

## ETHICAL INVESTMENT POLICY

### 1. Policy Statement / Purpose

- 1.1 Durham University is committed to ensuring that it makes investment decisions responsibly and with integrity.
- 1.2 The University is an educational charity. A proportion of its assets are invested in order to generate a financial return to support the University's objective which is to advance education, learning and research for the public benefit.
- 1.3 The University has committed to sustainable investment by positively supporting investments in sustainable companies and through establishing restrictions on some types of investments. More specifically the University will not invest in companies that generate revenue from the manufacturing or production of tobacco, armaments or fossil fuel extractive companies.

### 2. Scope

- 2.1 Historically, the view of fund managers managing investments on behalf of others has tended to be that investment may properly be made in any public company operating clearly within the law. However, organisations are now seen as accountable for the social and environmental outcomes of their activities, not just the financial benefits generated.
- 2.2 The Ethical Investment Policy has been developed to allow the University to pursue an ethical approach while minimising any negative impact on its investment returns. Investment decisions informed by socially responsible and ethical considerations will also take into account the Charity Commission position that trustees have a duty to maximise returns on investment for charitable benefit.

### 3. Responsibilities

- 3.1 This policy will be owned by the Chief Financial Officer and implemented by the Finance Service under the guidance of the Chief Financial Officer to ensure activity is in line with the purpose of this policy.
- 3.2 The University Executive Committee and Ethics Advisory Committee will on an annual basis review the policy to ensure the framework set out in this policy remains appropriate.
- 3.3 The policy will be reported on by the Chief Financial Officer annually at the University Finance Committee.
- 3.4 This policy will be reviewed and monitored by University Finance Committee on behalf of the Council; the policy is to be reviewed and approved by the Finance Committee on an annual basis.

3.5 The University Council will approve any amendments to the criteria set out in section four.

## 4. Policy, Procedures and Enforcement

### 4.1 Responsible Investment

The University will adopt investment strategies that seek to minimise and ideally eliminate irresponsible corporate behaviour.

4.1.1 Some of the ethical, social, environmental and governance issues which it will focus on include:

- a) Environmental degradation
- b) Armament sales to military regimes
- c) Human rights violations
- d) Institutionalisation of poverty through discriminatory market practices
- e) Discrimination against protected characteristics
- f) Tobacco production and manufacture

In 2018, the University announced its divestment from all companies that are involved in the extraction of fossil fuels. These high-level principles will be reviewed annually and the University will consider representations from stakeholders in relation to amendments to the list.

### 4.2 Investment Approach

4.2.1 The University principally invests directly within fixed income securities and equities. Any pooled funds owned need to meet the ethical policy of the University.

4.2.2 Investments made directly by the University will be restricted to short-term deposits of cash into treasury deposit accounts and investments in subsidiary companies.

4.2.3 Endowment and non-cash Capital funds are managed by a third party Fund Manager and invested in accordance with the Ethical Investment Policy.

4.2.4 The University will use all reasonable endeavours to ensure that it operates its investment policy in a way that is consistent with the aims listed above in the context of the Trustees' duty to maximise returns. The University will look to its professional investment managers, in the first instance, to use their resources to assist in this process.

4.2.5 The Finance Committee will on a regular basis review the Environmental, Social and Governance approach, internal governance framework and general activism as a shareholder around the promotion of responsible corporate behaviour of Fund Managers.

4.2.6 The University will ensure that its own procedures fulfil the following aims:

- to avoid direct investment in companies that have activities inconsistent with the educational and/or research objectives of the University

- to consider environmental and social issues, as set out above, when making investment decisions, in the expectation that socially sustainable companies are more likely to be successful in the long run
- to consider representation from members of the University community, including the student body, through the University committee structure, regarding matters that the University should not invest, or should disinvest, in specific companies. Concerns regarding specific companies that came to light will be forwarded to the investment managers with a request to assess whether that company reflected the investment policy
- to actively engage with companies through our investment managers to encourage best practice in environmental, social and governance standards (ESG)
- to ensure that the University's investment managers themselves have a socially responsible investment policy that ensures environmental, social and governance issues are considered.
- to regularly monitor the University's investments and the procedures for reviewing investment proposals to ensure that its ethical standards are maintained.

The above aims will be reviewed on a regular basis by the University's Finance Committee.

4.2.7 The University wishes to invest in the most transparent way possible. Where investments are made by fund managers in pooled funds or similar vehicles, the University's requirement is that wherever practicable, the funds in question should seek to avoid direct investment in companies that fall within the exclusions in its Ethical Investment policy. The University does however, recognise that where investments are made in pooled investment funds, it may not be practical to a degree that is consistent with the Trustees' duty to maximise returns to pursue an investment strategy where no indirect investment in such companies arises.

#### **4.3 Investment Manager Reporting**

4.3.1 The appointed investment managers are expected to report regularly to the Finance Committee. The investment managers will provide at least quarterly reports, which outline the performance of the University portfolio compared against the agreed benchmark. The investment managers will attend Finance Committee meetings and provide 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.

#### **4.4 Pension Scheme Investments**

4.4.1 The assets of the Durham University Pension Scheme are not owned or managed by the University: the investment of these funds is the responsibility of the Scheme's trustees and thus do not fall under the remit of this policy.

## **5. Equality and Diversity**

Implementation of this policy will help to ensure that the University's investments continue to reflect its global commitment to Equality, Diversity and Inclusion.

**6. Related Information**

Not applicable.

**7. Definitions**

Not applicable.

**8. Version Control:**

Approval date:

June 2020

Approved by:

Finance Committee

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