

**Ethical Investment Policy**

|                             |  |
|-----------------------------|--|
| <b>Originator name:</b>     | Ruth Anderson  |
| <b>Section / Dept:</b>      | Finance  |
| <b>Implementation date:</b> | 1 January 2018   |
| <b>Date of next review:</b> | 1 January 2021   |
| <b>Related policies:</b>    | Treasury Management Policy   |
| <b>Policy history:</b>      | Previous version (Version 2) approved by Finance Committee 26 September 2014 |

**Version History**

| Version | Author        | Revisions Made | Date           |
|---------|---------------|----------------|----------------|
| 1       | Ruth Anderson | First Draft    | March 2012     |
| 2       | Ruth Anderson | First Draft    | September 2014 |
| 3       | Ruth Anderson | First Draft    | December 2017  |

**Approval History**
**Equality Analysis**

| Version | Reviewed by                                    | Comments | Date |
|---------|--|----------|------|
| 1       | Equality & Diversity<br>Staff Member's<br>Name |          |      |

**Committee Sign Off**

| Version | Committee Name    | Date of Sign Off  |
|---------|-------------------|-------------------|
| 1       | Executive Board   | 28 February 2012  |
| 1       | Finance Committee | 8 March 2012      |
| 2       | Finance Committee | 26 September 2014 |
| 3       | Executive Board   | 21 December 2017  |
| 3       | Finance Committee | 18 January 2018   |

|            |  |
|------------|--|
| <b>1</b>   | <b>Introduction</b>  |
|            |  |
| <b>1.1</b> | <b>Purpose</b>   |
| 1.1.1      | The purpose of this policy is to ensure that due consideration is given to environmental, social and corporate governance issues when investing the University's funds.  |
| <b>1.2</b> | <b>Scope</b>   |
| 1.2.1      | <p>This policy is binding on the following:-</p> <ul style="list-style-type: none"> <li>a) The University Council which has powers under its Ordinances to invest moneys belonging to or held by the University.</li> <li>b) The University Finance Committee which has delegated authority from Council in respect of investments and divestments other than those which are of major strategic importance to the University.</li> <li>c) Staff involved in the investment management process</li> <li>d) The University's investment managers who manage the University's investment portfolio on a discretionary basis.</li> </ul>  |
| <b>1.3</b> | <b>Equality Analysis</b>   |
| 1.3.1      | An equality analysis has been undertaken and this has determined that no protected groups will suffer adverse consequences as a result of this policy.   |
| <b>1.4</b> | <b>Definitions</b>   |
| 1.4.1      | Ethical investment – Investing in businesses that demonstrate a positive approach to the environment, society and governance (ESG).  |
| <b>1.5</b> | <b>Legislative context</b>   |
| 1.5.1      | <p>Case law (<b>Harries (Bishop of Oxford) v Church Commissioners [1992] 1 WLR 1241</b>) has established that there are three instances when it is appropriate for a charity's investment decisions to be based on criteria other than pure financial criteria:-</p> <ul style="list-style-type: none"> <li>• Where investment in a particular type of business would conflict with the aims of the charity</li> <li>• Where investments might hamper the charity's work, either by making potential beneficiaries unwilling to be helped because of the source of the charity's money, or by alienating supporters</li> <li>• Where investment would be considered inappropriate on moral grounds, provided that the trustees are satisfied that this would not involve 'a risk of significant financial detriment'.</li> </ul> |
| <b>1.6</b> | <b>Health &amp; Safety Implications</b>  |
| 1.6.1      | N/A  |
|            |  |
| <b>2</b>   | <b>Policy</b>  |
| <b>2.1</b> | <b>Principles</b>  |

