the SRI Policy, with quarterly updates.

12.5 An annual Town Hall meeting should be held to explain changes in the Endowment Fund Portfolio and the reasons behind them, particularly for FFCs and companies with a recognised high carbon footprint. This will be informed by the SRI E&M Panel Annual Report.

12.6 Irrespective of the effectiveness of our monitoring and engagement with selected companies, our public statements and announcements influence society at large and the political environment, which in turn can have an indirect but powerful effect on FFCs.

12.7 Based on its own 'state-of-the-art' carbon emissions and sustainability performance metrics (see section 4 and [AR14,21,41,43), Imperial could publish an annual league table of FFC decarbonisation relative performance, which will be far more realistic than existing rankings such as MSCI ESG or ISS ESG ratings (see [AR16]). Such an independent analysis should add to our ability to influence FFC behaviour. If the College were to indicate that certain companies would not meet our criteria for either investment or research partnership, this would have a greater impact than divesting and cover a wider range of companies.

13. Resources

13.1 We recommend the appointment of an SRI Engagement and Monitoring Manager to manage and convene the recommended processes. The reporting line for this role would be the same as that of the SRI E&M Panel (with dotted line reporting to the Sustainability Lead and the Director of Investment Strategy). This is a key appointment to ensure that this process is effective; the Manager would convene and support the SRI E&M Panel [AR42]. Although the start-up phase of this process will be quite intensive, there may be scope in steady state for this role to be covered by someone having other tasks in the sustainability or financial space. We foresee the remit of the role being co-developed with the Investment Strategy Director and the Sustainability Academic Lead to ensure that it is fit for purpose.

13.2 The remit of the SRI E&M Manager will include gathering the information covered in sections 8, 10 and 12, working with the in-house Endowment team to provide investment managers with guidelines and constraints, coordinating academic expertise, ensuring there is good communication with both internal stakeholders and the FFCs, convening engagement meetings and preparing action plans. They will need to combine this with sufficient professional experience and seniority to have the credibility and efficiency to work effectively with academic and financial influencers in the university, as well as with stakeholders in the College's broad constituency, especially students.

13.3 There is a substantial opportunity to raise Imperial's influencing capacity on the FFC decarbonisation process by aligning the College's world-leading research on metrics for life cycle analysis of GHG emissions and emissions/sustainability vs financial performance modelling with the needs of SBTi to provide more robust, next-generation SBT models for evaluating FFC (and other companies') decarbonisation performance and scenario alignment, with potential for wide deployment [AR21]. If this proves feasible, although the development of the models will continue to be covered by conventional research funding sources, some resource for adaption and translation of this research into the commercial environment might be required.

Additional suggestions – related issues concerning Imperial's own net-zero ambitions

The Working Group also reflected on how the SRI Engagement work dealing with the immediate FFCs issue should be embedded in the wider work of the College concerning sustainability and our response to climate change. The group suggests that the College consider how this embedding might take place and have suggestions to make concerning two closely related issues which will have a direct impact on the effectiveness of the recommended engagement process and the long-term credibility of the SRI Policy itself.

14. Ensuring the credibility of Imperial's position on decarbonisation of our own operations *('Practise what we preach and putting our own house in order'),* to establish our credentials to require FFCs to do likewise:

14.1 Through its Sustainability Strategy, the College now has a firm commitment to decarbonise its operations and properties by 2040 at the latest. However, there is not yet a clear action plan and timeline in place to achieve this, which is what we are requiring of FFCs to qualify for investment, research and other close engagement (see also [AR7].

14.2 To ensure the credibility and effectiveness of our SRI engagement process, we need to provide similar quantitative interim targets and evidence to back up our own commitment to become net-zero by 2040 (NZ-2040) that we are demanding of FFCs. We see this as mission critical to the success and credibility of the SRI Policy and Engagement.

14.3 We provide here suggestions for how Sustainable Imperial can take this commitment to the next level and reinforce the messaging of the SRI Engagement process recommended above:

14.3.1 More actively utilise relationships with shareholder and decarbonisation organisations we already subscribe to (e.g. Research Investment Network – Universities, RINU; Principles for Responsible Investment, PRI); take advantage of opportunities to work with others with similar goals through existing networks, and ensure such work is communicated to all relevant internal stakeholders.

14.3.2 Join the Carbon Disclosure Project (CDP) and sign its declaration; this not only demonstrates commitment to our net-zero target but also gives access to all reported data on FFCs and key metrics, so contributing to the FFC decarbonisation monitoring process.

