MISAMIS UNIVERSITY

Ozamiz City

Quality Assurance Office

Fossil Fuel Divestment, Low-Carbon Financial Stewardship, and Sustainable Investment Policy and Procedure

1. Policy Statement

Misamis University commits to aligning its financial stewardship, treasury placements, endowment funds, and capital portfolios with global climate stabilization goals and clean energy transition imperatives. The University shall systematically divest all institutional financial holdings from carbon-intensive energy industries—specifically thermal coal mining, coal-fired power generation, and upstream/downstream oil and unconventional fossil gas enterprises—and enforce an immediate, permanent freeze on any new direct or commingled investments in such industries.

Direct equity or fixed-income investments in fossil fuel extraction and generation companies, placement of institutional funds in financial instruments underwriting new coal or oil infrastructure, and acceptance of conditional endowments or research sponsorships tied to fossil fuel promotion are strictly prohibited. Liberated capital and new institutional reserves shall be preferentially reallocated toward green bonds, renewable energy infrastructure (solar photovoltaic, wind, hydro, geothermal, and battery energy storage systems), energy efficiency financing, and Environmental, Social, and Governance (ESG)-compliant financial institutions.

2. Purpose

This policy establishes institutional financial governance, investment screening, and divestment controls that eliminate University financial exposure to stranded fossil-fuel assets and carbon-intensive industries; ensure alignment with the Paris Agreement, Bangko Sentral ng Pilipinas (BSP) Sustainable Finance Frameworks, and Philippine clean energy laws; support the University's ISO 21001 Educational Organizations Management System (EOMS); and provide auditable evidence for global sustainability reporting, specifically Times Higher Education (THE) Impact Rankings under SDG 7 (Indicator 7.2.6).

3. Scope

This policy applies to all financial assets owned, managed, or controlled by Misamis University, including operating treasury reserves, short- and long-term money market placements, endowment and scholarship trust funds, employee retirement/provident funds under University fiduciary control, capital development funds, and externally managed commingled or mutual funds. It binds the Board of Trustees, University President, Vice President for Finance, Treasury and Accounting Officers, Investment Committees, external fund managers, depository banks, financial advisors, and corporate partners.

4. Definitions

Term	Definition
Divestment	The systematic sell-off, redemption, or withdrawal of institutional equity, debt, trust, or deposit holdings from companies and funds engaged in carbon-

	intensive fossil fuel activities.
Carbon-Intensive Energy Industries	Enterprises engaged in the exploration, extraction, mining, refining, transportation, or combustion of thermal coal, crude oil, tar sands, shale oil/gas, and fossil-based electric power generation.
Carbon Underground 200 (CU200)	The globally recognized benchmark list identifying the top 100 public coal companies and top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported proven reserves.
Negative / Exclusionary Screening	The investment vetting process that automatically disqualifies companies, securities, or funds exceeding the University's maximum allowable fossil-fuel revenue or reserve thresholds.
Positive / ESG Reallocation	The deliberate redirection of divested capital and institutional liquidity into low-carbon, renewable energy, energy-efficiency, and ASEAN/Philippine SEC-certified Green and Sustainability Bonds.
Portfolio Carbon Intensity (WACI)	Weighted Average Carbon Intensity, measuring the institutional portfolio's exposure to carbon-intensive issuers, expressed in tonnes of CO2e per million pesos (or USD) of issuer revenue.
Stranded Assets	Fossil fuel reserves, power plants, and related capital infrastructure that suffer from unanticipated or premature write-downs, devaluations, or conversion to liabilities due to climate regulations and clean energy transition.
External Fund Manager / Depository	Any bank, trust corporation, investment house, or brokerage firm managing or holding financial assets on behalf of Misamis University.

5. Responsibilities

Role	Responsibilities
Board of Trustees & University President	Approves the Fossil Fuel Divestment Policy, exercises ultimate fiduciary oversight, approves divestment schedules, and authorizes low-carbon investment vehicles.
Vice President for Finance / Treasury & Investment Office	Executes negative and positive ESG portfolio screening; halts prohibited placements; manages phased liquidation of legacy commingled holdings; and reallocates funds into green/sustainable financial instruments.
Quality Assurance Office	Audits investment compliance under the ISO 21001 EOMS framework and compiles verified divestment and portfolio allocation records for THE Impact Rankings (SDG 7.2.6).
Campus Engineering & Sustainability Committee	Provides technical evaluation on clean energy technologies (Solar PV, BESS, grid decarbonization) and verifies whether corporate issuers or internal capital projects meet technical green taxonomy criteria.
External Fund Managers, Trust Officers & Depository Banks	Adhere strictly to the University’s fossil-fuel exclusion mandate; provide annual portfolio holdings and carbon-exposure disclosures; and offer fossil-

	free investment products.
External Affairs, Research & Linkages Office	Screens corporate donors, research grants, and sponsorship partners to prevent greenwashing or reliance on coal and oil industry funding.

