



The  
Geological  
Society

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June 22<sup>nd</sup> 2021

Dear Ms Kalaugher,

Thank you for your letter dated June 8th 2021 addressed to Mr Graham Goffey. I recently took over the role of Treasurer of the Geological Society from Mr Goffey and will respond. I am pleased that you recognise the progress that has been made and am now able to report further developments.

#### **SGR comment**

8a. 'Apply the same standards in your responsible investment policy to companies that you accept financial support from, whether that be as corporate patrons, sponsors for educational materials or sponsors for events'.

9. 'Agree and implement environmental policies and practices that aim to minimize the impacts of both the organization itself and its professional members'.

#### **GSL response**

In April 2020 the Society's governing Council agreed the approach of aligning investment and gift acceptance policies, and this has now been achieved. Having agreed the principle, we are now working to ensure appropriate practices are in place.

You are correct that the GSL does not have an environmental policy in place. Work began in 2020 but stalled as staff were furloughed or lost in a redundancy process. Work will begin again in the second half of 2021 with a view to having a policy in place before the end of 2022.

10. 'Join the Energy Institute and IOM3 in signing the Pledge to Net Zero'.

We are aiming to pledge before end-2021 to reach Net Zero emissions at a future date to be agreed. Quantifying our current carbon footprint is an essential first step and this work is already underway.

The Society supports the goals of the Paris Agreement. It also recognises that there are multiple possible transition pathways to net zero. The IEA's recently published pathway to 1.5 degrees of warming is one widely cited scenario which sees a 75% reduction in demand for oil and gas by 2050. Some oil and gas companies are already diversifying their portfolios and more will follow. The industry will play a dual role of meeting falling oil and gas demand over the coming decades, whilst also playing an important role in making the energy transition happen.

In the interim our responses to SGR's investment- and sponsorship-related points are as follows.

**SGR comment**

**GSL response**

1. increase your transparency by disclosing:

a. all payments from corporate sources worth over £1,000 for school education programmes and for event sponsorship in your annual accounts, and

We are committed to transparency regarding corporate sponsorship not only of school education programmes, but also of other related charitable activities including funding for university engagement, teacher training, careers events, exhibitions. Disclosure would, however, be subject to the consent of donors. We will consider an appropriate threshold figure (noting that most charities only disclose sponsorship > £10K), and aim to achieve this disclosure in our 2021 Annual Accounts statement.

b. the specific investment funds in which all the society's assets are held and specific companies in which you hold investments of more than £5,000;

The Society's investment portfolio is dynamic and constantly changing, and so any such reporting would provide only a snapshot of current investment funds. At any one time it is likely that our investments valued at >£5K would include a large number of individual

2a. rapidly phase out your financial ties, including investments and sponsorship for events and school education programmes, corporate memberships and advertising, from all companies whose targeted emissions are not in line with the 2°C or less Paris goal - this currently includes all major companies in the coal, oil and gas sector;

b. as a first step on the route to implementing action '2(a)', make no new investments in the coal, oil and gas sectors;

3. direct your fund manager to be guided by fossil fuel free indexes (including from FTSE and MSCI) and schemes such as the Transition Pathway Initiative to invest only in firms whose ambitions are on track for global warming of 2°C or less, rather than the less stringent criterion of being in line with current government

companies, and a higher threshold figure would be more appropriate and practical. Nevertheless, in principle we agree to publishing, at an appropriate and manageable frequency, such data.

Sarasin are instructed to adhere to our Responsible Investment Policy which 'prioritises those leading companies seeking to reduce their carbon footprint and in the vanguard of strategic and operational change towards meeting Paris Accord goals'. Sarasin use a range of Environmental, Social and Governance (ESG) criteria to determine whether a company is investable, and also excludes companies deriving material revenue from coal and/or high emissions oil, as detailed below, except where CCS and/or operating practices reduce emissions in line with global norms.

The Society's funds are not currently invested in oil and gas or coal companies. Business models in oil and gas are changing rapidly and many companies are seeking to change their business models to align with the Paris Agreement goals. There is active debate about what 'alignment with Paris' actually means. The situation is evolving and future investments in oil and gas companies that are committed to net zero cannot be ruled out.

We will discuss with our investment manager, taking into account the above.

commitments, which are not sufficient to protect the world from ‘dangerous’ climate change;

4. redirect your investments to industries that mitigate climate change and promote planetary health, such as energy conservation, renewable energy and energy storage;

5. estimate and report on the carbon footprint of your investment portfolio using tools such as the Montreal Pledge website;

6a. eliminate any financial links to corporations that have received significant penalties in the last five years related to law-breaking or major malpractice or are likely to in the near future;

b. cease taking patronage from Rio Tinto given its low standard of corporate behaviour and its incompatibility with the Geological Society’s aims, ten-year-strategy and responsible investment policy;

7. in line with the recommendations of the ShareAction report on investment

Our investment portfolio is there to generate funds to support our charitable activities. The Society’s funds are invested in the industries you cite where the investment manager sees the potential for growth and returns.

The dynamic nature of our portfolio (see above) makes this difficult. Sarasin does not currently report carbon footprints, in part because of concerns around data quality. However, Sarasin is able to produce *ad hoc* carbon footprint analysis using MSCI data, and we will engage with them with a view to facilitating this process.

The Sarasin ESG evaluation criteria (see above) would pay due consideration to law-breaking and/or malpractice.

RioTinto are not currently in our investment portfolio. We note that their CEO and two senior executives have recently left their positions following criticism of their role in the destruction of Aboriginal sites. Their Chairman has also announced his intention to step down for similar reasons. RTZ is clearly in the process of improving its Governance and so at this stage the Society does not have plans to cease taking patronage whilst this process is underway.

Sarasin actively engages with the management of the companies they invest in

managers, strengthen the due diligence of your asset manager selection by reviewing their performance in the areas of climate-related voting and engagement, climate-related policy commitments and accounting for impacts of investments, and be aware that signing up to supportive initiatives such as the PRI or Climate Action 100+ does not always correspond with having a fit-for-purpose responsible investment approach;

8b. tighten these standards as per our request regarding your responsible investment policy to include only those on track with the global warming of less than 2°C target;

within the context of issues related to their ESG framework. Sarasin & Partners are part of J. Safra Sarasin which is ranked 17 out of 75 asset managers by ShareAction.

See our responses to SGR points 2 and 3 above.

I hope the above clarifies our current position and the progress that we have made following your last review. We are open a constructive dialogue to discuss our investments, sponsorship and the role of the Society and our profession in ensuring an effective energy transition.

Do not hesitate to contact myself or Richard Hughes, Executive Secretary, should you require further information.

Yours sincerely,

Dr Keith J Myers  
Treasurer  
The Geological Society