



The  
University  
Of  
Sheffield.

# **Finance and Commercial.**

## **Socially Responsible Investment Policy**

**Council  
6 July 2015**



## **1. Socially Responsible Investment Policy**

- 1.1. The following report presents a Socially Responsible Investment Policy for approval by Council on the recommendation of Finance Committee and Investment Group.

## **2 Background**

- 2.1 At present the University does not have a published Socially Responsible Investment Policy although as an institution we have publically available statements of our institutional beliefs and values.
- 2.2 Our investment policies continue to be of interest to our students and subject to regular freedom of information requests.
- 2.3 Investment Group had previously considered the development of a Socially Responsible Investment Policy in 2013. In 2014, Investment Group reviewed its investment strategy of its endowment with the advice of KPMG.
- 2.4 This was followed by the periodic re-tendering of the services of the Investment Manager, for this revised strategy. Included in the tender process criteria was a requirement for a statement from the Investment Manager about their “investment philosophy and process for charitable funds, including your approach to socially responsible investments”. Sarasin were re-appointed as the Investment Manager as a result of the tender process.

## **3 People & Planet review**

- 3.1 Environmental and Ethical performance of Universities has been evaluated by the Student led body People and Planet (<http://peopleandplanet.org/university-league/2015/tables>) who have ranked Universities based on policies and performance. In the 2015 league tables the University of Sheffield was ranked 94 out of 151 institutions, with a score of 0% for its ‘Ethical Investment’ criteria.

The People & Planet University League only awards full points if there is a clear process for regular review of the ethical investment policy, with ongoing opportunities for staff, students and other stakeholders to engage with the policy and if there is clear evidence that the policy has been acted upon within the last year. Key criteria according to the People & Planet scoring is as follows:

- Does the University have a robust and publicly available ethical investment policy?
- Has the University evaluated implementation and progress towards its ethical investment policy objectives in the last financial year?
- Are there ongoing opportunities for staff, students and other stakeholders to engage with the ethical investment policy at the University?
- Has the University (or university fund manager) conducted an assessment of the carbon intensity or climate change risks within its portfolio or put in place strategy for managing these risks?
- What is the current % of the University’s assets are classified as high climate change risk? And has the institution decreased the % of its endowment invested in assets considered as high climate change risks (eg. fossil fuel industry) within the last financial year?
- Has the University increased the % of its endowment invested positively for social or environmental goals in the last financial year?

## 4 Investment Policy

4.1 Recent developments in 'Sustainable Investment' have emphasised the idea of 'positive investment'; the aim being to deliver strong returns through investing in companies which improve quality of life and provide environmental benefits. Other considerations have also stressed the importance of not referring to the policy as an 'ethical' policy; there cannot be a unanimous definition of anything 'ethical' since such evaluation depends on each individual's perceptions and personal assessment of what constitutes ethical behaviour.

4.2 In developing the policy, there are three elements that are of particular note:

- in addition to the negative criteria, it now includes positive sustainable criteria too (see Investment Criteria);
- the inclusion of a commitment to an automatic annual publication of our portfolio (see Monitoring);
- a positive statement regarding engagement with the staff and student community through their representatives on the governing bodies (see Monitoring).

4.3 A new draft Socially Responsible Investment Policy for the University was presented to Investment Group on 18 May 2015 following consultation with UEB. The Students' Union Development Officer was invited to join both Investment Group and Council meetings in 2014/15 and had the opportunity to review and comment on the draft policy. The Investment Group noted that the implementation of a policy was dependent on the practical limitations in the management of investments within the current investment strategy by the Investment Manager. Sarasins stated that the University of Sheffield's portfolio was naturally underweight in energy companies in those funds where a look-through was possible, but that the high proportion of third party funds would make full compliance with any future policy difficult to implement without significant additional work or a change in investment strategy.

Sarasins provided detail of the Church of England investment policy, noting that a complete exclusion policy was not in place, with the CoE applying a *de minimus* by not making any direct investments in any company where more than 10% of its revenues are derived from the extraction of thermal coal or the production of oil from tar sands.

4.4 Following further revisions and consultation, the policy was presented to Finance Committee for approval at its meeting on 18 June 2015.

The Finance Committee noted the work Investment Group has undertaken in respect of the Socially Responsible Investment Policy. The policy is still aiming for maximising returns whilst managing volatility, but in a socially responsible manner. It was noted that a substantial proportion of current investments are held in third party investments, and thus the Investment Strategy will be reviewed and any changes in the approach to the structure of the portfolio be introduced over a period of time.

The Committee delegated authority to the Treasurer to finalise the Investment Policy for recommendation to Council for approval and the draft is at Appendix 1.

5 **Recommendation**

**Council is requested to consider and approve the Socially Responsibility Investment Policy, acknowledging that the practical implementation of the policy and its impact on future investment strategy will require further detailed consideration by Investment Group during 2015/16.**



## APPENDIX 1

### University of Sheffield Socially Responsible Investment Policy

#### Policy Background

This Socially Responsible 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 Socially Responsible 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 Socially Responsible 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.

#### 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 Socially Responsible Investment processes outlined below.

## **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.

## **Future donations**

Those future gifts that are given to the University to produce income will be invested in accordance with this Socially Responsible 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.

## **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.

## **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.