14.3.3 Sign up to a Science-Based Target (SBT) and show how we plan to meet interim 5-year decarbonisation targets towards NZ-2040 (or what is needed to accelerate this if we so decide).

14.3.4 Having such a detailed decarbonisation plan will aid better estimation of the resources and costs required to achieve the net zero target on schedule.

14.3.5 Consider re-aligning Imperial's NZ target with other Russell Group Universities or Universities UK Climate Commission by 2030 and use Sustainability Academic Lead's membership of the Russell Group sustainability group to identify collaborative engagement opportunities.

15. The Bigger Picture – a Portfolio Approach

15.1 This report has addressed the immediate question posed by the SRI Policy Group to recommend a process to implement that part of the SRI Policy specifically related to investment in and engagement with fossil fuel companies, in relation to their performance in reducing their carbon emissions towards NZ-2050. However, given that typically over 90% of a FFC's GHG emissions are scope 3, whilst limiting the supply of hydrocarbons is an important part of reducing carbon emissions, reducing demand for their use in the energy value chain is also crucial to achieving NZ-2050.

15.2 The current policy in principle allows an increase in FF investment. In line with the College's own decarbonisation timeline, the group believes that, rather than applying a carbon emissions cap on our FFC investments (see section 5.4), it would be more appropriate for the College to apply a cap to ensure that the carbon footprint of the overall Endowment Fund is constrained and decreases with time towards a net-zero target.

15.3 It is important to recognise that the College owns its pro-rata share of the carbon emissions from all the companies in our Endowment Portfolio so with the current focus only on FFCs the College is not managing its overall investments in a manner which is compliant with the Paris Agreement targets, even if some individual companies may be. Given the increasing scrutiny of the university sector, the reputational damage risk is significant so the issue should be addressed with some urgency.

15.4 A more consistent approach to managing and reducing the carbon emissions associated with our investments would be not to simply focus on fossil fuel companies but to take ownership of Imperial's share of the emissions of all our investments and to consider these as part of our own Sustainable Imperial decarbonisation commitment.

15.5 The Group therefore suggests a tiered approach to evolving the SRI Policy. Whilst the current policy is being implemented, it is suggested that the SRI Policy Group and the Endowment Board consider extending the requirements for GHG emissions reductions towards net-zero from just FFCs to all the companies in our Endowment Portfolio, by transitioning to an approach which manages the carbon emissions associated with all our investments. In such a portfolio approach, a carbon cap would be extended from just FFC investments and imposed on the total portfolio emissions, decreasing with time towards zero by 2040 (our target) or 2050 (the global IPCC target).

15.6 One way to define the carbon cap and its timeline would be to align it with the SBT scenario the College signs up to, as a way of setting credible time-based targets for decarbonising Imperial's own operations and properties, by including its pro rata share of emissions from its investments. Not only would this provide a mechanism to ensure that the carbon footprint of our Endowment does not rise above current levels and decreases with time, but it also provides a clear criterion for our IMs to manage our entire Endowment portfolio in a socially responsible way that decreases the carbon footprint of our investments towards a net-zero target.

15.7 We therefore suggest the College considers moving away from a sector-based conditional investment/ divestment approach to an integrated Responsible Investment approach, based on combining minimising portfolio emissions (with an increasingly tight cap) with maximising financial returns alongside identifying increasingly profitable positive, renewable and sustainable investment opportunities.

15.8 Some early analysis of the benefits and viability of such an approach, and of the additional steps required to migrate to it from the existing SRI Policy, would be prudent in view of the rapidly increasing pressure on all organisations, especially in the academic sector, to reduce all the emissions they are associated with towards net-zero. It is suggested that the SRI Policy Group be asked to examine this and report back.

Appendices

Appendix A
SRI Engagement Group Membership and Terms of Reference

Appendix B
Anthesis Report

Appendix C
Summary of Process and Consultation

Internal Consultation

In September 2020, an SRI Engagement Group was established to develop and implement methods to monitor and assess progress the College is making in influencing fossil fuel companies through its research and collaborations, education programmes and influence as a world-leading university. The group met on a monthly basis from September – February, with these meetings becoming more frequent (fortnightly/weekly) from February – May as the group's work accelerated.

The group launched a consultation in January 2021 seeking views from the College community on how the College should hold fossil fuel companies to account through engagement. The consultation was communicated to staff and students via a number of College-wide channels, including Staff Briefing, the ICU Newsletter, Inside Imperial and Graduate School newsletter.

