UNIVERSITY OF SUSSEX

Statement of Principles and Policy on Socially Responsible Investments

Finance Division

Principles of socially responsible investment

The University of Sussex is an exempt charity within the meaning of the Charities Act 2011, whose objects are the advancement of education and research. The primary purpose of University's investment in financial assets is to generate investment returns which provide a sustainable source of income to support and advance our educational and research objectives.

The University recognises the obligations placed on it as a charity, and on Council Members as charity trustees, to generate returns on investments, to preserve capital and to support endowment expenditure, and to maximise the financial contribution to the University's operating income from its financial assets.

The University aims to invest in companies, organisations and sectors that create positive environmental, social and governance (ESG) outcomes, consistent with our values of collaboration, courage, inclusion, integrity, kindness, and openness. Investing consistently with the values of the University can be an impactful and positive force within society, contributing to the delivery of our wider strategic objectives whilst also ensuring good investment returns and financial sustainability.

The University aims to invest in companies with high standards of corporate governance and stewardship and recognises the United Nations Sustainable Development Goals (UNSDG) as an important indicator of the potential and scope to make a positive contribution to the world through investing. In making investment decisions the University will consider organisations and sectors that align with the UNSDGs and whose business practices are consistent with the United Nations Guiding Principles on Business and Human Rights.

The University adopts the highest standards of practice available in its investing activities. The investing environment is changing rapidly and the opportunity to invest in companies that achieve positive ESG outcomes is growing. The University aims to continually improve its practices and capability for investing in positive ESG outcomes. Our policy sets out methods, which we employ to support effective screening of companies, including limits to our permitted investment activity which are clearly defined. Our aim is to seek to invest in companies that are aligned to our values, with the result that our investments are well within the defined limits of policy and policy compliance issues are truly exceptional events.

In addition to the University's intention to prioritise investment to promote positive outcomes, there are areas in which we aim to avoid investment:

- The University gives priority to environmental sustainability in its Sussex 2035 strategy, consistent with UNSDG goal 13 on Climate Action. Our aim is that we will not invest in any company involved in the extraction of fossil fuels including coal, oil, natural gas, shale oil/gas and tar sands.
- The University aims to not invest in companies that are involved in, contribute to, profit from, or facilitate illegal activities including slavery, child labour, human rights violations, occupation, apartheid or genocide.
- The University aims to not invest in companies involved in the production of weapons and their components or companies involved in the production or sale of tobacco, gambling and pornography.

The appointment of a sector leading investment manager is central to our commitment to continual improvement. Our investment managers provide advice, manage our investment portfolio and support us in the implementation of our investment policy. We will appoint investment managers who are proven to be sector leading with the capability to meet and sustain the highest standards of practice. They will be signatories to the United Nations Principles of Responsible Investment and will demonstrate progress towards the objectives set out in the COP26 statement of principles for asset managers.

Investment objectives will be met through rigorous screening of potential investments; by actively engaging with the companies and organisations we invest in and by actively seeking to divest when their activities do not align with ours. We will exercise our rights of ownership through voting at annual general meetings and by engaging proactively with companies, the investment management industry and like-minded Higher Education (HE) providers to leverage influence as an individual investor and leading advocate of ESG investing in the HE community.

Our investments do not include in their scope the cash balances that are held in working capital and used to manage the University's day-to-day operations. These fall outside the investment policy and are treated as banking services. However, the University is committed to continuing engagement with its bankers, including through collaboration with other universities, to identify institutions and reliable cash products with strong ESG credentials.

The way we invest our money is of major interest and significance to our community. This statement of principles on socially responsible investing has been arrived at following careful and inclusive consultation and has been developed in the spirit of openness, reflecting our commitment to transparency, accountability and strong governance The expertise, knowledge and interest of our staff and students is a highly valued resource which can be harnessed through our collaborative and inclusive approach to policy review and implementation.

The University is committed to keeping our community informed about investments and the actions we take to deliver positive environmental, social and governance outcomes through investing activity. We publish our investments on our website, along with the voting actions and engagement undertaken on our behalf by our investment managers.

