"The clear and present danger of climate change means we cannot burn our way to prosperity. We already rely too heavily on fossil fuels. We need to find a new, sustainable path to the future we want. We need a clean industrial revolution."

Ban Ki-moon, former United Nations Secretary-General
Agenda

10.30am  Registration and refreshments
11.00am  Welcome
          Victoria Hoskins, Investment Director, Rathbone Greenbank Investments
11.05am  Presentations and Q&A
          The fossil fuel divestment challenge: why divest and what are the financial implications?
          Matt Crossman, Engagement Manager, Rathbone Greenbank Investments and Stewardship Director, Rathbones
          The case for fossil fuel divestment at Bristol University
          Robert Kerse, Chief Financial Officer, University of Bristol
12.05pm  Lunch and networking
1.00pm    Close
Rathbone Greenbank Investments

The fossil fuel divestment challenge

Presented by Matt Crossman, Engagement Manager, Rathbone Greenbank Investments and Stewardship Director, Rathbones

8 September 2017
Contents

1. what is divestment?
2. climate, divestment and stranded assets
3. one word, many flavours
4. can engagement work?
1. What is divestment?

The spectrum of investment today

- **Traditional**: No positive or negative screening
  - e.g. British American Tobacco
- **Best in class/ESG leadership**: Balance positive & negative
  - e.g. Unilever
- **Impact first**: Trade-off between financial and social returns
  - e.g. Thera
- **Responsible**: Focus on avoidance
  - e.g. Svenska Handelsbanken
- **Thematic**: Solve a social/environmental challenge
  - e.g. Halma
- **Philanthropy**: No focus on financial returns
  - e.g. gifts to charity

---

*Rathbones | Divestment debate: should your university or college divest from fossil fuels?*
1. What is divestment?

An investment response to societal problems
1. What is divestment?

How does it work?
How divestment theoretically affects fossil fuel companies

Source: HSBC, 2015
1. What is divestment?

Not in isolation

- Potential divestment
- AGM questions/tabling AGM resolutions
- Meetings with management
- AGM voting
- Informal dialogue and formal correspondence
1. What is divestment?

Not in isolation

**Portfolio implications**
- diversification
- income returns
- capital returns

**Portfolio considerations**
- benchmark
- timing and timeframes
- tax
1. What is divestment?

Not in isolation

Global top 10 dividend paying stocks 2010-2016

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<tr>
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<tbody>
<tr>
<td>1</td>
<td>Royal Dutch Shell</td>
<td>PetroChina</td>
<td>Royal Dutch Shell</td>
<td>Royal Dutch Shell</td>
<td>Vodafone Group</td>
<td>Exxon Mobil</td>
<td>Royal Dutch Shell</td>
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<td>2</td>
<td>AT&amp;T</td>
<td>Royal Dutch Shell</td>
<td>PetroChina</td>
<td>Exxon Mobil</td>
<td>Royal Dutch Shell</td>
<td>Royal Dutch Shell</td>
<td>Exxon Mobil</td>
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<td>3</td>
<td>PetroChina</td>
<td>AT&amp;T</td>
<td>Vodafone Group</td>
<td>Apple</td>
<td>China Construction Bank</td>
<td>China Construction Bank</td>
<td>Apple</td>
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<td>4</td>
<td>Exxon Mobil</td>
<td>Telefonica</td>
<td>AT&amp;T</td>
<td>China Construction Bank</td>
<td>Exxon Mobil</td>
<td>Apple</td>
<td>AT&amp;T</td>
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<td>5</td>
<td>Telefonica</td>
<td>Exxon Mobil</td>
<td>Exxon Mobil</td>
<td>PetroChina</td>
<td>Apple</td>
<td>Kraft Foods Group</td>
<td>Microsoft</td>
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<tr>
<td>6</td>
<td>China Mobile</td>
<td>China Mobile</td>
<td>HSBC</td>
<td>AT&amp;T</td>
<td>PetroChina</td>
<td>Microsoft</td>
<td>HSBC</td>
</tr>
<tr>
<td>7</td>
<td>Total SA</td>
<td>China Construction Bank</td>
<td>China Construction Bank</td>
<td>China Mobile</td>
<td>AT&amp;T</td>
<td>AT&amp;T</td>
<td>China Construction Bank</td>
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<tr>
<td>8</td>
<td>Vodafone Group</td>
<td>Vodafone Group</td>
<td>China Mobile</td>
<td>HSBC</td>
<td>Microsoft</td>
<td>HSBC</td>
<td>Verizon Communications</td>
</tr>
<tr>
<td>9</td>
<td>China Construction Bank</td>
<td>Total SA</td>
<td>Commonwealth Bank of Australia</td>
<td>Banco Santander SA</td>
<td>Banco Santander SA</td>
<td>General Electric</td>
<td>General Electric</td>
</tr>
<tr>
<td>10</td>
<td>Banco Santander SA</td>
<td>Commonwealth Bank of Australia</td>
<td>Banco Santander SA</td>
<td>Westpac Banking</td>
<td>HSBC</td>
<td>Verizon Communications</td>
<td>Johnson &amp; Johnson</td>
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</table>