Staff and students were encouraged to contribute their views in response to three key questions:

- the criteria we use to monitor progress and the extent to which our engagement has influenced this
- how the College should engage with fossil fuel companies to help them to achieve decarbonisation targets, and
- what steps towards divestment should the College take if a company does not respond satisfactorily and what should trigger such action?

On Wednesday 17 February 2021, the SRI Engagement Group hosted a panel event as part of the College-wide Sustainability Week to discuss the key themes of the consultation in further detail and provide a forum for staff/students to pose their own questions to key stakeholders. The event was attended by 80–90 College staff/students and a summary of the discussion can be found **here**. The event titled 'Towards decarbonisation: engaging with fossil fuel companies to drive a cleaner future' was chaired by Abhijay Sood, then ICU president, who was joined on the panel by Professor Mary Ryan (Professor of Materials Science and Nanotechnology, and Vice-Dean for Research in the Faculty of Engineering), Matthew Okenyi (Student Representative, Divest Imperial) and John Anderson (Director of Financial Strategy).

The Group received 16 responses to the consultation, including collective responses from Divest Imperial and Positive Investment Imperial.

Summary of comments from consultation submissions:

- Any companies that continue to establish new oil and gas extraction sites either through making new plans or going through old plans should NOT be considered an investable partner. As this action clearly doesn't contribute to any sustainability goal and shows a lack of commitment in all senses towards transition to carbon-neutral business model.
- The College should refuse any research funding from fossil fuel companies that is connected to further exploitation of fossil fuels, even if disguising them as "cleaner energy".

- When engaging with companies at an institutional level (either for research or investment), we should insist on hearing their plans for contributing to net zero. By doing so, we both put pressure on companies to actually have a net zero policy, and identify areas of potential collaboration where we can accelerate the process. For specific research projects, we should establish a short statement on how the project will contribute to the company's stated net zero goals. This statement will help both the College and the company evidence their contribution and commitment to the climate challenge, to the wider public, government, and investors. The need to link projects to net zero, will prioritise the stated ambitions of the companies to address the issue. Only in cases where the companies refuse to make a net zero commitment and the project is clearly counterproductive from a climate perspective should we refuse to participate; in these cases we should make clear why we are doing so, again to increase the internal pressure within the companies.
- There is an interesting opportunity to access the investment community. We are uniquely well placed in London and with our Business school, to provide input to the process of SRI evaluation. By dealing directly with investors, rather than the companies, we can contribute to the policy background and tools that are needed to judge whether companies are meeting their public commitments. The investment world is hungry for well qualified input, from reputable sources, on which to base their strategies. We can help set the criteria by which companies' sustainability is judged, and the therefore keep the pressure on them to deliver.
- Questions raised around to what extent the source of income from FFCs holds sway over the university, and to what extent the university really affect the decisions of the big companies.
- Environmental taxation is required to make it more profitable to do the right thing. If a company changes its stance in the future, the College can always reinvest.
- Opposition to singling out fossil fuel companies. The College should have the same stance to end user companies – chemicals, automotive and construction for example. It is only by reducing the demand for fossil fuels that their production will eventually be phased out.
- Concerns raised around oil and gas exploration research as this is a substantial element of research funding for some research groups in the College. Whilst we have to recognise the interests of the colleagues whose research, and in some cases jobs, are supported by this funding, oil and gas exploration investment is simply counter to any reasonable pathway to decarbonisation. Companies engaging in it cannot make any plausible argument that they are part of the solution. Sustained commitment to exploration is the clearest possible signal that they're not taking climate change seriously. The challenge for the College is to map a way to disengage from oil and gas exploration. Managing this transition is not going to be easy. But we need to be working towards a clear position that reflects, rather than compromises, our values.
- Divest Imperial emphasised their continual rejection of Imperial's current SRI Policy. It is their strong belief that the kind of shareholder activism proposed in the Policy will not achieve change that is fast enough to avoid climate catastrophe. Such a policy implies that the historical and current actions of the fossil fuel industry so far allow the plausibility of imminent and adequate decarbonisation plans, even though in October 2020 TPI concluded that no fossil fuel company was then on track to meet the 1.5°C warming target of the Paris agreement; it continues Imperial's complicity in these crimes. As the worst performing Russell Group university on the People and Planet League Table, Imperial's environmentalist reputation has lagged behind other prestigious universities such as Cambridge, Oxford, and UCL. It is time for Imperial to end its complicity in continuing the existential threat that climate change poses, and the human rights abuses associated with the companies it profits from.
- Imperial should follow the Transition Pathway Initiative's metrics for assessing the companies' progress towards zero emission. Their expertise is perfectly suited to the requirements of the SRI policy. Financial arguments made against attachment to fossil fuel industry.
- Imperial should be actively seeking to develop stronger relations with greener industries and companies. Companies that do not fulfil our conditions for continued investment should also face sanctions such as the banning of sponsored events, seminars and careers fairs. Imperial should communicate about the companies failing to meet the emission reduction targets.
- It is really important for the students to see that the endowment is acting swiftly and decisively, especially when trust seems relatively fractured for other reasons.
- Twenty five years ago it might have been acceptable for the college to be considering the approach they are now proposing, but today, as things stand, Imperial should be placing the stake firmly in the ground, leading the way in supporting pure green sustainable partners and standing by our supposed values and ethics in a transparent and tangible way.
- Imperial should engage with the SBTi O&G Working Group to obtain a good starting point for this work.
- Support for a carbon tax is not a sign that a company is preparing for a low-carbon transition.
- Suggestion that Imperial does not have enough knowledge of how O&G companies work to impose metrics.

