15th February 2024

Mandate description for banks & fund managers (cash & money market funds)

Round 1 Request for Proposals

The University of Cambridge and other Higher Education Institutions are exploring the possibility of shifting funds into a) deposit accounts and/or managed accounts that allocate across a number of deposit-taking institutions (both instant access and term deposits) and b) instant-access money market funds and/or short-dated cash-like debt fund products (e.g., certificates of deposit/commercial paper/floating rate notes) provided by financial institutions (i.e., asset managers and other financial institutions) whose primary market financing and engagement activities align with the International Energy Agency's (IEA's) Net Zero Emissions (NZE) scenario.

Potential depositors/investors alongside the University include:

Bath Spa University; Brasenose College, Oxford; Cambridge University Press & Assessment; Christ's College, Cambridge; Churchill College, Cambridge; Clare College, Cambridge; Clare Hall College, Cambridge; Corpus Christi College, Cambridge; Corpus Christi College, Oxford; Darwin College, Cambridge; Downing College, Cambridge; Emmanuel College, Cambridge; Fitzwilliam College, Cambridge; Girton College, Cambridge; Gonville and Caius College, Cambridge; Hughes Hall, Cambridge; Jesus College, Cambridge; JISC; King's College, Cambridge; London School of Economics; Lucy Cavendish College, Cambridge; Magdalene College, Cambridge; Manchester Metropolitan University; Merton College, Oxford; Newnham College, Cambridge; Oxford Brookes University; Pembroke College, Cambridge; Peterhouse, Cambridge; Queens' College, Cambridge; Robinson College, Cambridge; Selwyn College, Cambridge; Sidney Sussex College, Cambridge; St Antony's College, Oxford; St Catharine's College, Cambridge; St Edmund Hall, Oxford; St Edmund's College, Cambridge; St John's College, Cambridge; The Gates Cambridge Trust; The Isaac Newton Trust, Cambridge; The Queen's College, Oxford; Trinity College, Cambridge; University College London (UCL); University of Bristol; University of Dundee; University of Edinburgh; University of Exeter; University of Gloucestershire; University of Leeds; University of Manchester; University of Oxford; University of Reading; University of St Andrews; University of Southampton; University of Sussex; University of the Arts London; University of Westminster; University of York; Wolfson College, Cambridge; Worcester College, Oxford.

These institutions may each allocate up to several hundred million GBP or more across several products proposed by the respondents to this Request for Proposals (RfP). Further Higher Education Institutions and asset owner organisations representing a yet larger sum (in GBP, USD, and Euros) have expressed interest in assessing the results of the RfP.

Should the University of Cambridge identify a suitable provider of bank deposits and/or money market funds, it would look to publicise its actions and the identity of the provider(s). Other co-signatories may do the same.

What follows are a set of Round 1 questions centred on the respondents' ability to meet the signatory institutions' objectives regarding the avoidance of financing of fossil fuel expansion. Investment-grade deposit-taking institutions and financial products only. Respondent institutions that meet these objectives will be invited to participate in Round 2 of the RfP, which will involve a more detailed set of operational/product-based questions, including income expectations.

Although this RfP is being issued by the University of Cambridge for simplicity's sake, the responses from banks and fund managers may be reviewed by any (or all) of the signatory institutions as well as fellow Higher Education Institutions and asset owners who become interested in this project following its public release. Individual institutions will then undertake bilateral contracting arrangements with the chosen bank/fund manager.

The signatory depositors/investors have an ambition to use their influence and capital to decarbonise the real economy. Evidence suggests that a large majority of primary financing of fossil fuels comes from debt (bank loans and bond issues), hence this RfP's focus on cash holdings. To date, the signatories have been unable to find cash products that reflect their climate-related ambition. Proposed deposit and money market fund offerings – and the institutions behind the proposed products themselves – should align with efforts towards real-economy decarbonisation, *with a particular focus on avoiding the financing of fossil fuel expansion* considering its outsize climate impact.

