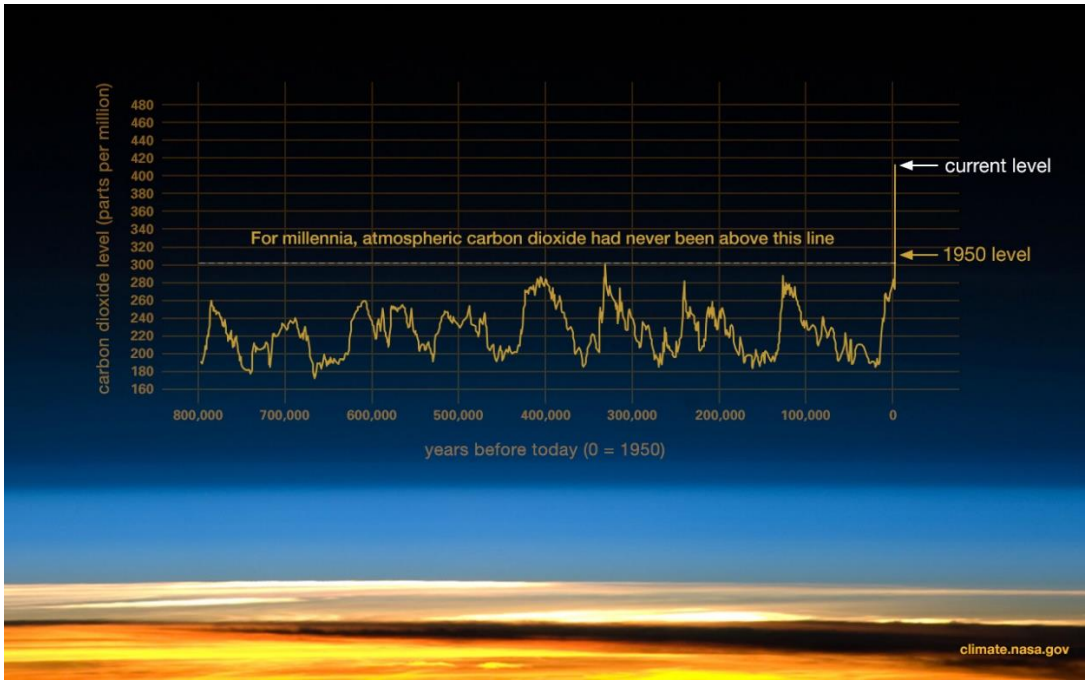
UPRI's recommendations on fossil fuels to the Joint Investment Committee, the Trustees of the Foundation, and the University Council

August 2021

1. Introduction

Climate change is real.

Warming of the global climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented, on time scales ranging from decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, and sea level has risen. Anthropogenic greenhouse gas emissions have increased since the pre-industrial era, driven largely by economic and population growth, and are now higher than ever. This has led to atmospheric concentrations of carbon dioxide, methane, and nitrous oxide that are unprecedented in at least the last 800,000 years. Their effects, together with those of other anthropogenic drivers, have been detected throughout the climate system and are extremely likely to have been the dominant cause of the observed warming since the mid-20th century. These are key findings made by hundreds of the top scientists from around the world and are summarised in the UN's Intergovernmental Policy on Climate Change's (IPCC) *Climate Change 2014 Summary Synthesis Report Summary for Policy Makers*."[1].



The graph above, based on the comparison of atmospheric samples contained in ice cores and more recent direct measurements, provides evidence that atmospheric CO_2 has increased significantly since the Industrial Revolution[2].

[1] https://www.ipcc.ch/report/ar5/syr/

[2] Luthi, D., et al.. 2008; Etheridge, D.M., et al. 2010; Vostok ice core data/J.R. Petit et al.; NOAA Mauna Loa CO2 record https://climate.nasa.gov/evidence/

Climate change is anthropogenic. The evidence is overwhelming of the human influence on the increase in average global temperatures and climate systems. According to the IPCC 2014 report, it is extremely likely that more than half of the observed increase in global average surface temperature from 1951 to 2010 was caused by the anthropogenic increase in greenhouse gas concentrations.

The graph below from the IPCC report illustrates the total anthropogenic greenhouse gas emissions for the period of 1970 to 2010 in which it is clearly evident that fossil fuel combustion of been the largest contributor to the increase in greenhouse gas emissions.