Interviews with key stakeholders

Alongside the wider internal consultation, the SRI Engagement Group also held interviews with a range of internal and external stakeholders from Imperial and across the FFC and energy, commercial, charity and HEI sectors to discuss specific aspects of the report in further detail. These include:

External

- Ed Daniels – Executive Vice-President of Strategy and Portfolio, Shell
- Chelsea McManus – Strategy Advisor, Shell
- Jon Salked – Head of Scientific Innovation, University & External Partnerships, BP
- Honor Fell – Sustainability Investment Officer, University of Cambridge
- Claire Elsdon – Director of Capital Markets at CDP
- Jane Cooper – UK Stakeholder Relations and Regulatory Affairs, Ørsted
- Ali Abbas – Friends of the Earth
- Nate Aden – Senior Fellow at WRI (SBTi)

Internal

- Alice Gast – President and Board Member, Chevron
- Mary Ryan – Vice-Dean for Research (Engineering)
- Paul Lickiss – Academic Leader in Sustainability
- Rebeca Santamaria-Fernandez, Francesca Pietra, Fiona Jamieson – Industry Partnerships and Commercialisation, Enterprise
- Mark Sephton and Matthew Jackson – Department of Earth Science and Engineering
- John Anderson – Director of Financial Strategy
- Michael McTernan and Clare Turner – Internal Relations Office (Global Development Hub)
- Krista Halttunen – Research Postgraduate, research focusing on low-carbon pathways of the global O&G sector
- Matthew Okenyi and Ansh Bhatnagar – Divest Imperial
- Luke Mulley and Beril Dora – Positive Investment Imperial
- Jesse Alter – Communications and Public Affairs
- Nicola Pogson – Alumni Relations

Consultation with Principal Investigators on FFC funded projects

A survey containing the 5 questions below was sent to 124 Principal Investigators at the College who have received funding from FFCs in past 5 years. 26 PIs responded to the survey and a summary of these responses can be found below:

1. Do you believe that the College can best influence these companies and the FF industry to reduce emissions by continuing to work with them on research, irrespective of the area?

- Responses to Q1: 12 said Yes, 12 said No and there were 2 maybes.
- A number of responses emphasised that the College should differentiate between those companies that have shown a clear commitment and have believable strategies in place to improve over realistic time scales, i.e. that this was not a clear yes/no question.

2. Do you believe that the College can best influence these companies and the FF industry to reduce emissions by continuing to work with them on research only in selected areas.

- Yes/No. If yes, please specify including the following options:
- Renewable energy
- Decarbonisation of their business, including energy efficiency and scope 3 emissions
- Sustainability and pollution reduction
- Fossil fuel resources extraction
- Other [please state]

Responses to Q2: 16 said Yes, 10 said No. Generally, if respondees replied yes to Q1 they said No to Q2 and vice versa. Those who said Yes, mostly highlighted renewables, sustainability etc.

3. Do you believe that the College can best influence these companies and the FF industry to reduce emissions by discontinuing to work with them (thereby taking away from them the reputational halo of the College) irrespective of the nature of the research? Yes/No

Responses to Q3: 23 said No, 3 said Yes/No. Some mentioned that the companies would just go and work with other institutions if we withdrew cooperation.