The signatory institutions are seeking products with the following characteristics:

- For fund managers: Alignment with the IEA's NZE, especially avoiding capital allocation to companies that are building new fossil fuel infrastructure (e.g., electrical utilities that are constructing new coal or gas plants or oil and gas companies that are constructing new pipelines) and/or exploring for new fossil fuel reserves. This includes major financiers and facilitators of fossil fuel expansionist companies (e.g., large global banks and insurers). These exclusions could be included as part of a product with a broader set of ESG screens. **NB: The avoidance of capital allocation to companies engaging in fossil fuel expansion is the primary objective of the RfP.**
- For banks: Alignment with the IEA's NZE in the bank's own financing and facilitation activities, including the avoidance of capital allocation to or facilitation of finance to companies that are building new fossil fuel infrastructure (e.g., electrical utilities that are constructing new coal or gas plants or oil and gas companies that are constructing new pipelines) and/or exploring for new fossil fuel reserves. **NB: The avoidance of capital allocation to companies engaging in fossil fuel expansion is the primary objective of the RfP.**

Responses to this RfP should identify:

- The bank or fund manager's own fossil fuel expansion policies and practices, with a standard of withholding financing and underwriting of any company that is a) building new long-lived fossil fuel infrastructure such as coal and gas power plants, pipelines, refineries, oil rigs, etc. (with the possible exception of gas peaker plants) that risk locking in long-term emissions and/or b) exploring for new oil or gas reserves or expanding or opening new thermal coal mines. NB: The fossil fuel expansion restriction applies to general corporate financing, not just project financing, and should be evaluated at the entity level (parent company), not at the level of a particular fund or subsidiary. This applies to RfP respondent institutions.

We have identified your firm as a potential provider. In order to aid our decision-making, we invite you to fill in the questionnaire on the following page. We anticipate that you may have products, strategies, and/or commitments that have not yet launched that could fit this brief; feel free to include information on these forthcoming products and commitments alongside expected launch dates.

We will use the information you provide to determine a shortlist of banks/managers. One or more presentations will be shared with stakeholders and you may be asked to attend an in-person presentation/video conference. Following these meetings, the signatories will have the opportunity to select among the products offered.

Please reply to this message to acknowledge receipt. If you could let us know within the next **two weeks** of your intention to respond to the questions set out below, that would be helpful. Feel free to ask questions about the RfP until **29th February 2024**, at which point we will circulate responses to all RfP respondents. Please submit your final response – **limited to 4 pages of text** (plus appendices) – to **BEF@admin.cam.ac.uk** by **8th April 2024**.

Cash and money market fund questionnaire

NB: Section 1 features questions regarding the nature of the product, while Sections 2 and 3 concern the policies and practices of the banks and fund managers themselves (at the level of the entire entity/parent company). The policies and practices this RfP is assessing are those related to the firm's client portfolio approach, not its own operations/estate. If your firm has plans to enact stronger targets/policies that would strengthen your case, please note the date by which these targets/policies will be in place.

Section 1: Fund manager overview (fund managers only)

1. Please list the number of your firm's clients and your AUM.
2. Please detail any restrictions you may have on the type of investor your firm can accommodate.

Section 2: Product overview

1. Please provide an overview of all deposit accounts/managed accounts that allocate across a number of deposit-taking institutions (both instant access and term deposits) and instant-access money market funds and/or short-dated high-quality bond funds that meet our environmental objectives as above.
    a. Please highlight existing offerings that exclude fossil fuels (upstream, midstream, and downstream), electrical utilities that are building new coal, gas, or biomass power plants (with the possible exception of gas peaker plants), and banks/insurers financing or facilitating these companies as relevant.
    b. If no offerings are available meeting the standards above (question 1.a) please let us know whether you would be prepared to create a bespoke product. Please briefly describe how you would construct such a fund (including the financial sector exclusions).
    c. <u>Please describe how you would make this a broader offering for other investors and how you would market it to third parties (which the signatories would warmly welcome).</u>
2. Please provide a short description or factsheet for your proposed solution(s) according to the objectives outlined in the covering note.

Section 3: Stewardship (banks)

1. Please highlight your institution's overall approach to primary market financing of fossil fuel financing (NOT its approach to operational or supply chain emissions or fossil fuel usage). Please also detail any expected changes to your fossil fuel financing policies in future and the timeline for these changes.

2. Direct financing (loans, revolving credit facilities, etc.):

    a. What quantum *and* proportion of your direct financing activities during the past 12 months were in

        i. the fossil fuel sector (upstream, midstream, and downstream) and

        ii. electrical utilities that are constructing new coal, gas, or biomass power plants (with the possible exception of gas peaker plants)?