|            |   |
|------------|---|
| 2.1.1      | The University will seek wherever possible to invest in companies and countries which demonstrate a positive approach to individuals, communities, environmental performance and tackling climate change.   |
| 2.1.2      | <p>The University has identified the defence and tobacco industries as areas in which it feels investment is inappropriate. However, it recognises that there is a significant number of companies with only a modest involvement in these areas and that a total exclusion of all such companies:-</p> <ul style="list-style-type: none"> <li>a) would exclude companies which are primarily involved in the supply of products that are not subject to investment exclusions and may be of considerable social benefit; and</li> <li>b) could conflict with the trustees' responsibilities to achieve the best financial return within the level of risk considered to be acceptable.</li> </ul> <p>The University will therefore not invest in companies which normally derive more than 10% of their turnover from defence or tobacco products.</p> |
| 2.1.3      | <p>The University's investment managers will be expected to subscribe to a recognised ethical investment screening service and to review both existing and potential investments against the ratings of that service. Investments will be expected to fall within an acceptable mandate for inclusion within an ethical portfolio as defined by that service. Where necessary, appropriate action will be taken to divest an existing holding or to inform the University of the reasons for not doing so.</p> <p>Details of the relevant ethical investment screening service will be published as an Annex to this policy.</p>  |
| 2.1.4      | Pooled investment vehicles will be viewed on a 'case by case' basis as to whether the underlying objectives and geographical area are broadly consistent with the principles of ethical investment.   |
| 2.1.5      | The investment managers have discretion to choose individual stocks whilst operating within the specific criteria at 2.1.1 to 2.1.4 above.  |
| <b>2.2</b> | <b>Procedures</b>   |
| 2.2.1      | <p>As part of the Annual Treasury Management Report, Finance Committee will receive a report on the Ethical Investment Policy. This will include details of the following:-</p> <ul style="list-style-type: none"> <li>• The screening methodology used by the investment managers</li> <li>• Specific investment or divestment action taken on ethical grounds</li> <li>• Any requests from staff, students or other stakeholders to review the policy itself or specific stocks held within the investment portfolio</li> </ul>   |
| <b>3</b>   | <b>Governance Requirements</b>  |

|            |  |
|------------|--|
| <b>3.1</b> | <b>Responsibility</b>  |
| 3.1.1      | Finance Committee has overall responsibility for this policy.  |
| 3.1.2      | <p>Staff, students and other stakeholders are encouraged to engage with the policy. They may do so by addressing any questions, suggestions or concerns to the Chief Financial Officer at any time.</p> <p>Students may, additionally, channel any comments through the President of the Students Union who is a member of the University Council and in attendance at Finance Committee meetings.</p> |
| 3.1.3      | <p>As part of the triennial review of this policy, the University will give appropriate consideration to any proposed amendments to the policy put forward by staff or students of the University either:</p> <ul style="list-style-type: none"> <li>a) through an appropriate staff representative; or</li> <li>b) through the President of the Students Union</li> </ul>                             |
| <b>3.2</b> | <b>Implementation / Communication Plan</b>   |
| 3.2.1      | The updated policy will be uploaded to the University's Policy website and copied directly to those engaged in the investment process and to the University's investment managers.   |
| <b>3.3</b> | <b>Exceptions to this Policy</b>   |
| 3.3.1      | <p>Any exceptions to this policy require Finance Committee approval.</p> <p>Annex 1 (details of the Ethical Investment Screening Service) will be updated as necessary. Changes to Annex 1 do not require Finance Committee approval</p>   |
| <b>3.4</b> | <b>Supporting documentation</b>  |
| 3.4.1      | Annex 1 – Current Ethical Investment Screening Service   |
|            |  |

## **ANNEX 1 TO THE ETHICAL INVESTMENT POLICY**

### **ETHICAL INVESTMENT SCREENING SERVICE (as at 1 December 2017)**

The ethical investment screening service used by Canaccord Genuity Wealth Management (the University's investment managers) is MSCI ESG Research

[http://www.msci.com/products/esg/about\\_msci\\_esg\\_research.html](http://www.msci.com/products/esg/about_msci_esg_research.html)