6. Procedure

6.1 Negative Screening and Mandatory Exclusion Thresholds

1. Prior to executing any financial placement, equity purchase, bond subscription, or trust agreement, the Finance and Treasury Office shall screen the target issuer or fund against the University's Mandatory Exclusion Criteria.

2. Any company or financial instrument falling under the following thresholds is strictly disqualified from the University's investment universe:

Industry / Sector Category	Mandatory Exclusion Threshold	Institutional Divestment Action
1. Thermal Coal Mining & Extraction	≥ 5% of gross corporate revenue derived from thermal coal mining/extraction, OR ≥ 5 million tonnes of annual thermal coal production, OR any company planning new coal mine expansions.	100% Immediate Freeze on new placements; Full Divestment of any direct holdings.
2. Coal-Fired Power Generation	≥ 5% of gross revenue or ≥ 5% of installed generation capacity (MW) derived from coal-fired thermal power plants without a binding, verified phase-out plan aligned with 1.5°C pathways.	100% Immediate Freeze on new placements; Full Divestment of any direct or bond holdings.
3. Conventional & Unconventional Oil and Gas	≥ 5% of gross revenue derived from crude oil exploration, extraction, refining, tar sands, Arctic drilling, shale oil/gas, or oil-fired power generation, OR inclusion on the Carbon Underground 200 (CU200) list.	100% Immediate Freeze on new placements; Phased Full Divestment across all portfolios.
4. Fossil Fuel Infrastructure & Financing	Project bonds, corporate notes, or syndicated credit facilities specifically earmarked to finance coal-fired plants, oil pipelines, LNG import terminals, or fossil fuel exploration.	100% Immediate Prohibition across all treasury and trust accounts.

6.2 Phased Divestment Timeline and Portfolio Transition

To protect fiduciary liquidity while achieving complete decarbonization of institutional funds, the University enforces the following binding divestment schedule:

- **1. Immediate Prohibition on New Fossil Fuel Investments (Effective Immediately):** Zero (0%) new capital, treasury deposits, or endowment inflows shall be placed in direct equities, corporate bonds, or commercial papers of coal, oil, or carbon-intensive energy enterprises.

- **2. Direct Holdings Liquidation (Within 12 Months):** 100% of any existing direct equity or fixed-income holdings in companies breaching the Section 6.1 thresholds shall be liquidated or redeemed upon maturity within twelve (12) months of policy adoption.
- **3. Commingled, Mutual, and Pooled Trust Funds (Within 24 to 36 Months):** Where University funds are held in externally managed unit investment trust funds (UITFs) or mutual funds containing incidental fossil-fuel exposure (>2% aggregate fund weight), the Finance Office shall instruct the fund manager to transition the placement into fossil-free or ESG-screened funds within twenty-four (24) to thirty-six (36) months, ensuring 100% fossil-free portfolio compliance.

6.3 Portfolio Carbon Exposure Quantification

The Finance Office, assisted by the Quality Assurance Office and external trust managers, shall annually audit the carbon exposure of its invested funds using the Weighted Average Carbon Intensity (WACI) metric:

WACI = Σ [(Current Value of Investment_i / Total Portfolio Value) × (Issuer Scope 1+2 Emissions_i / Issuer Revenue_i)]

6.4 Positive Reallocation and Clean Energy Investment Priority

Capital divested from carbon-intensive sectors, along with newly generated institutional surpluses, shall be actively channeled into sustainable financial vehicles and internal clean-energy capital projects:

- **1. Green and Sustainability Bonds:** Fixed-income instruments certified under the Securities and Exchange Commission (SEC) Philippine Sustainable Finance Guiding Principles, ASEAN Green Bond Standards, or Climate Bonds Initiative (CBI) that exclusively fund solar, wind, geothermal, hydro, or low-carbon transport projects.
- **2. Sustainable Banking & ESG Deposits:** Time deposits, treasury bills, and money market placements with universal and commercial banks operating validated Bangko Sentral ng Pilipinas (BSP Circular No. 1085 / 1128) Sustainable Finance Frameworks and coal phase-out commitments.
- **3. Internal Campus Decarbonization Capital Fund:** Direct self-investment of University capital reserves into high-return on-campus clean energy infrastructure, including rooftop Solar Photovoltaic (PV) microgrids, Battery Energy Storage Systems (BESS), and high-efficiency building retrofits that yield guaranteed utility cost savings.

6.5 Ethical Gift, Endowment, and Research Funding Controls

1. Misamis University shall not accept gifts, endowments, chair sponsorships, or research grants from thermal coal or oil extraction companies if such funding restricts academic freedom, promotes fossil fuel expansion, or compromises the University's climate commitments.

2. External research funding from energy sector entities is permissible only when strictly dedicated to verifiable renewable energy transition, battery storage, grid efficiency, environmental remediation, or carbon capture research.

