

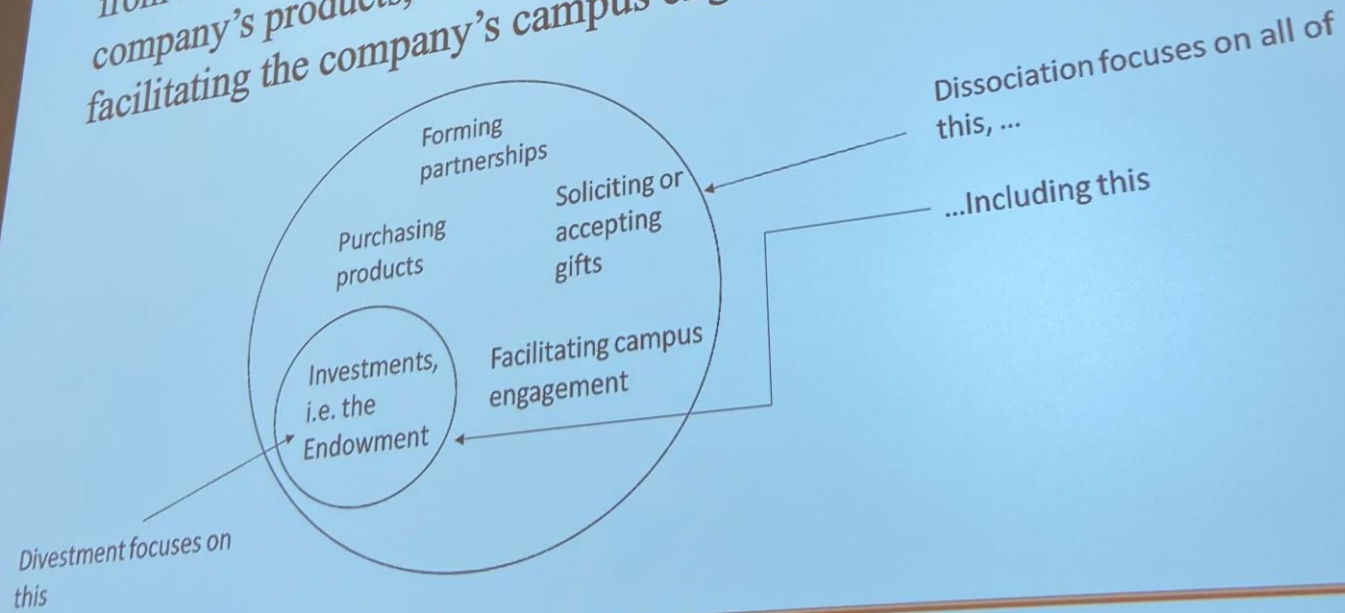
Administrative Committee Progress Update

- Ongoing interaction with faculty panel
- Ongoing focus group discussions with students and the faculty panel
- Consultation with outside experts
- Developed an overview of fossil fuel investment policies of peer institutions in partnership with the Undergraduate Student Government → now posted on fossilfueldissociationprocess.princeton.edu
- Assessing how the University currently associates with fossil fuel companies
- Ongoing work to develop actionable dissociation criteria and an implementation process



Key Principle

Dissociation includes and goes beyond divestment. Dissociating means divesting as well as refraining, to the greatest extent possible, from soliciting or accepting gifts from a company, purchasing the company's products, forming partnerships with the company, and facilitating the company's campus engagement activities.



How does the University currently associate with fossil fuel companies?

- Of the more than 7,000 employers that have engaged with Princeton's Center for Career Development over the past 5 years, approximately 50 are fossil fuel-related companies. Their recruitment activities on campus have included hosting events, participating in career fairs, posting positions, and hiring students.
- Over the past five years, the University has spent approximately \$38 million on fossil fuel consumption, with uses ranging from the operation of the co-generation plant to the operation of campus vehicles. Our top supplier is PSE&G, which retired its last remaining coal-fired power plant in June 2021.
- The University also holds interests in oil, gas, and mineral rights that were received as gifts, mostly through bequests. These holdings are currently valued at about \$6 million.
- As far as gifts and grants from fossil fuel companies in support of research, in the past five years the University has received \$26.2M in new funding from eleven oil and gas companies. The most significant support has been from ExxonMobil and BP for environmental and sustainability-related projects such as Net-Zero America.