Subtotal $bn

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<thead>
<tr>
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<tbody>
<tr>
<td>$80.4</td>
<td>$89.1</td>
<td>$95.0</td>
<td>$98.3</td>
<td>$124.6</td>
<td>$106.8</td>
<td>$109.6</td>
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</table>

% of total

<table>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10.3%</td>
<td>9.4%</td>
<td>9.3%</td>
<td>9.3%</td>
<td>10.6%</td>
<td>9.3%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Source: Henderson, 31/12/16
1. What is divestment?

Does divestment “work”
1. What is divestment?

Solutions are defined by the problem

Global greenhouse gas emissions by source

- Carbon Dioxide (deforestation, decay of biomass, etc.) 17%
- Methane 14%
- Nitrous Oxide 8%
- Carbon Dioxide (fossil fuel use) 3%
- Fluorinated gases 1%

World energy consumption by fuel (2013)

- Natural Gas 24%
- Coal 30%
- Nuclear Energy 4%
- Hydro electricity 7%
- Other Renewables 2%
- Oil 33%
- Other 7%

Source: IPPC via the US Environmental Protection Agency
1. What is divestment?

Solutions are defined by the problem

Source: The Potsdam Institute for Climate Impact Research and the Australian-German Climate and Energy College, 2016
2. Climate, divestment and stranded assets

Not the same thing!


Source: Shell
2. Climate, divestment and stranded assets

Carbon dioxide emissions potential of listed fossil fuel reserves

2. Climate, divestment and stranded assets

Plausible energy mix in an emerging net-zero emissions world

Source: Shell analysis
3. One word, many flavours

What is divestment? – one word, many flavours
3. One word, many flavours

Scope

— extraction?
— coal > oil > gas?
— use?
3. One word, many flavours

Scope

![Chart showing CO2 emissions per Btu for various fuels.](source)

Source: US Energy Information Administration
3. One word, many flavours

Scope

Oil and gas and coal equities

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap ($bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ExxonMobil</td>
<td>$425</td>
</tr>
<tr>
<td>Shell</td>
<td>$268</td>
</tr>
<tr>
<td>Chevron</td>
<td>$246</td>
</tr>
<tr>
<td>PetroChina</td>
<td>$238</td>
</tr>
<tr>
<td>Total</td>
<td>$153</td>
</tr>
<tr>
<td>BP</td>
<td>$151</td>
</tr>
<tr>
<td>Petrobras</td>
<td>$106</td>
</tr>
<tr>
<td>Sinopec</td>
<td>$103</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>$101</td>
</tr>
<tr>
<td>Eni</td>
<td>$93</td>
</tr>
<tr>
<td>Sheehua</td>
<td>$51</td>
</tr>
<tr>
<td>Coal India</td>
<td>$38</td>
</tr>
<tr>
<td>China Coal Energy</td>
<td>$9</td>
</tr>
<tr>
<td>Consol Energy</td>
<td>$9</td>
</tr>
<tr>
<td>Shaanxi Coal</td>
<td>$7</td>
</tr>
<tr>
<td>Yangzhou Coal</td>
<td>$5</td>
</tr>
<tr>
<td>Exxaro Resources</td>
<td>$5</td>
</tr>
<tr>
<td>Inner Mongolia Coal</td>
<td>$5</td>
</tr>
<tr>
<td>DMCI Holdings</td>
<td>$4</td>
</tr>
<tr>
<td>Alliance Holding</td>
<td>$4</td>
</tr>
</tbody>
</table>