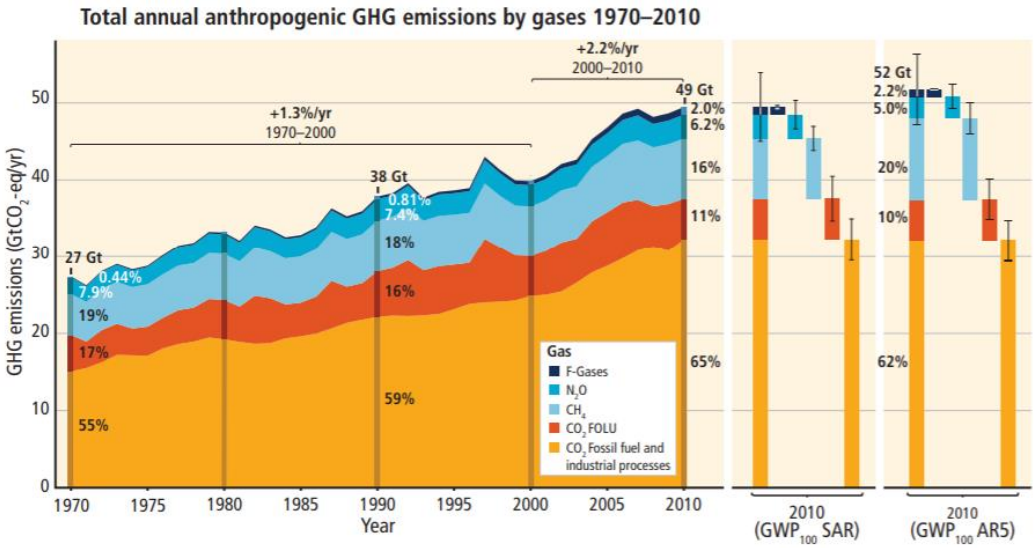


Figure SPM.2 | Total annual anthropogenic greenhouse gas (GHG) emissions (gigatonne of CO_2-equivalent per year, $GtCO_2$-eq/yr) for the period 1970 to 2010 by gases: CO_2 from fossil fuel combustion and industrial processes; CO_2 from Forestry and Other Land Use (FOLU); methane (CH_4); nitrous oxide (N_2O); fluorinated gases covered under the Kyoto Protocol (F-gases). Right hand side shows 2010 emissions, using alternatively CO_2-equivalent emission weightings based on IPCC Second Assessment Report (SAR) and AR5 values. Unless otherwise stated, CO_2-equivalent emissions in this report include the basket of Kyoto gases (CO_2, CH_4, N_2O as well as F-gases) calculated based on 100-year Global Warming Potential (GWP_{100}) values from the SAR (see Glossary). Using the most recent GWP_{100} values from the AR5 (right-hand bars) would result in higher total annual GHG emissions (52 $GtCO_2$-eq/yr) from an increased contribution of methane, but does not change the long-term trend significantly. *{Figure 1.6, Box 3.2}*

Unabated emissions from fossil fuels will be catastrophic to the human race and the planet

Continued greenhouse gases emissions will result in further warming and long-lasting changes in all aspects of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. These impacts would in many cases be catastrophic and could include amongst other things:

- Increased frequency and intensity of extreme weather events, resulting in increased destruction and death from such events, including storms, floods and droughts.
- Further sea level rise to the point that could put many coastal cities and human settlements at risk of flooding
- Extinction of many fauna and flora species whose habitat will be threatened due to change in climatic conditions, including ocean warming and acidification

- Increased death and disease due to increased temperatures, humidity and inadequate clean water resources
- Greater food insecurity due to worsened agricultural climatic conditions
- Greater poverty due to increased food prices and increased health risks
- Developing countries like South Africa are most at risk from climate change impacts, because of the millions that are already living in dire poverty who are most sensitive to these climate change impacts. Such countries have also not adequately developed their infrastructure to be resilient to extreme weather events.

Limiting climate change would require substantial and sustained reductions in greenhouse gas emissions which, together with adaptation, can limit climate change risks.

