



# Finance and Commercial

## UNIVERSITY OF SHEFFIELD ENDOWMENT INVESTMENT POLICY

### 1. Policy Background

This Endowment Investment Policy applies to the investment and use of endowment funds which have been permanently endowed to the University for both specific and general purposes.

The University Council's authority to invest funds derives from its Statutes (Section 4) and is detailed further in its Regulations (II – paragraph 7.12).

The governance of treasury management activities is delegated to the Investment Group, which reports to the Finance Committee of Council. The Terms of Reference for the Investment Group are attached to this Policy.

This Endowment Investment Policy is subject to regular review by the Investment Group and approval by Finance Committee. The University expects its appointed Investment Managers to support the development of this policy in conjunction with Investment Group.

This Policy has been developed with the intention of setting one in which there is an active promotion of investment in companies and investment funds which demonstrate policies and practices which accord with the University's missions and values as expressed in its Mission, Vision and Values and its Strategic Plan.

This Endowment Investment policy is based on the premise that the University's choice of where to invest should reflect the values it publicly espouses. The University will not knowingly invest in companies whose activities are in direct conflict with its values.

### 2. Investment of Funds

The primary purpose of the investment of endowment funds is to optimise returns in order to support the generation of sufficient revenue to meet the specific purposes for which the funding was given to the University.

The University seeks to achieve the maximum current income that is consistent with preserving the real value of capital and income over the long term. Specifically, the portfolio should seek to generate an annual income of 4% in conjunction with maintaining the capital value of the portfolio in real terms, as expressed by the Retail Prices Index.

The University seeks to minimise volatility whilst meeting its long term objectives and has developed appropriate benchmarks accordingly in conjunction with external advisors. The

University's appointed Investment Managers are required to manage the assets of the portfolio in accordance with the guidelines set out in the Client Investment Profile within the Client Agreement and in line with the agreed Endowment Investment processes outlined below.

### **3. Investment Criteria**

The University of Sheffield is committed to investing its funds on a socially responsible basis. The University believes that to accord with its values when investing its funds, regard must be made to social, environmental, sustainability and governance issues.

In making investment decisions the University expects its appointed Investment Managers to encourage good behaviour or discourage poor behaviour through the screening of investments, either positively or negatively and through the direct engagement with firms. Investment Managers should seek to eliminate exposure to the following areas:

- explicit environmental damage;
- manufacture or sale of armaments;
- institutional violations of human rights, including the exploitation of the work force;
- discrimination against the individual;
- the manufacture of tobacco products;
- the sale of tobacco products (where the investment is in companies that derive more than 10% of their revenue from selling tobacco products); and
- the manufacture of cosmetic products that are tested on animals.

In making investment decisions the University expects its Investment Managers to actively consider the following areas (this list should not be considered as exhaustive):

- Promotion of sustainability, good business ethics and good employment practices;
- Protection of the global environment, its climate and its biodiversity;
- Promotion of community investment;
- Promotion of international co-operation and an end to international conflict; and
- Sustainable provision and procurement of essential resources and services

While operating within these criteria and in line with the guidelines set as detailed in the Client Investment Profile within the Client Agreement, appointed Investment Managers are left at their own discretion to select individual stocks and to operate within their own Socially Responsible Investment Policy.

### **4. Future donations**

Those future gifts that are given to the University to produce income will be invested in accordance with this Endowment Investment Policy and within the asset allocation strategy prevalent at the time, unless the donor makes specific requests around such investment. The donor's wishes will be respected if practicable and comply with the University's Ethical and Reputational Risk Framework.

## **5. Investment Manager Reporting**

The appointed Investment Managers are expected to report regularly to Investment Group. 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 Investment Group on a biannual basis through the attendance at Investment Group meetings.

## **6. Monitoring**

In order to give effect to its commitment to this policy the University will:

- issue guidance to its Investment Managers responsible for the University's investments;
- monitor the operation and effectiveness of the policy on an annual basis;
- consider representation from members of the University community that the University should not invest, or should disinvest, in specific companies; and
- publish annually on its website information regarding the companies and other funds in which the University's endowments are invested.

Any expressions of concern should be made to the Treasurer or Secretary of the Investment Group and should be related to specific companies whose activities or values appear, on the basis of clear evidence, to be so far removed from the University's values as to give grounds for serious concern. In the event of an investment being considered by Investment Group to be invested in funds or activities that are inconsistent with this policy, Investment Group will review the position with its Investment Managers and seek to reallocate funds as appropriate.

The University staff community may propose amendments to this policy via the Senate or Staff representatives on Finance Committee or Council. The University student community may propose amendments to this policy via the Students' Union Council or the Students' Union representatives on the University's Finance Committee or Council.

### **Note:**

This policy was approved by The University of Sheffield Council 6<sup>th</sup> July 2015. Council noted that the practical implementation of the policy and its impact on the University's future investment strategy would require further consideration by the Investment Group in 2015-16 and that a report on the operation of the policy after 12 months would be provided for Council.