# Banking Engagement Forum Review

## Report on the progress of the Banking Engagement Forum, 2023-2024

Background

The University's Banking Engagement Forum, established in 2022, has enabled the collegiate university to use its combined influence as a customer or potential customer to encourage banks and asset managers to help accelerate the transition away from fossil fuels. Through its pension funds and in its engagements with fund managers, especially as regards their engagements with banks, the University acts as a universal owner with an interest in addressing real-world systemic risks stemming from the actions of important systemic actors both now and in the future. The Forum formalises and provides structure for work the Collegiate University has been undertaking for some time to focus on the particularly high-impact sector identified in the 2020 Cambridge divestment report: commercial banks.

This was the second year the Forum has been operational. The Forum is Chaired by Anthony Odgers, Chief Financial Officer, and includes members from the University, the Endowment, Cambridge University Press & Assessment, the Colleges, the Cambridge Institute for Sustainability Leadership, and the student body. Over the course of the year the Forum held eight meetings and its work was guided by the Schedule of Activities for the 2023/24 academic year.

Documentation relating to the Banking Engagement Forum can be found on the website.

**Introduction**

In its engagements with banks and fund managers the Forum is specifically focused on:

- Reducing entity-level primary market financing of companies that are engaging in or facilitating fossil fuel expansion (fossil fuel, utilities, banking, and insurance companies).
- Encouraging votes against the directors of companies that are engaging in or facilitating fossil fuel expansion (fossil fuel, utilities, banking, and insurance companies), as academic evidence suggests that this is likely to be one of the most useful tactics for prompting corporate behaviour change.

**Information-gathering and preparation**

To inform engagements with banks, up-to-date briefs were prepared on the climate commitments of Barclays, Lloyds, HSBC, and NatWest alongside detailed analysis of their investments in fossil fuel expansion. These briefs are used for the Forum's engagement meetings with banks and are also shared with NGOs that have a focus on climate and banking.

**Influencing banks**

The Forum has continued to focus, in particular, on the goal of encouraging banks to cease financing (lending and underwriting) companies that are engaging in fossil fuel expansion, especially those that are constructing new fossil fuel infrastructure that risks locking in long-term emissions (such as new coal- and gas-fired power stations). Other topics linked to this agenda are executive remuneration and its link to achieving sustainability targets, and the financing of green infrastructure in the Global South.

**Engagements**

During the year, the Banking Engagement Forum co-ordinated several engagement meetings between the Collegiate University and our main banking providers. These meetings were held in person in Cambridge and attendees included senior bank representatives and senior members of the Collegiate University, including several Heads of House and Bursars.

Over the course of the year the Forum has recognised that the most effective interventions we have had are on specific technical matters. This year our strategy will be to hold meetings during the development process of the banks' climate policies in an attempt to influence them more effectively while they are updating their policies.

**Cash and money market funds Request for Proposals**

As laid out in the proposed Schedule of Activities for the year, the Forum, along with the Treasury team and Finance for Systemic Change, coordinated a public Request for Proposals (RfP) process in an effort to create a market for cash products that do not contribute to the financing of fossil fuel expansion.

The RfP process is being led by Cambridge and 71 co-signatories from the UK Higher Education Sector. We received 23 proposals from financial institutions: 11 for cash deposit products and 12 for money market equivalent products.

Proposals have been assessed and engagement with the institutions is ongoing. We expect to be in a position to make public announcements about the outcome of both strands of the RfP during Autumn 2024.

The RfP seeks to encourage financial providers to move away from clients that are engaging in fossil fuel expansion and to provide options to Higher Education Institutions to move away from financial providers that are financing companies that are engaging in fossil fuel expansion. The RfP has a focus on avoiding the construction of new coal- and gas-fired power plants in OECD countries in particular, as this new infrastructure can lock in emissions (and demand for fossil fuels) for decades. Responsible investment is now relatively mainstream in public equity, but it is still not widespread in the debt markets even though a large majority of the new capital for companies constructing new fossil fuel power stations or exploring for new reserves comes from debt. For this reason, the institutions behind the RfP have focused on banks and the bond market as the primary sources of external financing for fossil fuel expansion; raising awareness of this area is central to the work of the BEF.

The RfP has already been successful in highlighting and enabling visibility of these as matters of concern across the Higher Education sector. The RfP was featured in major media outlets such as the Financial Times, The Guardian, and The Telegraph, in addition to articles in sector-specific publications focused on Higher Education, finance, and sustainability, with international coverage as well. It has also been picked up by several student-oriented newspapers and organisations, including Students Organising for Sustainability, which has been encouraging students to raise awareness of the ongoing RfP process within their own institutions.

In addition, University of Cambridge Head of Group Treasury Heather Davis and the University itself won the 2024 “Sustainability in Large Corporate” Award and the 2024 “Sustainability Impact Award” from the Association of Corporate Treasurers for this project.

**Asset manager engagements**

The BEF also coordinated members of the Collegiate University to engage intensively with asset managers as their clients. These focussed on avoiding primary market financing (e.g., new bond issues, initial public offerings) and opposing the re-election of directors of companies engaging in or facilitating fossil fuel expansion, including banks that finance such expansionist companies and utilities that continue to build new coal and gas plants. Both of these priorities emerged from reviews of academic research on this topic, and we have seen substantial progress on director votes from all but one of the large asset managers with which we engaged.

Throughout the year we engaged intensively with four of the asset managers with the most significant relationships with the collegiate University, alongside occasional light-touch engagements with additional asset managers.

**Cambridge Bond Index**

As reported last year, the University has been unable to find an off-the-shelf fully fossil-free product previously.

In response to this, Finance for Systemic Change has been undertaking a research project to enable the development of a new Cambridge Bond Index. The Index will be a systems-level demonstrator that enables new approaches for engaging in debt markets, shifting capital flows and measuring changes in social discourse around fossil fuel expansionism. The research-based methodology will be underpinned by a global board of academics.

The Cambridge Bond Index is expected to launch in 2025.

**Proposed schedule of activities 2024/2025**

1. Through the RfP process and other routes, continue to engage with banks and asset managers to press for the cessation of primary market financing of companies that are engaging in fossil fuel expansion.
2. Complete the cash products RfP and support University-affiliated and peer institutions to switch cash product providers. This will entail working closely with a number of financial institutions to develop suitable products. Track and record cash moved.
3. Explore the range of banking products and services utilised by the Collegiate University and consider to what extent they may be transferable to alternative providers that more fully satisfy our aspirations.
4. Continue to maintain and develop a network of other higher education institutions, charitable trusts, and foundations that are aligned with the University's expectations on the topic of bank financing of fossil fuel expansion.
5. Continue to collaborate with other networks that undertake work in aligned areas, maximising our ability to effect change and avoiding duplication.
6. Host engagement meetings with the University's main banks, focusing on pressing for concrete changes to the institutions' climate policies and practices, with a particular focus on avoiding the financing of companies that are constructing new fossil fuel infrastructure such as coal or gas power plants. Host engagement meetings with the University's and Colleges' main asset managers, focusing on encouraging voting against the re-election of directors of entities that are engaging in or facilitating fossil fuel expansion.
7. Encourage banks and asset managers to implement climate-related impact goals into remuneration and compensation policies that relate specifically to fossil fuel expansion.
8. Explore options for encouraging fund managers and banks to align client or investee companies' lobbying activities with their stated climate-related goals.
9. Support the launch of the Cambridge Bond Index.