Africa has many of the least developed countries in the world which will be most severely hit by climate change impacts[3]. South Africa is no different, with millions living in extreme poverty that will be most affected by climate change impacts, whether it be flooding, heat waves, drought, food insecurity or increased disease, to highlight just a few[4]. All the more reason for an African university to take a lead in taking a strong moral position on fossil fuel investment.

The role of fossil fuels in climate change and environmental degradation

The extraction, processing and burning of fossil fuels, including coal, crude oil, and natural gas are the primary sources of greenhouse gas emissions from fossil fuels. The impacts on the environment are not just the dangerous warming of the climate, but also major air pollution and ecosystem degradation from their extraction and processing. There are now many cities and towns, including in South Africa, that are suffering extreme air pollution from fossil fuel industries and countless habitats that have been destroyed.

Alternative energy sources that are the result of far less greenhouse gas emissions and environmental degradation are available and growing in use, such as wind energy, solar photovoltaic energy, solar thermal energy and wave energy to name a few. A handful of countries have already transitioned to largely renewable energy sources but many countries are still far too reliant on burning fossil fuels to keep their economy going, of which South Africa is one. This requires an urgent response from countries and stakeholders to shift out of fossil fuel burning to renewable energy sources.

[3] https://germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202021_1.pdf

[4] https://issafrica.org/iss-today/urban-south-africa-is-ill-prepared-for-the-coming-climate-change-storm

2. The idea of sustainability

The SDGs

In 2015 the United Nations adopted the Sustainable Development Goals (SDGs) which consist of 17 goals that are intended to be achieved by 2030 with a view towards ending all forms of poverty, inequalities and tackling climate change (https://sdgs.un.org/). Climate change and its impacts play a significant part across many of the SDGs. The 17 SDGs are shown below:

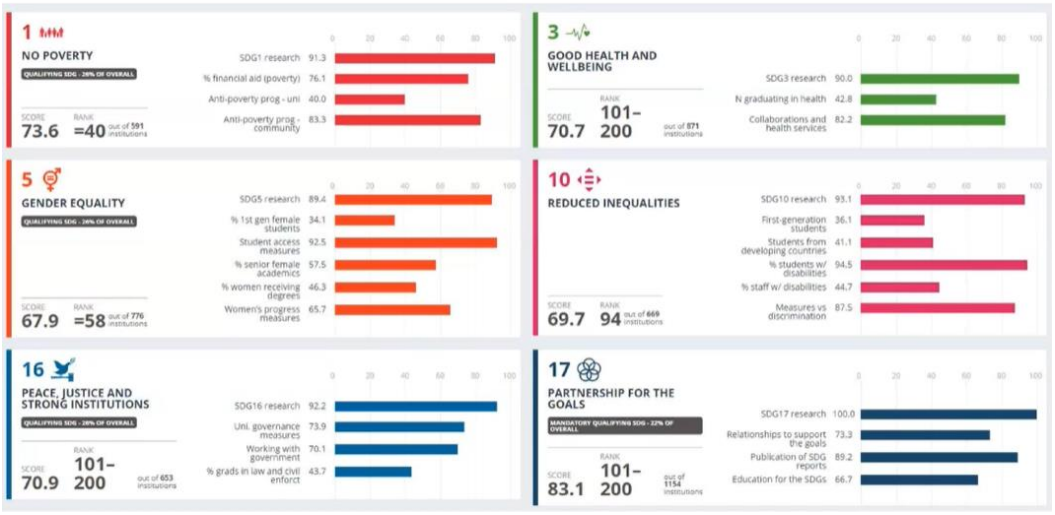
Countries, organisations and institutions around the world have aligned themselves to the UN's SDGs and have begun to measure themselves and report against these.

UCT's focus on the SDGs and Vision2030

Over the past few years UCT has contributed to significant research on the SDGs and begun to align itself with the SDGs through some of its teaching and the drive towards a green campus. UCT has developed a number of centres of excellence focused on the SDGs and has for the first time in 2021 been ranked using the new *Times Higher Education Impact* ranking (launched in 2019), in which UCT was ranked in the top 101-200 universities globally[5], performing exceptionally well in some of the individual SDG areas (for example in the SDG 1, ending poverty, where UCT was ranked 40th out of 591 universities globally).