4. Do you believe the College could/should further enhance its educational programme around sustainability and renewable energy? Yes/No

Responses to Q3: 23 said Yes, 1 maybe and 2 No. (for the 2 Nos, one thought it would be just 'playing the game' and the other thought the College should be working in partnership with the FF industry to win more Government funding).

5. Do you have any advice for the SRI Group on how the College should be engaging with the FF industry to influence their decarbonisation behaviour and how we might measure the impact of our engagement?

Generally, respondents were positive about working with the FF industry going forward but perhaps more as a critical friend.

Comments emerging from the survey:

- Abandoning our links with the FF industry as a whole would be a mistake. FFs will be in use for many decade to come and we should work with the industry to advance decarbonisation including working with them on both diversifying their businesses towards renewables and implementing CCUS on (essential) continued FF extraction/use. The debate is advancing apace. The oil & gas industry is starting to change its business model and these changes will accelerate. The industry has the capability to implement large-scale CCUS and we should work with them to advance the deployment of that as a transitional technology. If society can find a way to make CO2 emission reductions profitable, these companies will race to deploy it. The College needs to be ready to argue the case for constructive engagement with the FF industry on a qualified basis.
- The world will still need oil & gas during the transition to low-carbon energy and as chemical feedstock, and it needs to be produced efficiently and with reduced environmental impact. We can and should help with this in the context of the energy transition. Oil & gas exploration is trickier to support, even though it is still likely necessary in a reduced form. CCS, hydrogen storage, geothermal, wind are all likely to grow (rapidly) in companies' future portfolios, and I can see no ethical dilemma with research in any of these areas.
- Ensuring that sustainability improvement is an explicit part of the project scoping and definition, as well as reporting. Measurement of impact needs to be seen as a longer-term effort, done at various points post project (number of people trained, technology adoption, case studies etc).
- The FF industry has played dirty when it comes to climate change science. We cannot and should not let them off the hook for this. We must make judgements about which companies we might work with based on whether they are serious about decarbonising at a scale and rate that is material to combating climate change. The simple fact is that many are not anywhere close to realising this level of commitment, but some do appear to be trying. To the latter engagement as critical friends would be appropriate. We need the skills in the sector to help us achieve net zero, through the long-term storage of atmospheric CO2.
- The College has already mechanisms and institutes available to engage with FF industry (Energy Futures Lab/ Grantham Institute). Empower them to expand their industrial clubs. Carry out an internal research

review – there is more research going on in this area than the College itself is actually aware of. Consolidate this ongoing research into a value proposition for the FF industry. Identify quick win-win activities first to get buy in.

