

The ASU Foundation seeks to advance the success of Arizona State University as A New American University through philanthropic efforts, including stewardship of its endowment. We believe that increasingly, climate risk is investment risk and that the ongoing energy transition underway in response to global climate concerns presents an investment opportunity. Thus, while sustainable and responsible investing results in aligning capital in a manner consistent with the mission of the University, it is also consistent with our fiduciary responsibility to achieve financial objectives in support of the University.

ASU has set aggressive sustainability goals and is committed to reach them by advancing sustainability technology and research, converging the university's mission with its operations in a living laboratory environment that extends to the broader world, learning from the practice of implementation, and raising awareness of the urgency in addressing climate change and resource depletion. In FY 2019, the University reached carbon neutrality for Scope 1 and Scope 2 emissions – a full six years ahead of its goal as stated in the President's Climate Commitment. ASU further seeks to achieve carbon neutrality for Scope 3 emissions by 2035.

Consistent with these goals, the ASU Foundation commits to transition its investment portfolio to at least Net Zero greenhouse gas emissions by 2035. We believe this Net Zero framework offers a balanced approach in considering both the users of fossil fuels as well as the producers in alignment with the University's leadership. Recognizing the importance of a robust carbon accounting methodology and thoughtful implementation, intermediate targets and updates will be released over the intervening years.

In implementing this commitment, the ASU Foundation will continue to invest proactively in ways that seek the highest risk-adjusted financial returns alongside the social, cultural and overall health of the communities we serve. This challenging task requires going beyond a simple divestment of "bad actors", and incorporating a more holistic approach to accelerate the transition to a low-carbon economy. This transition already is underway globally, creating headwinds for traditional fossil fuel companies and tailwinds for renewable energy companies. The endowment's fossil fuel exposure has fallen from 6.1% to 2.9% in the past four years. We have made no new direct private fossil fuel commitments since 2015, and the portfolio currently holds no thermal coal companies directly. This Net Zero framework will result in further reduction in fossil fuels in stages – first, formalizing our practice of no new direct fossil fuel public or private investments, then with the dissolution of our minimal remaining direct fossil fuel investments, and finally, by integrating these sustainable, responsible considerations into the management of our commingled fund investments. We are committed to increasing our corporate engagement to further drive reductions in demand for fossil fuels by leveraging our voice as shareholders through advocacy efforts to combat climate change. The ASU Foundation will simultaneously expand the endowment's investments in sectors and companies that provide solutions to the world's grand challenges and, accordingly, positive financial returns.