[5] https://www.timeshighereducation.com/world-university-rankings/university-cape-town

UCT's Scores & Ranks in the 2021 THE Impact Rankings



Sustainability is one of three key pillars undergirding UCT's Vision 2030. The Vision explicitly commits UCT to significantly grow its contribution to tackling and helping attain the SDGs. UCT's contribution and alignment to the SDGs is growing and must continue to do so rapidly over the next 10 years in all spheres of the university: research, teaching, operations, governance and social responsiveness. A key component of this is UCT's response to climate change in all these areas, including its investments.

UCT's endowment as a sustaining force for the institution, which should seek to take action with that ambition, as well as the university's longer-term goals

UCT's endowment is a critical future-focused element of the university, that is both a financial safety net but also an enabler for new opportunities and growth – i.e. a key component of UCT's financial sustainability. The endowment is invested through traditional commercial investment vehicles that allow these funds to achieve maximum growth.

Furthermore, the endowment has the overarching goal of supporting the university into the distant future. Investments that risk that future, and with it the university, are incompatible with the endowment's goal.

It would be counterproductive and go against UCT's strong alignment with the SDGs to not evaluate its investments in terms of the SDGs, and specifically in terms of climate change related issues. As such, the endowment must be invested in a manner that aligns with UCT values and goals, including its alignment to the SDGs and climate change mitigation.

As part of UCT's Vision 2030 it is therefore critical that UCT's investments, including the endowment, have a clear plan in place that supports UCT's 2030 goals of mitigating against climate change.

3. Sustainability and investment

The Responsible Investment (RI) Policy approved by the University Council in December 2020 adopted the definition and principles of Responsible Investment set out by UNPRI.

The Principles on Responsible Investment (UNPRI) consortium is a non-affiliated entity based in the UK, established in 2005 to give content to then-Secretary General Annan's call for greater social responsibility among institutional investors, and is supported by – but not part of –the United Nations System. Since their founding, they have placed themselves at the global forefront in setting the RI agenda.

UNPRI defines Responsible Investment as "a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership."[6] For them, approaches to RI typically combine elements of two areas: ESG incorporation and active ownership of investment; as per the figure below.

CONSIDERING ESG ISSUES WHEN BUILDING A PORTFOLIO (known as: ESG incorporation)			IMPROVING INVESTEES' ESG PERFORMANCE (known as: active ownership or stewardship)	
ESG issues can be incorporated into existing investment practices using a combination of three approaches: integration, screening and thematic.			Investors can encourage the companies they are already invested in to improve their ESG risk management or develop more sustainable business practices.	
Integration	**Screening**	**Thematic**	**Engagement**	**Proxy voting**
Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.	Applying filters to lists of potential investments to rule companies in or out of contention for investment, based on an investor's preferences, values or ethics.	Seeking to combine attractive risk-return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing.	Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors.	Formally expressing approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues.

Source: UNPRI

Even though UCT has not signed up to the United Nations Principles of Responsible Investment (UNPRI), UCT has nonetheless committed to strive to comply with their Six Principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

[6] https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-is-responsible-investment

Ways of implementing responsible and sustainable investment

The suite of possible RI actions is set out in the figure above. UCT already requires its fund managers to integrate ESG factors in the construction of their portfolios. At present neither of the other two aspects of ESG incorporation are included in the investment mandates given to its managers.

On screening, the Responsible and Sustainable Investment Policy requires a nuanced approach to the matter (Box 1).

Box 1: Extract from the UCT Responsible and Sustainable Investment Policy

UCT is committed to RI in its investment activities and will seek to deploy the courses of action outlined by UNPRI where appropriate, and where consistent with the University's values and mission. Of these, screening (which also include capping or limits on any particular investment or class of investment on responsible or sustainable investment grounds) of any kind is the most contentious. Screening requires very careful consideration on account of the manifold direct and indirect impacts of such action.

Universities across the world have taken widely divergent approaches to screening. Some have placed negative screens on certain classes of asset, or on particular industries, while others have resisted calls for negative screens of any kind. Similarly, some universities have sought to positively screen investment opportunities, by means of seeking out particular assets or industries in which to invest, on account of their positive social impacts, such as those focused on decarbonisation.