We identify environmental sustainability among our priorities and will work towards developing a baseline measurement of the carbon footprint of our investment portfolio for publication to our community.

We welcome the interest of our community and the scrutiny that brings to our investment activity. We will maintain clear mechanisms and process to ensure that members of our community wishing to raise a concern that an invested company is not acting consistently with our principles and policy, can do so. Any such concern will be investigated transparently and objectively with outcomes and actions published.

Nothing in these principles should be taken to justify sanctioning academic staff for questioning or testing received wisdom or putting forward new ideas including controversial or unpopular opinions within the law, nor should anything in this policy be taken to justify disproportionate restrictions on freedom of speech. These principles shall not be interpreted or applied in a manner that restricts lawful expression, research, or academic inquiry, including views or activities which may conflict with the requirements of this policy.

Policy on Socially Responsible Investment

1. Overview and purpose

1.1

This policy sets out the University's socially responsible approach to its financial investments. It aligns investing with the objectives of the Sussex 2035 strategy which aims to harness our collective effort to create progressive futures, for the whole world, and for the University of Sussex through education, research, innovation, external engagement, and our actions as an organisation. We will make a distinctive, inventive and positive contribution to environmental sustainability, human flourishing and digital and data futures through our institutional life and actions. We will build the strength of our University, ensuring financial sustainability and driving improvement and excellence in all that we do.

1.2

The policy has been introduced following consultation with our community. It has been developed in the spirit of openness, reflecting our commitment to prioritise transparency, accountability and strong governance over the development of policy on investments and its practical implementation.

1.3

Investments will be made in companies, organisations and sectors which create positive ESG outcomes which align with the University's values (collaboration, courage, inclusion, integrity, kindness, and openness), and strategic aims. The University takes the view that an approach to investing which seeks out companies and organisations with high standards of ESG behaviours will have a positive influence on investment returns and the wider financial interests of the University. It will also be an effective way to limit investment in sectors and organisations which are inconsistent with the University's values, strategic aims and legal obligations.

1.4

Nothing in this policy should be taken to justify sanctioning academic staff for questioning or testing received wisdom or putting forward new ideas including controversial or unpopular opinions within the law, nor should anything in this policy be taken to justify disproportionate restrictions on freedom of speech. This policy shall not be interpreted or applied in a manner that restricts lawful expression, research, or academic inquiry, including views or activities which may conflict with the requirements of this policy.

2. Scope

2.1
Investment activity within the scope of this policy is defined as the acquisition, management and disposal of medium to long-term financial assets held to make a financial return. This includes the University's endowments, which have been gifted by donors and are held for the medium to long-term, and other medium-term assets.

2.2
The policy applies to investments held by the University and its subsidiary companies, collectively referred to as "The University".

2.3
The policy applies to investments in companies held directly by the University and also to those held indirectly through a fund or unit trust. It includes investments in equity as well as debt instruments and derivatives.

2.4
The following are outside the scope of this policy:

2.4.1
Short term cash balances held for less than two years in bank accounts and other cash products are part of the University's working capital and required for day to day liquidity management. However, the University engages with banks and the financial services sector, and collaboratively with other Higher Education (HE) institutions to identify short term cash products with high ESG standards.

2.4.2
Equity held by the University, in any subsidiary company of the University.

2.4.3
Investment assets held by pension schemes available to staff members. As an employer and significant stakeholder to the pension schemes, the University is committed to promoting its policy position on socially responsible investing through engagement with pension providers and, actively through formal consultation opportunities.

2.4.4
The Socially Responsible Investment Policy does not cover activities which are the subject of other University policies including those such as the Procurement and Purchasing Policy and the Donations Policy.

3. Responsibilities

3.1 Approval

3.1.1
Council is responsible for approving the University's Socially Responsible Investment Policy and ultimately responsible for the University's finances.

3.1.2
Finance and Resources Committee (FRC) approves the appointment of investment managers.

3.2 Oversight

3.2.1
FRC oversees the practical arrangements for transparency over investment activity and the operation of a clear, accessible mechanism for challenge by the University's student, alumni and staff community, to investments that are suspected of being inconsistent with the policy.