- Independent fossil fuel companies require money to develop their renewable portfolios and this will come in the short to medium term from oil and gas extraction. If they are going to continue to extract fossil fuels then this should be done in a low carbon way as far as possible Research is still needed to improve these processes. National oil companies also need expert help in reducing the emissions associated with oil production.
- Engage more strategically with FFCs– for example, Shell, BP, and Total have all committed to net zero targets, but most of the College engagement with which I am familiar is focused on technology – we can help with "big picture" questions as well. Explore their roadmaps for decarbonisation and be a critical friend. Take advantage of increased research funding by UK gov in this area by inviting our colleagues in the FF area to apply for research grants with us.
- I think we need to be selective about research topics, and try to promote the research areas that can have long term impact on sustainability. Industry companies may still want us to help them develop technologies that can boost their productivity or efficiency but the research will not be translated into positive impacts that benefit the society.
- Maybe try to establish petrochemical resource demand justification as separate from FF as energy demand justification - as the argument that we will always need petrochemicals is used to justify helping companies find more FF. Research funding ceiling quotas could possibly be designed for the college for any acceptable research areas other than CCS. CCS research should not be capped.
- Need to remember that this is a global industry so a broad international perspective is important – there is a tendency to take a UK or European perspective, forgetting India, Africa, China etc where context is very different. Many leaders in the energy (inc FF) industry are Imperial alumni, so their engagement is important.
- Engagement should be done through relevant scientific projects that lead to desirable outcomes. However, these projects should be driven by individual academics, instead of a College wide enforced policy.
- In my view our investment decisions will be less critical to the FF industry than our influence through research, consultancy and education – although decisions need to be made regarding investments for us to have a convincing position on other issues.
- Use our convening power to have pro-active discussions on decarbonisation, which include decarbonisation of the Imperial campuses: Convene an Energy Transition Council involving fossil fuel companies (and possibly their supply chains, users and customers) to share best practice, pilot and deploy new decarbonisation solutions, and have some agreed targets to work on either separately or together; Have annual or 6 monthly one-on-one meetings with individual companies to share decarbonisation progress and engage in more confidential or business sensitive collaborations to tackle specific decarbonisation targets. These would be the equivalent of investor engagement groups but involving us as a trusted collaborator; the one-on-ones would build trust to share information on a confidential basis where decarbonisation initiatives giving competitive advantage are involved. To measure where we make a difference, use these forums to get specific feedback from companies on where research or net-zero discussions have translated into lower carbon emissions process, products or business plans.
- The FF companies are well aware of the current challenges associated with future energy landscape and carbon emissions. We should be engaging through current and future projects with them to further influence and encourage increasing energy efficiency in an environmentally sustainable way (e.g. through carbon-dioxide storage) and energy transition. This impact can be measured, for example, by the number of new carbon-dioxide storage projects and the amounts of carbon-dioxide stored in the subsurface. Another example would be the companies' commitments and announcements on future policies on energy efficiency and transition.
- Proactive engagement with companies in the fossil fuel industry is key. Some of these companies will drive the energy transition and we should encourage them to report on their performance on emissions reduction and to learn about their actions to facilitate the transition to net-zero. Engineers hold and will held positions of influence in those industries that currently contribute to emissions – including the FF industry. It is also in the best interest of these companies to engage with our students. It can truly be a win-win situation.
- Engagement needs to be realistic. Imperial can have limited impact on the sector. Many of the independent oil companies are already committed to diversifying their energy sources and environmental impact (and these has been ongoing for at least 40 years – long before Imperial took an interest). We can help with the technical research for these companies. The state-controlled companies overseas are a much bigger challenge and we should do more to engage with them. If Imperial really wants to have an impact on climate change it should address the consumption side rather than the production side.

Appendix D

Summary of Imperial investments in, and research funding from, Fossil Fuel related companies (FFCs)

(a) Investments – College Endowment

As at 31 July 2020 the Unitised Scheme had exposure to three stocks related to fossil fuels. These were:

Stock	£
EOG Resources Inc	201,902
Equinor ASA NOK2.50	1,690,585
Berkshire Hathaway Inc.	625,293
Total	**2,517,780**

The total value of the Endowment Fund at this date was £478m. The Fossil Fuel Company investments therefore represent 0.5% of the Fund £478m (or 0.8% of the £309m public equity investments). Note added post-submission: To view the current **Imperial Endowment Fund Holdings online**

(b) Research Funding

Summary and Analysis:

Research funded by the fossil fuel related companies reached a peak of 27.4% of the College's industry funding in 2016/17 but then decreased each year to 17.3% in 2019/20. This corresponded to a peak of 3.7% of total College research expenditure in 2016/17 and a low of 2.4% in 2019/20, which is roughly equivalent to £10M /year. Of this funding Shell and SINOPEC provide the major share of funding while 20+ other companies make up the rest. Most of the funding is to the Faculty of Engineering, though funding to the Faculty of Natural Sciences is increasing as interest in renewable energy and energy storage increases. Much of this funding is no longer centred solely on facilitating fossil fuel extraction or processing. An increasing amount of the subsurface work is centred on decarbonisation (e.g. Carbon capture, utilisation and storage, CCUS), geothermal or gas/energy storage. A number of projects, particularly with Shell and Total, are in the fields of new energies and climate change science which fall under the sustainable research/decarbonisation agenda. SINOPEC is a PhD training programme focusing on geophysics, BP's funding is primarily on Membranes and Catalysis linked to their International Centre for Advanced Materials (ICAM) and the Equinor programme covers MSc Studentships across Chem Eng, Civil Eng and ESE. An analysis of the projects covered by the funding in the above table indicates that at least 80% of them would meet the 'decarbonisation/sustainability' criteria recommended in this report (section 7.3.2).