In contemplating and deliberating any form of screen, the following aspects must be considered:

1. The ultimate owners and beneficiaries of the investments held. For example, a distinction would have to be drawn between a retirement fund (whose assets are invested on behalf of its members) and a university endowment (whose assets are held to advance the university's mission);
2. Whether any proposed screen is consistent with the vision and mission of the university, and the mechanism(s) whereby such a screen might contribute towards creating a society that is closer to that desired in the university's vision and mission;
3. The materiality of any likely impact on the risk-return profile of the investments held, and how competing priorities between financial and non-financial considerations should be balanced. The consideration of the former falls, in terms of UPRI's Terms of Reference, on the JIC, and the Trustees; the decision of balancing of competing priorities arising from a recommendation from UPRI falls to the Council and the Trustees of the Foundation;
4. The consequences (positive or negative) of implementing a proposed screen in terms of the University's public standing or reputation.

Although the above considerations contain within them a caution against the use of screens, it is nevertheless recognised that occasions may arise when the activities of particular companies, or entire economic sectors, are so inconsistent with the university's articulated values as to warrant institutional dissociation from those activities. Where investment restrictions or limitations are imposed, these will apply to separately-managed accounts operated by our mandated investment professionals where UCT has line-of-sight of the individual companies' invested in and their ESG factors. These restrictions cannot practically be applied to investments in collective investment vehicles where UCT is not the sole investor although, in such situations, the JIC will seek to appoint managers of collective investment vehicles whose policies are aligned with those adopted by the University.

While the policy is cautious about the use of screens, it admits the possibility that in some circumstances, screens may be both desirable and necessary.

The third approach is to adopt a thematic approach. In the context of the UCT endowment, this is most likely to be realised through impact investing in specific focus areas or industries. In the context of fossil fuels, possible areas of impact investment might take the form of investment in 'green energy' funds that seek to capacitate production and use of alternative energy sources; or investments in activities that promote economic diversification in areas most dependent on fossil fuel –related industries for jobs and livelihoods.

The final two components of a comprehensive RI policy lie in the realm of exercising active ownership, and the careful exercise of votes on shareholder resolutions.

4. Sustainability and investment in Fossil Fuels in the UCT context

Pressure on UCT to divest its endowment's portfolios has been mounting since 2013. Non-binding motions in support of divestment from oil, gas, and coal investments were passed by significant majorities of the attendees at the annual meetings of the university Convocation in 2016[7],2019, and 2020.

Petitions urging divestment, in the form of emails to the university Council and chair of the Panel, were increasingly sent from 2020 onwards.

Following the approval and ratification of the University's Responsible Investment Policy by the University Council in December 2020, the work of the University Panel on Responsible Investment (UPRI) was able to begin in earnest. However, implementation aspects of the RI policy were left to the Joint Investment Committee (JIC) to determine. In anticipation of that approval and ratification, and to avoid further delay, the Panel invited representatives of a consortium of organisations (led by the UCT Green Campus Initiative, Fossil Free UCT) to address the Panel in October 2020.

In April 2021, UPRI was formally launched, at a virtual webinar with invited guests from inter alia Yale and Oxford universities. This launch coincided with the official launch of UPRI's consultative process on investment in fossil fuels.

As part of that engagement, the same organisations handed over a formal memorandum calling on the university to divest from fossil fuels (a copy of the memorandum is attached[8]) to the chair of UPRI and the university COO in May 2021.

In addition to the memorandum, and the previous messages in support of fossil fuel divestment sent to the members of Council and the chair of UPRI, some 40 emails were received from members of the university community in response

To give content to the RI policy, the JIC organised a RI workshop for the JIC and UCT Foundation trustees in February 2021. Crucial aspects relating to – amongst other things – shareholder activism and engagement, and public disclosure of the university's exposure to fossil fuels and other sectors of concern (notably, alcohol and tobacco). Emerging from this workshop, some fundamental constraints were identified: chief of these is that the Foundation trustees, the members of the JIC, and the members of UPRI are all unremunerated, and give freely and generously of their expertise and counsel. Yet there is also no dedicated RI Office that services the deliberations of these entities – by comparison both Yale and Oxford, albeit with substantially bigger endowments, each have 25-50 full-time staff in their RI offices.

[7] Held in February 2017 as a result of the #FeesMustFall protests, and consequent disruptions to university activities, during 2016.