3. Capital market activities

    a. What quantum *and* proportion of your capital market activities during the past 12 months were in

        i. the fossil fuel sector (upstream, midstream, and downstream) and

        ii. electrical utilities that are constructing new coal, gas, or biomass power plants (with the possible exception of gas peaker plants)?

4. Financing of renewables in lower-income countries

    a. What quantum *and* proportion of your direct financing and capital market activities in the past 12 months were in lower-income country[1] renewables?

5. Executive remuneration

    a. Please share the proportion of the firm's *overall* executive compensation that is tied to climate-related metrics.

    b. Please list the climate-related metrics and their relative weighting.

6. Lobbying

    a. Please share the names of any trade associations to which the bank belongs.

    b. Please share details on any direct climate-related lobbying the bank has undertaken in the past 12 months.

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[1] "Lower-income country" defined as those in the bottom half of per-capita income among all countries according to United Nations 2021 data: https://data.un.org/Data.aspx?d=SNAAMA&f=grID%3A101%3BcurrID%3AUSD%3BpcFlag%3A1.

Section 4: Stewardship (fund managers)

1. Please highlight your institution's overall approach to primary market financing of fossil fuel financing (NOT its approach to operational or supply chain emissions or fossil fuel usage) – both proprietary and client trading. Please also detail any expected changes to your fossil fuel financing policies in future and the timeline for these changes.
2. Capital allocation
    a. Please share the quantum *and* proportion of new bond issues that the firm and its clients have participated in (total and % of firm AUM) during the past 12 months for
        i. the fossil fuel sector (upstream, midstream, and downstream) and
        ii. electrical utilities that are constructing new coal, gas, or biomass power plants (with the possible exception of gas peaker plants).
    b. Please share the quantum *and* proportion of Initial Public Offerings the firm and its clients have participated in (total and % of firm AUM) during the past 12 months for
        i. the fossil fuel sector (upstream, midstream, and downstream) and
        ii. electrical utilities that are constructing new coal, gas, or biomass power plants (with the possible exception of gas peaker plants).
    c. What proportion of the firm's and its clients' total bond holdings (total and % of firm AUM) are in
        i. the fossil fuel sector (upstream, midstream, and downstream) and
        ii. electrical utilities that are constructing new coal, gas, or biomass power plants (with the possible exception of gas peaker plants)?
3. Voting and engagement
    a. Across all firm and client holdings, please share quantum *and* proportion of directors the firm and its clients voted against in 2023 among
        i. Climate Action 100+ focus companies (currently 170 companies total)
        ii. the top 60 global banks
        iii. the top 60 global non-life insurers
    b. Across all firm and client holdings, what quantum *and* proportion of climate-related shareholder resolutions did the firm and its clients support in 2023?
    c. Please describe your policy and voting statistics on CEO remuneration in 2023, including as it relates to the incorporation of climate-related metrics.
    d. How many people (FTE) are employed in the firm's stewardship department? What proportion are dedicated to climate-related engagements?
    e. Please provide up to 5 examples of any climate-related stewardship achievements in the past 12 months.
    f. Are the firm's engagement goals outcome-/action-based (e.g., avoiding the construction of new fossil fuel infrastructure, decreasing the proportion of CapEx dedicated to fossil fuel expansion, or increasing the number of women on company boards) or means-based (e.g., *reporting* on emissions or the number of women on company boards)?

4. Financing of renewables in lower-income countries

    a. What quantum *and* proportion of the firm's and its clients' *primary market* investments in the past 12 months were in lower-income country[2] renewables?

5. Executive remuneration

    a. Please share the proportion of the firm's *overall* executive compensation that is tied to climate-related metrics.

    b. Please list the climate-related metrics and their relative weighting.

6. Lobbying

    a. Please share the names of any trade associations to which the firm belongs.

    b. Please share details on any direct climate-related or sustainable finance-related lobbying (including, but not limited to, lobbying on fossil fuel policies) the firm has undertaken in the past 12 months.

[2] "Lower-income country" defined as those in the bottom half of per-capita income among all countries according to United Nations 2021 data: https://data.un.org/Data.aspx?d=SNAAMA&f=grID%3A101%3BcurrID%3AUSD%3BpcFlag%3A1.