Source: Bloomberg

Note: Data as at 31 July

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance.
3. One word, many flavours

Scope

Oil and gas and coal stock performance, July 2009 – June 2014

Source: Bloomberg
Note: Bloomberg World Oil & Gas Index and Bloomberg World Coal Index, rebased to 100 on 1 July 2009.
3. One word, many flavours

Scope

*Dividend yield of sectors since 2002*

Source: Rathbones/Datastream
3. One word, many flavours

Scale

- Reserves
- Revenue
- Profit
3. One word, many flavours

Span

Years/decades?
3. One word, many flavours

Strategy

<table>
<thead>
<tr>
<th>Name of organisation</th>
<th>Sector</th>
<th>Divestment approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>AXA</td>
<td>Insurance and asset management</td>
<td>Partial divestment and value chain analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Divesting and halting investment in the following businesses:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− mining companies deriving over 50% of their turnover from coal mining</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− electric utilities deriving over 50% of their energy from thermal coal plants</td>
</tr>
<tr>
<td>Storebrand</td>
<td>Insurance/ pension fund</td>
<td>Partial divestment and value chain analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− divesting from certain mining and utility companies according to their reliance on coal (threshold undisclosed)</td>
</tr>
<tr>
<td>San Francisco, CA, USA</td>
<td>Government</td>
<td>Full divestment</td>
</tr>
<tr>
<td>AP2 Pension</td>
<td>Pension fund</td>
<td>Partial divestment and value chain analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− divesting from mining companies that derive more than 50% of their turnover from the sale of thermal coal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− divesting from oil and gas companies with a substantial exposure in high-cost projects such as oil sands (threshold undisclosed)</td>
</tr>
<tr>
<td>California Public Employees’</td>
<td>Pension fund</td>
<td>Partial divestment</td>
</tr>
<tr>
<td>Retirement System</td>
<td></td>
<td>− divesting from companies deriving at least 50% of their revenue from coal mining</td>
</tr>
<tr>
<td>Norwegian Government Pension</td>
<td>Pension fund</td>
<td>Partial divestment and value chain analysis</td>
</tr>
<tr>
<td>Fund Global</td>
<td></td>
<td>− divested from 22 companies that are involved in oil sands production, coal mining, cement production and coal-fired power generation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>according to their reliance on oil sands and coal (threshold undisclosed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>− from 1 January 2016: divesting from and freezing new investments in companies that base 30% or more of their activities on coal, and/or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>derive more than 30% of their revenues from coal</td>
</tr>
<tr>
<td>Rockefeller Brothers Fund</td>
<td>Philanthropic foundation</td>
<td>Full divestment</td>
</tr>
</tbody>
</table>

Source: Authors, based on gofossilfree.org/commitments/
4. Can engagement work?

Can engagement work?

Source: private data from CDP

Source: The Transition Pathway Initiative

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance.
Q&A
The Case for Fossil Fuel Divestment

Robert Kerse, Chief Financial Officer
Drivers for Change

- Campaign by the University’s Fossil Free Society
- University Court voted for change
- Financial case for exiting less sustainable investments
- Lack of alignment between institutional and investment values
- Strong support from key Board members
Policy development considerations

• Investment objectives of the Endowments
• Maintaining a diverse investment portfolio
• Intergenerational equity
• Engagement with staff and students – from both perspectives!
• Regard for other University stakeholders
• How could we best effect change?
Our Policy Position

• End investment in companies that derive more than five per cent of turnover from the extraction of thermal coal or oil and gas from tar sands by January 2018.