6.6 External Fund Managers and Banking Partner Controls

All investment management agreements (IMAs), trust agreements, and depository relationships shall require the financial institution to:

- Acknowledge and apply the University’s Fossil Fuel Exclusion List to all discretionary accounts;
- Submit semi-annual and annual holdings reports detailing sector allocations and confirming zero exposure to prohibited coal and oil issuers;

- Notify the Vice President for Finance within ten (10) business days if an approved portfolio company breaches the 5% fossil-fuel revenue threshold due to corporate mergers or business shifts; and
- Execute divestment of any newly non-compliant security within ninety (90) days of breach notification.

7. Competence and Communication

Finance officers, treasury personnel, and Investment Committee members shall receive periodic training on ESG portfolio screening, sustainable finance taxonomies, BSP Circular No. 1085 compliance, and climate-related financial risk management (TCFD / ISSB IFRS S2). To demonstrate institutional transparency, Misamis University shall publish an annual Fossil-Free Investment and Divestment Compliance Statement on its public sustainability website.

8. Records

The Finance/Treasury Office and Quality Assurance Office shall maintain the following controlled and auditable records:

- Approved Policy and Board of Trustees Divestment Resolutions
- Annual Portfolio Holdings Inventory and Sector Allocation Reports
- Negative Screening Checklists and Carbon Underground 200 (CU200) Cross-Verification Logs
- Signed Investment Management Agreements (IMAs) containing fossil-fuel exclusion clauses
- Records of divested securities, fund redemptions, and reallocation into Green Bonds / ESG funds
- Internal Capital Allocation Records for campus Solar PV, BESS, and energy-efficiency projects
- Publicly published Annual Fossil-Free Investment Declaration
- Internal audit reports and ISO 21001 Management Review minutes

Records shall be protected, retrievable, and retained in accordance with the University Records Retention Policy and sustainability reporting cycles.

9. Monitoring and Evaluation

The Vice President for Finance and Quality Assurance Office shall monitor compliance semi-annually and report results during the annual ISO 21001 Management Review. At a minimum, the University shall evaluate:

- **Percentage (%) of Total Institutional Portfolio Free from Coal and Oil Holdings:** Target: 100% compliance for direct holdings and ≥98%–100% for commingled funds;
- **Total Value and Percentage (%) of Divested Assets:** Cumulative value of funds withdrawn from carbon-intensive instruments and reallocated to low-carbon alternatives;
- **Green & Sustainable Investment Share (%):** Percentage of institutional reserves and capital allocations directed to green bonds, ESG-compliant banks, and on-campus renewable energy assets;
- **Portfolio Weighted Average Carbon Intensity (WACI):** Year-on-year reduction in portfolio carbon exposure; and
- **Fund Manager Compliance Rate (%):** Percentage of external depository banks and trust managers submitting complete annual ESG/holding disclosures.

10. Review and Continual Improvement

This policy and the Mandatory Exclusion Thresholds shall be reviewed at least annually and whenever there are updates to the Carbon Underground 200 list, SEC/BSP Sustainable Finance taxonomies, ISO 21001 requirements, or Times Higher Education (THE) Impact Rankings methodology for SDG 7 (Indicator 7.2.6).

11. Noncompliance

Unauthorized placement of University funds in prohibited coal or oil securities, failure to conduct mandatory pre-investment negative screening, or refusal by an external fund manager to adhere to exclusion mandates shall result in immediate liquidation/withdrawal of the non-compliant placement, termination of the external fund manager's contract, and administrative or disciplinary action for responsible personnel under University rules.

12. Related Documents and Legal References

Reference	Application
UN Principles for Responsible Investment (UN PRI) & Paris Agreement	Global frameworks aligning institutional investment portfolios with net-zero emissions and limiting global warming to 1.5°C.
Bangko Sentral ng Pilipinas (BSP) Circular No. 1085 & No. 1128	Sustainable Finance Framework and Environmental and Social Risk Management (ESRM) guidelines governing Philippine banks and financial placements.
SEC Memorandum Circular No. 12, Series of 2018 & ASEAN Green Bond Standards	Philippine Securities and Exchange Commission guidelines for the issuance and verification of Green, Social, and Sustainability Bonds.
DOE Coal Moratorium Policy (2020) & Republic Act No. 9513	Department of Energy moratorium on greenfield coal-fired power plants and the Renewable Energy Act of 2008 promoting clean energy investment.
IFRS S2 (ISSB) / TCFD Recommendations	International standards for climate-related financial disclosures, transition risk assessment, and portfolio carbon accounting.
ISO 21001:2018	Educational Organizations Management Systems (EOMS); governs ethical governance, financial resource management, documented information, and continual improvement.
University Documents	EOMS Manual; Financial Management and Investment Manual; Institutional Carbon Management Policy (SDG 7.2.3); Institutional EE&C Plan Policy (SDG 7.2.4); and Records Retention Policy.