Research funding received by the College from fossil fuel related companies in the past five years (2016–20) is summarised in the table below:

Funding Company	
Abu Dhabi Company for Onshore Petroleum Operations	
ARAMCO Overseas Company UK Ltd	
BP Exploration Operating Company Ltd	
BP International Limited	
Bright Gulf General Trading and Contracting Compan	
Canada's Oil Sands Innovation Alliance Inc (COSIA)	
China Petrochemical Technology Company Limited	
China Petroleum and Chemical Corporation (SINOPEC)	
CNOOC China Limited Beijing Research Center	
CNPC Research Institute of Petroleum Exploration &	
Equinor ASA	
Equinor Energy AS	
Exxon Mobil Upstream Research Company	
Exxonmobil Research and Engineering Company	
Kuwait Oil Company (KOC)	
PETROLEO BRASILEIRO S. A. – PETROBRAS	
Petronas Research Sdn. Bhd.	
Qatar Shell Research and Technology Center QSTP LLC	
Shell	
Statoil	
Statoil ASA	
Total E&P UK Limited	
Trelleborg Offshore UK	
Tullow Group Services Ltd	
UK Oil & Gas Investments plc	
Total	**£48,433,913**

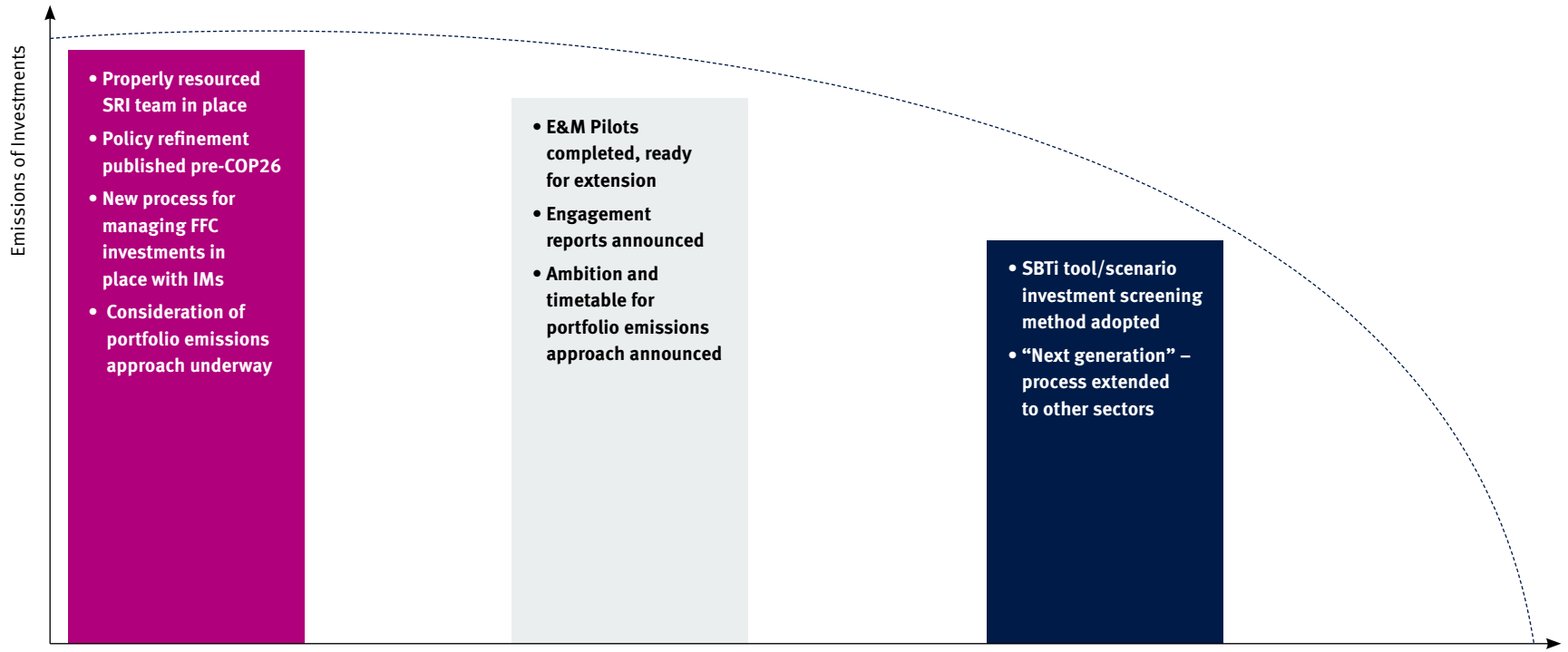
Appendix E

Suggested Timeline for implementation of process

A summary of our recommended actions and key milestones is presented below,
followed by a more detailed breakdown of the suggested process in the table (assuming process starts in September 2021).

Note added post-submission: Actual launch November 2021 will result in 2–3 month delay.