• Actively manage other areas of its portfolio of energy investments, including those in oil and gas, to achieve a material reduction in carbon emissions from these investments. This will include investing in companies at the leading edge of carbon management and in companies with strong, deliverable commitments to improving their carbon efficiency, as well as a greater investment focus on non-fossil fuel energy providers.
Implementing our Policy

• Early investment into a sustainable fund to demonstrate commitment
• Public tender for a fund manager to deliver the new Policy
• Student representatives involved in Manager selection
• Transition arrangements
• Reporting requirements
• Investment governance
What next

• Transparency about investments made
• Reporting on policy implementation progress
• Ongoing engagement with interested students and staff
Questions
"Your response does not mean you have to choose between achieving your financial objectives and responding to campaigns — you can do both."

*How can Rathbones help universities and colleges navigate the fossil fuel divestment debate?*
Appendix

Biography

Matt Crossman
Engagement Manager for Rathbone Greenbank Investments and Stewardship Director for Rathbones

Matt Crossman is an engagement manager for Rathbone Greenbank Investments and a stewardship director for Rathbones, responsible for monitoring news flow on companies, updating company profiles and analysing ethical issues. He also leads Greenbank’s engagement activity and is a member of Rathbones’ stewardship committee. He is a graduate of the University of Bristol where he studied law, with a particular interest in the administration of environmental law, and also has postgraduate qualifications in Sustainable Development theory and practice. He is a trustee of LoveBristol, an urban regeneration charity, and served on the board of the Ecumenical Council for Corporate Responsibility between 2007 and 2012.

0117 929 1409
matt.crossman@rathbones.com
Robert Kerse
Chief Financial Officer, University of Bristol

Robert has joined the University as chief financial officer from the social housing sector where he has held executive level roles in both Bristol and London over the last 13 years. His previous role was as executive director (resources) at Circle Housing, one of England’s largest housing groups with over 300,000 customers and 70,000 properties with a combined market value in excess of £11 billion. Robert was responsible for Circle’s finance, HR, IT, procurement and office facilities. He started his career training as a chartered accountant at PwC in Bristol, after being educated at the University of Cambridge.
Appendix

Contact us

For further information, please contact james.brennan@rathbones.com or your local office.

We’d be delighted to hear from you.

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rathbones.com/office/liverpool

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rathbones.com/office/cambridge

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rathbones.com/office/kendal

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rathbones.com/office/lymington

Winchester
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rathbones.com/office/winchester
Appendix

Recognition/awards highlights

At Rathbones we are proud of our reputation and of the awards we have won in recent years for our discretionary investment management service. Below, we have highlighted a number of the awards we have won since 2015.

Citywealth Investment Management Company of the Year – Channel Islands
— Rathbone Investment Management winner of ‘Investment Management Company of the Year – Channel Islands 2017’

Citywealth Magic Circle Awards
— Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Institutional 2017’
— Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Institutional 2016’
— Rathbone Investment Management winner of ‘Charity Investment Manager of the Year 2016’
— Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Boutique 2015’
— Rathbone Investment Management winner of ‘Charity Investment Manager of the Year 2015’

Charity Times Awards
— Rathbone Investment Management awarded ‘Investment Manager of the Year 2016’

Better Society Awards
— Rathbone Investment Management winner of ‘Asset Manager of the year 2017’
— Rathbone Investment Management winner of ‘Asset Manager of the Year 2016’

Incisive Media
— Rathbone Investment Management awarded ‘Gold standard for Discretionary Fund Management 2016’
— Rathbone Investment Management awarded ‘Gold standard for Discretionary Portfolio Management 2015’
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The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Information valid at date of presentation.

Tax regimes, bases and reliefs may change in the future.

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