[8] The memorandum is factually incorrect regarding the size of the university's endowment. However, this in no way negates the substantive points made in the memorandum, nor indeed the demands contained in that memorandum.

A narrower range of options

The absence of a full-time, well-resourced, Office limits the range of options available to the Foundation. Direct strategic voting of shareholder resolutions and – even more so – shareholder engagement, for example, are both rendered almost impossible under the existing arrangements. (Although it must be mentioned that the JIC is considering the possibility of outsourcing voting on shareholder resolutions to a third-party proxy-voting service, with a mandate to vote resolutions in particular ways. Doing so would also ensure a degree of consistency in how holdings in the same counters held by different asset managers are voted.)

As a longer-term strategy, the university should consider the creation of an (initially small) Office for Responsible Investment. Preliminary discussions with the UCT Retirement Fund indicate that there might be some synergy in such an office being able to service both the RF and the Foundation. If this was for example to operate as a servicing unit to both the UCT RF as well as the Foundation, benefits would accrue to both entities, and the costs of the Office could be shared between the two.

The need for a differentiated approach

In formulating its determination, UPRI also recommends that different strategies are required for different aspects of the endowment's portfolio.

The South African-based equity assets are split across a number of managers: while the number is not fixed, this is typically between three and five. The portion to each manager is managed as a segregated fund – the assets are not commingled with the assets managed for other clients. This gives the endowment greater flexibility in setting investment constraints on its appointed managers.

By contrast, the offshore-based assets are routinely invested, again through a limited number of managers, but in commingled (that is, unsegregated, or pooled) funds. Holdings of this form do not lend themselves to the imposition of investment policy mandates on the manager. However, the pool of possible managers for offshore funds is enormous – orders of magnitude more than domestically – as is the range of potential stocks to invest in. Thus, the imposition of investment policy restrictions has to be applied to the choice of manager: to select managers who, as part of their investment philosophy, apply investment strictures that are consistent with that of the endowment.

These different modalities in the nature of the investments points to the need to adopt differential strategies in addressing the matter of fossil fuels investment (as well as any future screens that might be applied to the endowment's investments).

5. The case for (and against) fossil fuels divestment at UCT

As noted in the previous section, UCT has neither the resources nor the scale of operations to meaningfully engage in active share ownership. However, even if it did, there are compelling arguments for the endowment divesting itself of investments in fossil fuels.

The first is internal to the university. Through its Vision 2030, and its articulated research priorities, particularly those focussing on the SDGs and climate change, it is somewhat incongruous for the university to simultaneously be putting itself at the forefront of a vision of a new approach, while at the same time profiting from its investments therein.

The counter to this is two-fold. First, someone will end up holding the shares; and thus them being held of a 'good', 'responsible' investor is better than them being held by shareholders who care less for the environment. Second, by retaining a holding in such shares, it could be argued that the endowment could achieve a better outcome through its active ownership, engagement and proxy voting.

Neither of these arguments is particularly compelling. The first does not address the fact that the university will still expect to be profiting from the investments in fossil fuels: the contradiction with the university's vision and strategic research foci will remain. The second, would require extensive engagement and activism. As noted in Section 3, such activity and activism is improbable given the current structure of the Endowment, and how it is governed.

A second argument is that the role of the university endowment is to seek to maximise its returns, regardless of how those returns are generated.