SRI Engagement and Monitoring Timeline



Key milestones

Process

	2021	Q4 2022	2023 onwards	2040
Engagement	Select firms to engage with (S9)	Pilot engagement approach (M5)	Extend approach – incorporate ICL methods, portfolio emissions approach underway (L1–L5)	Towards Net Zero
Monitoring	Join CDP, determine initial monitoring approach (S4–S8)	Apply CDP metrics, produce initial RAG rating (M1–M4)		
Internal	Set up internal structures (S1–S3)			

Report against metrics and activities, publish annual RAG ratings, review, take action on investments and research and repeat, as appropriate. (R1–R8)

2021	**Internal**	S1. Set up SRI Engagement and Monitoring panel	Provost	Sep 21
		S2. Nominate an acting coordinator to kick-start process	E&M Panel	
		S3. Appoint an SRI Engagement and Monitoring Manager	Provost/Policy Group	
	Monitoring	S4. a. Publish clarification of SRI Policy and Process on website pre-COP26 b. SRI Policy Group starts to consider viability of portfolio emissions approach, in line with overall IC NZ-2040 ambition.	Policy Group	Oct 21
		S5. Join Carbon Disclosure Project, sign declaration, adopt SBT	E&M Manager/Panel + Sustainable Imperial	
		S6. Select and access initial monitoring tool (TPI/CDP)	E&M Manager with IMs and in-house Endowment Team	Dec 21
		S7. Define best way to deploy Imperial emissions monitoring methodologies	ESE dept/Business School; E&M Manager	
		S8. Identify process for finding carbon emissions of FF investments as basis for time-dependent cap	E&M Manager	
	Engagement	S9. a. Select firms to engage with, informed by investment and research funding relations b. Develop engagement and comms plans	E&M Panel/E&M Manager, supported by College Comms	
2022	**Monitoring**	M1. Work with IMs to implement fossil-fuel metrics with current and potential investments	E&M Manager with in-house Endowment Team	Q1 22
		M2. Obtain metrics for selected FF partners; produce initial RAG ratings; divest/continue investing as appropriate; publish outcomes on website	E&M Manager with IMs and Endowment support team	
		M3. Apply Imperial metrics to selected pilot FFC partner	ESE Dept/Business School supported by E&M Manager	
		M4. SRI Policy Group reports on ambition for transition to portfolio emissions process. If agreed, publicly announce.	SRI Policy Group	Q3 22
	Engagement	M5. Pilot engagement process/meeting with first partner; review and apply to second/third partner; panel meeting, review, and report.	E&M Manager/Panel	2022

2023 onwards	**Monitoring**	L1. Review metrics and (if available) adopt SBTi tool, screening existing/ potential FF investments	E&M Manager with IMs and in-house Endowment Team	Q1 23
		L2. Test Imperial monitoring approaches on other partners	ESE/Business School metrics experts	2023
		L3. If SBTi or other ESG metrics companies interested, explore incorporating Imperial monitoring methods into commercial tool.	Policy Group/E&M Panel	
	Engagement	L4. Expand engagement process to all selected strategic partners and managed accounts; report and repeat annually.	E&M Manager/Panel	2023 onwards
		L5. Pilot and extend engagement (and monitoring) processes to research partners in other sectors	E&M Manager/Panel, informed by Policy Group	2024
Recurring (from 2022)	**Internal**	R1. Update comms; ad hoc major announcements; at least semi-annual updates on FF holdings and how they change under SRI policy	E&M Manager, supported by College Comms Team	Regular, as needed
		R2. Identify specific sustainability training needs and opportunities	E&M Panel/Sustainable Imperial/VP Education & SE	Annually
	Monitoring	R3. Update investee RAG ratings; consider extensions to other sectors	E&M Manager/Panel	At least annually
		R4. Produce FFC decarbonisation “League Table” published on Imperial website	E&M Manager, supported by College Comms	Annually
	Engagement	R5. Review engagement process and update from lessons learnt	E&M Manager/Panel	Annually
		R6. Review Imperial Engagement impact metrics and report; collect recommendations and pass actions to stakeholders	E&M Manager/Panel	At least annually
		R7. Plan and run two convening events e.g. for FF firms on decarbonising the value chain	E&M Manager with EFL, Grantham, IPC, research and policy stakeholders	Annually
		R8. Review longer-term impact on firm behaviour (esp. decarbonisation); update list of firms for engagement	E&M Manager	Every 5 years