How does the University currently associate with fossil fuel companies?

- The endowments' total fossil fuel exposure (broadly defined) is roughly 4.5%, or about \$1.7 billion.
- The vast majority of the endowment's fossil fuel exposure is held indirectly (i.e., by external managers)
 - ~\$13MM (.03% of the endowment) is held directly in fossil fuel investments. All but \$2MM of this amount represents shares distributed to us by external managers which PRINCO will sell in the normal course of business.
- The endowment has no exposure to companies that derive more than 15% of revenues from tar sands.
- The endowment's exposure to companies that derive more than 15% of revenues from thermal coal is ~\$19MM (.05% of the endowment).
 - Almost all of this amount is accounted for by 4 "legacy" private investments that are in run-off mode with managers with whom we stopped investing several years ago.



Major Progress on Two Charges

Developed metrics and standards for dissociation from:

- Companies that engage in climate disinformation (Charge 1)
- Companies that materially participate in thermal coal and tar sands segments of the fossil fuel industry (Charge 2)

Presentation today will focus on Charge 2 and Charge 1, in that order

Ongoing work:

- Constructive engagement prior to dissociation (Charge 3)
- Future adaptation and evolution of the metrics and standards proposed in Charge 1 and Charge 2 (Charge 4)

Overall Highlights

- The framework and associated metrics developed by the Faculty Panel for Charges 1 and 2 are at the leading edge of what Universities are proposing.
- In general, we aimed for:
 - Simplicity: A relatively simple framework that enables evaluation of all companies in direct and indirect portfolios, including publicly traded and private companies (the latter may not always publicly release their GHG emissions data, as an example).
 - Objective and transparent metrics: Quantitative or semi-quantitative metrics with data sources identified publicly.
 - Rigor: Metrics developed from peer-reviewed literatures and publicly-described data sources cross-checked with experts.
 - Future Adaptability: The framework is designed to update metrics in the future as more data become available and as further anticipated industry transformations occur (Charge 4)
 - For Charge 2, the proposed framework is designed innovatively such that updated metrics also create a future “glide path toward a net-zero portfolio”, although this was not our explicit charge, and, more work will be needed.

Charge 2 Highlights (Thermal Coal & Tar Sands) in Four Steps

- 1. Identified the broad universe of companies to address:** ALL companies (current and future) in Princeton's direct and indirect holdings, including both publicly-traded and private companies (whose emissions data are not public). This meant that we would have to devise a protocol that was relatively simple to apply across the board.
- 2. Clarified the specific industry segments and the rationale provided by the Trustees for identifying the worst Greenhouse Gas (GHG) emitters.**
 - a) Thermal Coal category includes companies materially involved in producing thermal coal, as well as powerplants burning the coal, for which cleaner alternatives are available today → mass of coal produced or used/burned is the relevant metric*
 - b) The Tar Sands category of Oil Companies was highlighted due to its high GHG emissions intensity per unit of oil produced up to the refinery gate, compared to conventional crude oils → Emission intensity is the relevant metric because there are no alternatives yet to Oil itself in the transportation sector, i.e., freight, air travel and personal travel.*
 - Other High-emission-Intensive Oil Industry Segments: Recent research shows some types of conventional crude oils (e.g., heavy crudes) can have as high an emission intensity as oil from Tar Sands. Hence, the panel recommends including all oil producers with emissions intensity > (chosen Threshold), and the refineries that refine such crude oil using specialized processes.*

