



# INVEST FOR CHANGE



## Developing a responsible investment policy

All universities should adopt a responsible investment policy covering all investment activity. The policy will embed the university’s commitment to responsible investment, outlining how, and in what, the university will invest.

For this document, responsible investing is defined as “a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership”.<sup>1</sup>

Having a good responsible investment policy will guide investment decisions, whether they are made by the university directly, or through investment managers. It will allow the university to effectively communicate how investment activity aligns with values, enhancing institutional reputation.

In this document, key components of a good policy are highlighted alongside some examples of good practice from current UK university policies.

### What’s included?

#### Clear commitment to responsible investment

Policies need to outline what the university is aiming to do and why. Linking this to the university’s mission and values is a good way to embed and align your approach.

The terminology around responsible investment can be confusing, as many similar terms are used interchangeably. To explore more about the use of terms such as ethical, socially responsible and ESG, see ShareAction’s [What’s in a definition?](#) report.

#### University of Edinburgh Values

The approach the University takes to responsible investment fully supports the stated values and mission of the University.

The University of Edinburgh aims to be a truly global university benefiting society. It is committed to principles of academic freedom in teaching and research. The Mission of the University, as a world-leading centre of academic excellence, requires that alongside our commitments to research, teaching and employability outcomes we also make:

*“A significant, sustainable and socially responsible contribution to Scotland, the UK and the world, promoting health, economic growth and cultural wellbeing.”*

**Example 1: Commitment to responsible investment as written in the University of Edinburgh’s Responsible Investment Policy Statement (2016).**  
[Full policy available online.](#)

<sup>1</sup> Definition is from the United Nations Principles of Responsible Investment (UN PRI) - [available online](#).

## Exclusions

- ✓ Specific exclusions relating to ESG issues including but not limited to:
  - Weapons and arms manufacture
  - Extraction, production and distribution of fossil fuels
  - Companies engaged in practices that degrade the environment or exacerbate the climate crisis
  - Failure to recognise indigenous rights
  - Employment practices
  - Violation of human rights
  - Exploitative debt
  - Bribery, corruption, money laundering and tax evasion
  - Companies that advocate discrimination and incitement to hatred

### 2. Environmental, Social and Governance (ESG) Issues

The University is particularly concerned about the following key ESG issues and will continue to adopt investment strategies that seek to minimise or, ideally, eliminate investments in companies with corporate behaviour leading to:











- Environmental degradation and climate change (more detail in Section 3 of this Policy)
- Manufacture of controversial weapons, including cluster munitions, landmines, biological and chemical weapons, nuclear and depleted uranium weapons
- Tobacco production, cultivation and manufacture
- Human rights violations
- The institutionalisation of poverty through discriminatory market practices
- Racial or sexual discrimination
- The exploitation of workers
- Giving or receiving of bribes

*Example 2: Exclusion list from the University of Manchester's Policy for Responsible Investment (2020). [Full policy available online.](#)*

## Positive investing

- ✓ 10% carve out of portfolio for investments with positive and measurable social or environmental impact, with a lower expectation for financial return in favour of social or environmental impact
- ✓ Place-based investment to address local needs and challenges, and aligning with local authority carbon targets

### 4. Positive Impact Investing

- The endowment also invests in businesses and sectors which are explicitly aiming to deliver an environmental and social return in addition to a financial return. The University has allocated a proportion of the endowment funds to Impact Investments.
- This investment programme invests across eight themes:
  - Clean energy 
  - Sustainable Transport 
  - Food & Agriculture 
  - Waste & Materials 
  - Ecosystem Services   
  - Education 
  - Health 
  - Financial Inclusion 

*Example 3: Impact investing allocation from the University of Leicester's Ethical Investment Policy (2019). [Full policy available online.](#)*

## Investment strategy

- ✓ Formalised ESG integration into investment decisions
- ✓ Commitment to active stewardship and shareholder engagement
- ✓ Strategy on shareholder voting and disclosure of holdings, voting and engagement

## 4.2 Responsible Ownership

Responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect the value of investments in them, and that the incorporation of ESG issues into investment decision-making can have a positive societal impact. It also places a high value on companies' own good governance.

Responsible ownership differs from ethical investment, which generally focuses on excluding or including companies from an investment portfolio (positive or negative screening). By contrast, responsible ownership involves investors using their shareholder power in the companies they invest in. The University does this via its fund managers who vote at shareholder meetings and engage, both directly and indirectly, with company senior management, when ESG issues of concerns have been identified. The purpose of voting and engagement is to improve corporate behaviour, to protect shareholder value and promote ESG best practice.

*Example 4: A statement on investment strategy from Queens University Belfast (2017). [Full policy available online.](#)*

## Engagement

- ✓ Investment manager minimum expectation, e.g. support for climate change resolutions at AGMs
- ✓ Strategy and priorities for shareholder engagement, e.g. climate targets and just transition plans
- ✓ Time-bound escalation plans

### Active Engagement

UCL will retain some control over investment choices while following these socially responsible and active engagement principles. This means taking a holistic approach to ethical investment, addressing a broad range of matters including taking an active stance in respect of climate change. UCL recognises that companies with business models based in a carbon economy, which are not transitioning to a low carbon economy, do not represent sound financial and ethical investments. As an investor, UCL will always try to first influence and engage with companies to deliver more sustainable practices, before withdrawing funds. We will do this in the following way:

- **Identify** – UCL reviews all of its investments quarterly and identifies companies that are heavy carbon emitters.
- **Engage** – UCL communicates with companies a desire to withdraw investment if they are not transitioning to a low carbon economy, emit significant CO<sub>2</sub> and are not reducing emissions.
- **Review** – UCL considers response and actions from companies.
- **Withdraw** – UCL withdraws investment from companies that do not respond, take action, or otherwise do not meet UCL's satisfaction.

*Example 5: Engagement strategy from University College London (2017). [Full detail available online.](#)*

## Investment managers

- ✓ Process for investment manager review and appointment
- ✓ Investment manager regular reporting of holdings, voting and engagement

### 6. Investment Manager Reporting

The appointed investment managers are expected to report regularly to Investments Sub-Committee. The investment managers will provide monthly valuation data and quarterly reports, which outline the performance of the University portfolio compared against the agreed benchmark. The investment managers will engage directly with Investments Sub-Committee through attendance at Investments Sub-Committee meetings and the provision of reports including an Environmental, Social and Governance report and providing information on the engagement that has taken place with companies that the University has holdings in.

*Example 6: Investment Manager Reporting commitments from the University of Liverpool's Ethical Investment Policy. [Full policy available online.](#)*

## Transparency

- ✓ Disclosure of holdings, voting, and engagement
- ✓ Framework for policy review, including stakeholder consultation

### 4.1. Ethical Investment Statistics

Aston University has committed to, on the University website, publicly list all categories of investments on an annual basis. This will be in the form of a percentage of the University's funds invested by cash deposits and each type of invested funds, with a disclosure setting out the percentage of each fund invested in high carbon risk assets.

*Example 7: Commitment to some transparency of investments and their carbon impact from Aston University's Ethical Investment Policy (2019). [Full policy available online.](#)*

## Stakeholder engagement

- ✓ Policy developed in consultation with stakeholders
- ✓ Clear path for student and staff engagement with investment activity and policy
- ✓ Student and staff representation in governance

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3.1	<b>Responsibility</b>
3.1.1	Finance Committee has overall responsibility for this policy.
3.1.2	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.  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.

*Example 8: Clearly communicated routes for engagement with the policy from the University of Surrey's Ethical Investment Policy (2018). [Full policy available online.](#)*

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