THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Governance

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) POLICY

This Policy sets out the School's ESG policy concerning its investment activity, which covers endowment reserves, long-term investment of retained surpluses and investment of surplus working capital.

ESG Policy

1. The ESG Strategy Goals set out the key principles for School investment activity and decision making:

    a) Ensure that the School's investments are consistent with the values of the LSE and that the School's managers conform to the School's ESG principles.

    b) Ensure that the School's ESG policies can be reconciled with the Endowment's "Trustee" fiduciary duty to maximise investment returns.

    c) Contribute through the endowments' holdings to the School's Net Zero by 2030 target (including the use of carbon offsets where unavoidable) and overall to the global effort to reduce carbon emissions.

    d) Apply rigorous intellectual analysis to all proposed ESG policies for implementation recognising the dangers of green-washing and virtue signalling of popular solutions.

    e) Collaborate with other like-minded groups to create the impact which the School's relatively modest endowment may not be able to achieve alone.

    f) Ensure that the ESG policies and all ESG actions are clear and reported on a timely basis on the website and in the Annual Report

2. The School's Council is responsible for this policy. It is overseen and implemented by the Investments Sub-committee, which reports to the Finance & Estates Committee (a

committee of Council). The School's Investment Policy and Mandate also sets out the governance and management arrangements, including the role of the Finance Division and investment advisors.

3. The endowment is composed of funds given by generous donors and its "Trustees" namely Members of the School's Council are under a fiduciary obligation to maximise return within agreed risk parameters.

4. While investments will not be made in companies from states that are under sanctions or owned/managed by individuals subject to Magnitsky style sanctions issued under the Global Human Rights Sanctions Regulations 2020, otherwise investment choices will have no political bias.

5. The School will not make direct or, as far as possible, indirect investments in companies engaged in tobacco manufacture or indiscriminate arms manufacture.

6. Recognising the complexities of blind divestment of fossil fuels, the School pursues an investment policy to support companies that are aligned to climate change targets and divest from those that are not. Our policy seeks to promote a change in corporate behaviours pushing high emitting companies to align with Paris Climate Targets or other similar international pledges. We assess the degree of alignment by referring to the Grantham Institute's TPI tool which measures and rates companies' likely future carbon performance and emissions strategy. The School will seek to eliminate (on direct investments) and reduce exposure (on indirect investments) not only to the worst polluting fossil fuels of thermal coal and tar sands but also to the worst performers across the whole fossil fuel sector namely companies within oil and gas production, oil and gas power generation, oil & gas refining and marketing, oil & gas midstream, oil and gas integrated, oil & gas equipment and services, oil & gas E&P and oil & gas drilling.

7. The School maintains pressure on fund managers and is working further to use the annual manager assessment process to encourage positive ESG changes in corporate behaviour not only to reduce emissions and encourage the publication of carbon emissions data in accordance with future international accounting standards, but also to increase diversity, strengthen human rights and create positive impacts on supply chains, promote greater transparency in reporting etc.

8. The School mandates our investment advisers within the agreed risk and return targets to develop investment opportunities which generate returns from positive ESG Impact such as technologies which will support clean energy, more climate efficient infrastructure projects or sustainable property, etc. These investment opportunities may be present in listed equity or private equity or property. Positive screening of ESG issues is taken into account when selecting property managers.

9. By 2027 the School intends to create of a series of investment targets to meet the Net Zero goal for the portfolios by 2030. Currently carbon performance metrics are not reliable, but

the Finance Division intends to work with the Grantham Institute and based on any research undertaken within the School and other investor groups to develop a robust methodology and accurate metrics first to measure the carbon footprint of the endowments and second to set targets to ensure that the portfolios can reach Net Zero as soon as possible. We would hope that by July 2027 we will be in a position to review the target filters to all fossil fuels, tobacco and indiscriminate weapons and in addition apply Net Zero targets to the portfolio overall.

Review schedule

Review interval	Next review due by	Next review start
5 years	Nov 2030	Nov 2029

Version history

Version	Date	Approved by	Notes
V1	Nov 2022	Council	
	Nov 2025	Council	Reviewed by Council in 2024/25 as part of their wider ESG review

Links

Reference	Link

Contacts

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Communications and Training

Will this document be publicised through Internal Communications?	**Yes**