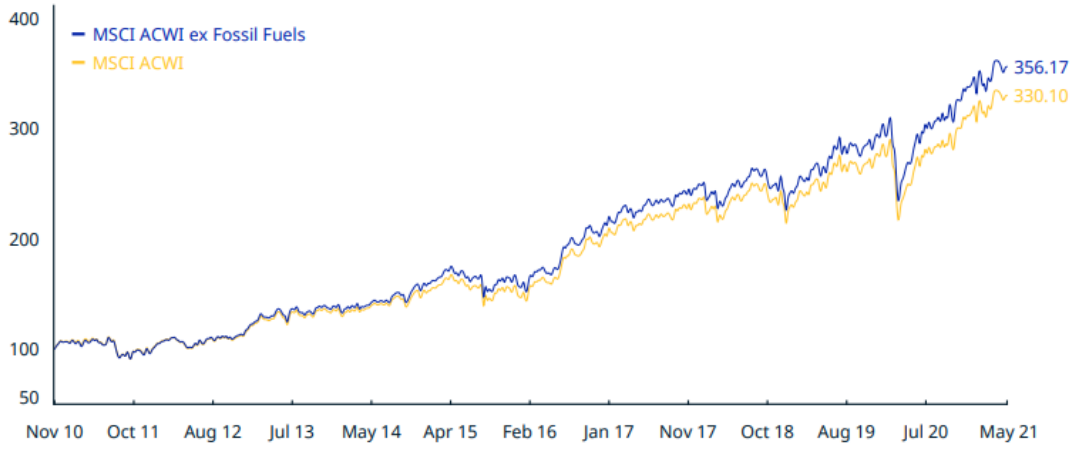
This argument is, at its core, amoral; ascribing no, or little, weight to the moral imperative discussed above. Financial returns should not be the only metric. However, even if such an amoral (and contradictory) position were to adopted, there is a real risk of the 'stranding' of those fossil fuels assets in the not-too-distant future; as the global economy moves away from fossil fuels, demand for fossil fuels will decline, with likely commensurate implications for the profitability and investment attractiveness of companies in the sector.

Furthermore, there is an emerging significant body of research that suggests that returns for portfolios that have divested from fossil fuels are not impaired by that screening. Indeed, several significant pieces of research point in the opposite direction – that divestment from fossil fuels improves investment performance.

One such is the tracking by MSCI (formerly Morgan Stanley Capital International, a major global provider of investment research) of the relative performance of its All-Country World Index (ACWI) including and excluding fossil fuels over a decade since November 2010[9].

[9] MSCI (2021) MSCI ACWI ex Fossil Fuels Index (GBP) 31 May 2021 Factsheet https://www.msci.com/documents/10199/d6f6d375-cadc-472f-9066-131321681404

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (GBP)
(NOV 2010 – MAY 2021)



INDEX PERFORMANCE – GROSS RETURNS (%) (MAY 31, 2021)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Nov 30, 2010
MSCI ACWI ex Fossil Fuels	-1.18	7.14	23.90	6.32	12.90	15.84	12.72	12.85
MSCI ACWI	-1.03	7.19	23.91	6.80	11.94	15.31	11.79	12.04

Over 3, 5, and 10 year periods, their ACWI excluding fossil fuels has offered annualised gross returns of between 0.5% p.a. and 1.0% p.a. more than the index including fossil fuels.

While the MSCI data points to a positive benefit from screening of fossil-fuel stocks, other academic research suggests that the screening is – at worst – neutral to portfolio performance. A recent study[10] of the performance of 7 000 companies over a period of 40 years concluded that

- The risk-adjusted returns from investment in fossil fuel stocks are "not significantly different from those of other stocks … the [observed] higher absolute returns for fossil fuel stocks over prolonged periods of time is due to the financial risk involved and that the higher return compensates for that risk"
- The screening-out of fossil fuel stocks "has no significant impact on the return and risk of a global well-diversified portfolio of industry indexes. From this, we conclude that divestment from fossil fuel companies does not influence total financial risk for the investor."

[10] Auke Plantinga & Bert Scholtens (2021) The financial impact of fossil fuel divestment, Climate Policy, 21:1, 107-119, DOI: 10.1080/14693062.2020.1806020

Research that has identified negative financial consequences to divestment from fossil fuels is, at times, tainted by the fact that that research had been funded by the fossil-fuel industry[11].

A third argument is that divesting from fossil fuels would have adverse consequences for South African society, in the form of job losses in the extensive fossil fuel –related industries in South Africa (notably Sasol, Eskom, and coal mining companies). This argument would apply to the South African-based investments held by the Foundation, but not to the Foundation's offshore assets. Given the structural inequalities that pervade South African society, this argument cannot be dismissed out of hand. However, in this regard, the idea of the 'Just Energy Transition' has taken root in recent years: that South Africa needs to navigate the path towards diminished reliance on fossil fuels for electricity generation (in particular) cognisant of the need to not compromise jobs and livelihoods as a consequence of too rapid a process of moving away from fossil fuels.

A Just Energy Transition is complex, requiring intricate negotiations between all stakeholders, but also requires economic diversification in those areas of the country most dependent on fossil fuels for livelihoods. Promotion of that economic diversification might be an appropriate area for impact investments.

