Climate Policy

Context

Climate change will significantly impact public health both in the UK and around the world. All that can be done should be done to limit global temperature rises in line with the goals of the Paris Agreement on climate change (see Annex 1). If we are to avoid the extreme impacts of climate change on both people and the environment this means a world where we limit temperature rises to 1.5 degrees above pre-industrial levels.

As a medical college the Royal College of Physicians (RCP) has a particular role to play in highlighting the health impact of climate change. To ensure that our public advocacy is consistent with our own investments, and given the concerning pace of climate change, we asked the RCP's Investment Advisory Group (IAP) to propose a new Climate Policy.

In response, the IAP held a number of meetings and sought contributions from both RCP fellows and our fund managers.

Previous policy

The previous policy used a revenue screen implemented by our fund managers and excluded investment in companies that derive more than 10% of their revenue from the production of thermal coal and tar sands. This in effect meant the RCP was no longer invested in pure play thermal coal producers and tar sands producers but did remain invested in diversified mining companies and larger operators in the oil and gas sector. We also supported engagement by our managers with high carbon emitting companies.

New policy

1. **Understanding the transition:** The RCP will become a supporter of the Transition Pathway Initiative (TPI) that provides an independent academic tool developed for investors by the London School of Economics Grantham Research Institute. The TPI tool will allow the RCP and its fund managers to assess which companies in high carbon emitting sectors are aligning their business to the transition to a low carbon economy in line with the goals of the Paris Agreement.

2. **Commitment to global engagement efforts:** The RCP supports engagement with these companies and will encourage its fund managers to be an active member of this vital global climate engagement initiative.

3. **Disinvesting from fossil fuel companies without scope 1,2 & 3 targets:** Using the insight of the Transition Pathway Initiative (TPI) the RCP will instruct its fund managers that by the end of 2020 they should have disinvested from any oil and gas and mining company that has not set targets covering their scope 1, 2 and 3 emissions. We note that, for companies in these sectors, we see these targets as encompassing the emissions from the use/burning of their sold products (scope 3), which is the major part of their carbon footprint. As a minimum these targets should be aligned to the equivalent of Government's Nationally Determined Contributions (NDCs) under the Paris Agreement.

4. **Immediate disinvestment:** As an interim measure and in recognition of the lack of action by some major US oil and gas companies the RCP will instruct its fund managers to disinvest any holdings with immediate effect from these companies.

5. **Expecting robust engagement from our fund managers:** Using the insights of the Transition Pathway Initiative (TPI) the RCP will instruct its fund managers to support shareholder resolutions and use of their voting power to support alignment of company strategies with the goals of the Paris Agreement. This includes robustly addressing the influence of corporate climate lobbying by company industry associations. We also expect our fund managers to be engaging with electricity utility companies as well as those that drive demand for fossil fuels in high carbon intensive sectors such as automotive, aviation, cement, construction, chemicals, steel and shipping.

6. **Disinvesting by 2023 from fossil fuel companies not demonstrably in line with the goals of the Paris Agreement:** By 2023 and after engagement by our fund managers with those remaining oil and gas and mining companies in which we still retain a holding we will ask our fund managers to undertake a final assessment, using the insights of the Transition Pathway Initiative (TPI), to identify which oil and gas and mining companies are demonstrably on a path in line with the goals of the Paris Agreement. Any company that is not on such a path will be disinvested from.

7. **Reporting by our fund managers:** The RCP instructs its fund managers to report on a quarterly basis on their delivery against this policy and to evidence the seriousness by which they are engaging with companies and how they are using their voting and shareholder rights to do so.

8. **Reporting on progress:** The RCP will report annually on progress in implementing this policy.

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Annex 1:

What are the goals of the Paris Agreement?

The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) which was drafted and agreed to by 195 countries in Paris in late 2015. The Paris Agreement sets out a framework for limiting dangerous climate change and deals with greenhouse gas emissions mitigation, adaptation, and finance. Its goals include the following:

- Article 2.1(a) states: 'Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.'
- Article 4.1 states: 'In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of GHG emissions as soon as possible.'
- These goals should be achieved 'taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs.'