INVEST FOR CHANGE

Key Policy Asks

University responsible investments policies guide their investment practices either directly, or as instructions to be followed by their investment managers. Currently, most universities' investment policies lack strength and specificity. The best policies will maximise impact by influencing the practices of investment managers, individual companies within their portfolios and re-allocating capital towards high impact investments that actively advance social and environmental justice.

The following commitments represent the baseline for a strong responsible investment policy. This should be the starting point for developing your campaign asks, which will then be adapted depending on the specific situation at your university.

In addition to the following commitments, investment policies should be publicly available, clearly signed off at a senior level, have evidence of a review or update in the last 5 years, and apply across all of the institution's investments.

Key policy asks

1. An ethical exclusion[1] policy

Further detail: This should cover companies whose core business models are profoundly incompatible with environmental sustainability and human rights. In the first instance, this should include i) the fossil fuel industry, including all companies involved in supporting the extraction, production and distribution of fossil fuels (see Carbon Underground 200 list) and ii) companies involves in the manufacturing or transfer of weapons, armaments and other equipment used in the violation of human rights. Exclusion criteria should apply across all asset classes (types of investments), including public equity, private equity, debt and property investments and pooled funds.

Exclusion has the greatest impact when it is announced publicly, so any exclusion decisions should be made publicly available and displayed prominently on the institution's website.

For an example of sector best practice for exclusion, see Newcastle University's Investment Policy – which excludes all investments in fossil fuels and arms - here.

2. A growing % allocation of the investment portfolio dedicated to impact investments

Further detail: Impact investments are those which generate a particularly strong, measurable positive impact on the environment and/or communities, for example community energy projects that promote energy democracy, or projects to increase provision of affordable, social housing in communities. There should be a particular focus on primary market investing[2], where investment provides new capital – known

[1] This refers to a commitment not to invest in certain specific businesses or sectors, such as the fossil fuel industry or weapons manufacturers. In practice this means ending existing investments in these sectors and/or committing to not make such investments in the future.
[2] This refers to investments in early-stage ventures, where investment capital allows particular projects or companies to scale up. Public equity investing (buying and selling stocks and shares of large, publicly listed

as 'additionality' - to help grow these projects. This should be reported on alongside financial return. There should be a commitment to grow the proportion of the investment portfolio focused on impact investment over time.

For examples of universities which have already committed to making impact investments, see the University of Bristol's policy here (page 2) and Jesus College, Cambridge's policy here (page 5). For best practice examples of charitable endowments which have led the sector in impact investing, see Friends Provident Foundation's investments in Snowball here and the Guys' and St Thomas' Trust's impact investments page here.

3. Commitment to vote in favour of climate and social justice shareholder resolutions at company AGMs

Further detail: AGM stands for Annual General Meeting. Key company policy is determined here, with all shareholders entitled to attend and vote on proposals. The university, either directly or via their investment managers, should take a 'support or explain' approach to environmental and social justice-related shareholder resolutions for the companies they invest in, with annual public disclosure of rationale and voting record.

For best practice in this area for climate-related resolutions, see the COP26 Declaration of Minimum Standards for asset managers, which includes an expectation that fund managers will vote in favour of shareholder resolutions on climate change, here. This was signed by St Anne's College, Oxford, Jesus College, Cambridge, the Universities of Reading, Winchester, Lancaster, Bristol, Newcastle, Sussex and the University of the West of England.

4. A clear, public and time-bound engagement escalation policy, including voting against management and ultimately divestment

*Further detail: In addition to supporting climate and social justice shareholder resolutions as the default position, universities as shareholders should ramp up pressure on companies if clear progress on pressing environmental and social concerns is not made. In relation to climate policies, this must mean significant progress towards alignment with a 1.5 degree heating scenario (the ambition laid out in the Paris Agreement). Where progress is not observed, or is too slow, escalation should involve making public statements, co-filing resolutions and voting **against** management-proposed resolutions such as the re-election of company directors, excessive remuneration packages that are not linked to environmental metrics, the reappointment of auditors who sign off accounts with unrealistic assumptions relating to environmental risks and stranded assets and the inclusion of the company within ESG funds. Where universities exercise their shareholder voting power through their investment managers, their manager should be expected to follow the university's policy.*

For an example of a strong policy around engagement escalation, see Jesus College, Cambridge's Responsible Investment Policy here (pages 6-7).

5. Engagement with asset manager/s to ensure alignment with the university's approach to responsible investment

*Further detail: The university should select asset managers whose overall approach to responsible investment aligns with that of the university. As a minimum, this should include a commitment from the asset manager to adhere to this set of minimum standards. There must be a zero tolerance policy for any asset manager which continues to invest in companies that are supporting – via their investment activities - the development of **new** fossil fuel infrastructure or exploration for new reserves, which is incompatible with a 1.5 degree heating pathway. Ensuring that asset managers adhere to the university's instructions requires sustained engagement and robust accountability mechanisms. The University should require its asset manager/s to report on adherence to the policy alongside its regular financial reporting. There*

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companies) is secondary market investing and does not provide direct capital to growing particular projects or businesses.

should also be a staff member with formal responsibility for engaging with the asset manager on compliance with the policy, who should also regularly report on this work.

6. Regular, public disclosure of holdings, voting and engagement activity

Further detail: This should include impact where relevant too. This information should be available publicly, easily accessible for students and staff, and presented in a way that allows those without prior financial knowledge to understand. This information should be updated annually.

For a best practice example in the sector, see the University of Glasgow's annual investments list by clicking here.

7. Student and staff representatives on finance governance boards

Further detail: Representatives (from the students' and trade unions for example) should be supported to meaningfully engage with meetings, through specific support and training. They should be full voting members on finance boards and investment committees.

Some examples of universities with student representatives on their Finance and/or Investments Committees include Royal Holloway, University College London and the University of Sheffield.

Please don't hesitate to contact zak.coleman@sos-uk.org if you would like further information on any of these policy asks, including explanations of any specific or unclear finance terminology.