[11] See, for example, Bradford Cornell (2015) The Divestment Penalty: Estimating the Costs of Fossil Fuel Divestment to Select University Endowments, DOI: 10.2139/ssrn.2655603 . Footnote 1 of this paper records that "[t]his study has been commissioned and financed by the Independent Petroleum Association of America (IPAA)"

6. Recommendations

Having applied its mind to the matter, UPRI puts forward the following recommendations to the JIC, and to the Trustees of the Foundation, and the University Council.

Divestment from fossil fuel investments[12]

1. The UCT Foundation and Council commit themselves to fully divesting their assets from fossil fuel investments by 31 December 2029 or earlier if possible. It is not UPRI's role to establish the roadmap to achieve this commitment should it be approved by the Council: that is to be determined by the JIC and the Trustees, taking into account the issues raised in Sections 4 and 5. UPRI accepts that the Sharia-compliant fund operated by the Foundation may raise specific issues relating to the capacity to further screen holdings in that fund. Should such concerns arise, the JIC and UPRI should seek to resolve them in a way that continues to hold to the spirit of the recommendations made herein.
2. Should the divestment in 1) be decided by Council,
    a. the JIC and Trustees, within 12 months of that decision, to draw up, and make public its plan which should outline what actions will be taken over the period 31 December 2022 to31 December 2029 to give content to this resolution, including the process for revising the mandates given to the appointed investment managers.
    b. All appointments and re-appointments of mandated investment managers (including those of non-segregated funds) to be tested against their commitment to achieve the milestones set by the JIC and Trustees in their roadmap.
    c. Council to mandate UPRI and the JIC to jointly monitor progress towards ensuring that the resolution is attained; to ensure that UPRI and JIC are provided the necessary information to do so; and to require UPRI to report annually to Council on progress to implementing the resolution.

Transparency and shareholder engagement

3. Irrespective of the outcome of the decision in 1), UPRI recommends that a comprehensive external audit of the existing portfolio, including its holdings in non-segregated funds, be conducted in respect of its exposure to fossil fuels following international best practice. Such an audit could be undertaken by, for example, MSCI.
    a. This audit should be completed within six months of a Council decision to do so; and should offer a meaningful, public available disclosure, of the Foundation's current exposure to fossil fuels.
    b. Mechanisms should be put in place to repeat the exercise, and disclose the results thereof, on an annual basis.

[12] UPRI has adopted a definition of 'fossil fuel investments' broadly consistent with international norms: "Any company in which investments can be made that is involved in the holding of reserves, extraction, or industrial production of fossil fuels, including coal, oil/petroleum, and gas, including companies that generate and sell electricity from such fossil fuels.

4. Where assets are invested in segregated funds, mechanisms must be set in place whereby shareholder resolutions relating to fossil fuels can be timeously and actively considered and voted on.

The Just Energy Transition

5. The Council is asked to recommend to the Trustees and the JIC that mandated South African fund managers be instructed to actively seek out investment opportunities in the renewable energy sector, or impact investment projects that capacitate a Just Energy Transition, through – for example – promoting diversification of economic opportunities in communities and regions that are currently most dependent on fossil-fuel industries. However, such investments must be consistent with the overarching investment mandate provided to them. The 10-year plan spoken of under 6.1 should include clear targets and milestones for investment quantum in such renewable energy and impact investments.

Longer-term recommendations

6. The Council to consider budgeting, or raising ear-marked donor funds, to support a Responsible Investment Office for UCT, to bring greater exercise of and oversight on Responsible and Sustainable Investment issues in-house. As already mentioned Such an office could also be a resource to, and shared in part with, the UCT Retirement Fund. For illustrative purposes, a start-up Office would require at least a Responsible Investment Officer and one administrative support staff. A gross operating budget figure for this might thus cost in the region of R2.5 million per annum in 2021 terms, perhaps growing by 10-15 % for the first five years and then plateauing. We specifically recommend that the Office of the COO is tasked to investigate the matter, taking funding models, as well as potential partnership with the UCT RF, into account, with a view to reporting back to Council by the end of 2022.
7. The Council to consider tasking the executive officers of the university with development of a policy regarding the appropriateness of receiving research or contract funding from entities involved in the extraction, production, or beneficiation of fossil fuels.