Charge 2 Highlights (Thermal Coal & Tar Sands) - continued

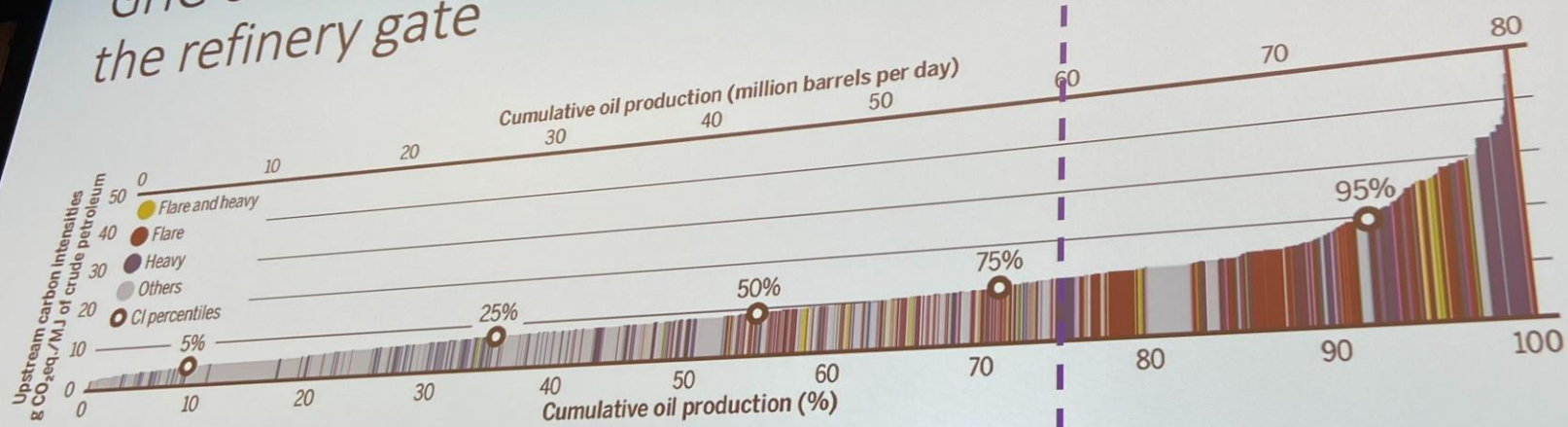
3. Developed a Flowchart Protocol with Metrics to identify companies materially participating the thermal coal and "tar sands/high-emitting crude" segments in 2020, following the Trustee's rationale for identifying the worst GHG emitters
 - Thermal coal metrics: Mass of coal produced or amount of electricity generated from coal
 - Oil: Companies producing/refining oil with high GHG emissions intensity per unit crude oil.
 - Identified Relevant Datasets that track these metrics over time and have broad coverage (>96% of global oil produced; e.g., Urgewald; Masnadi et al., 2018; Jing et al., 2021)
 - Companies with no public data: The Faculty Panel recommends that companies that do not disclose GHG data are assumed to be the worst emitters, unless they show otherwise
4. Provided Guidance on Exceptions for Developing Countries and Companies that Demonstrate Credible Commitment toward Future Sustainability through credible 2050 Net-Zero Emissions Plans, similar to Princeton's Net-Zero plans, with clear milestones to evaluate progress in interim years.

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Bottom Line: The worst GHG emitters with no credible path toward sustainability (represented by an absence of credible future Net-Zero Plans) are those identified, for dissociation and divestment.

GHG emission intensity of Oil Production upto the refinery gate



Source: Masnadi et al., 2018

Within Charge 2, and in line with the Trustees, the Faculty Panel does not suggest dissociation from all oil companies right away because society is still fossil fuel-dependent with airplanes and many cars using fossil fuels. Rather we recommend focusing on the high GHG emitting oil producers and refiners first, and then can move the bar left over time. As an example, picking an initial threshold of around 14 gCO₂e/MJ would address ~25% of global oil production.

Charge 1 Highlights: Measuring Disinformation

- 1. Identifying the “Universe of Companies” to evaluate Climate Disinformation:**
Decision to focus initially on the largest fossil fuel companies associated with Princeton
- 2. Developing a state-of-the-art definition of disinformation based on the literature**
 - Misinformation involves statement of falsehoods*
 - Disinformation, is based on intent to mislead, which may include falsehoods as well as partial facts or omissions, and the stating of “true facts” but within a misleading context.*
 - Measuring disinformation requires assessing intent to mislead by evaluating a company’s environmental declarations, public statements, internal deliberations (where available), campaigns/advertisements funded or participated in, and any inconsistencies of various types therein (metrics for these are being developed by several researchers)*
- 3. Identifying types of climate disinformation campaigns,** including denial of climate change, its anthropogenic causes, negative impacts, and effectiveness of proposed solutions (including those the company may itself be using in their Net-Zero Plans)
- 4. Developing a simplified scoring system:** The Faculty Panel is creating a scoring system (in progress), with a framework agreed upon this past week