3.3 Executive ownership and management

3.3.1
The Chief Financial Officer (CFO) is the owner of the Socially Responsible Investment Policy and is responsible for its implementation and for putting in place arrangements for Council's periodic review of the policy. The review of policy will involve staff and student Council members who will facilitate a broader engagement with other students and staff.

3.3.2
The CFO is responsible for selecting investment managers and recommending their appointment to FRC and owns the relationship with the investment manager.

3.3.3
The investment manager is responsible for managing the University's investments in accordance with the policy and is required as a condition of appointment to disclose and agree the definitions, methodologies and sources used to conduct screening of companies for investment.

4. Policy

4.1 Investing in good Environmental, Social and Governance (ESG) outcomes

4.1.1
The University will invest in ways which promote and deliver the aims and objectives of the Sussex 2035 strategy. Ethical investments and investing activity will seek to ensure the financial sustainability of the University, securing a financial return which is sufficient to maintain the capital invested in real terms and meet endowment expenditure, and contribute to the operating margin for investment. Sussex will make a distinctive, inventive, and positive contribution to environmental sustainability, human flourishing, and digital and data futures.

4.1.2
In making investment decisions the University will consider organisations and sectors which promote good ESG behaviours. The University recognises United Nations Sustainable Development Goals (UNSDG) and the UN Guiding Principles on Business and Human Rights as leading indicators of the potential and scope to make a positive contribution to the world through investing and will objectively identify investments in organisations and sectors aligned to UNSDG. Focusing on companies aligned to UNSDG will ensure that industries and sectors of concern to some of our community of staff and students are not considered for investment. These include but are not limited to, companies with poor carbon emissions, those involved in deforestation, unsustainable farming practices and the unsustainable extraction of natural resources.

4.2 Excluded sectors and activities

4.2.1
The University is committed to investing in a socially and environmentally responsible manner and will not invest in any organisations whose principal activities fall within the excluded sectors or activities identified in this policy. We will work with our investment managers to establish and continuously improve investment screening practices and methods to identify and minimise exposure to excluded business sectors.

4.2.2
The University will not invest in companies that are involved in, contribute to, profit from, or facilitate illegal activities including slavery, child labour, human rights or humanitarian law violations, occupation, apartheid or genocide, as determined by a competent court.

4.2.3
The University will not invest in any organisation or pooled fund whose principal activities fall within other sectors and activities specified in this paragraph. A revenue threshold will apply in determining whether excluded activities of a company are among its principal activities. Our aim is that the University will not invest in any organisation or pooled fund that generates more than 5% of its revenue in aggregate from activities in the following excluded sectors:

- **fossil fuels** – the extraction, production, processing and transportation of coal, oil, natural gas, shale oil/gas and tar sands
- **armaments and defence industry** – the legal production and supply of weapons and their components
- **gambling** – management and ownership of gambling facilities and services
- **tobacco** – manufacture and sale of tobacco products
- **pornography** – production or distribution of pornographic materials and ownership of adult establishments.

4.2.4
The University applies an absolute exclusion and will not invest in companies that produce or finance illegal weapons and their components, including but not restricted to, those weapons prohibited by international conventions such as anti-personnel mines, cluster munitions, nuclear, chemical and biological weapons.

4.3 Actively driving positive ESG behaviours

4.3.1
The University will appoint external expert investment managers to manage its investments in accordance with this policy. Selection and appointment will follow transparent procurement procedure and policy, under the oversight of the Finance and Resources Committee and involving staff and student committee members who will, if appropriate, facilitate a broader engagement with other students and staff who will be invited to participate in the selection process.

4.3.2
Investment managers will be signatories to the United Nations Principles of Investment (UNPRI) and will be expected to meet or demonstrate continual progress towards the COP26 declaration on principles for asset managers.

4.3.3
The University will be an active investor using a combination of positive and negative screening to invest in organisations who create positive ESG outcomes aligned to the United Nations Sustainability Goals. We will exercise the rights of share ownership by voting at AGMs and engaging proactively with companies, the investment management industry and like-minded HE providers to leverage influence as an individual investor and leading advocate of ESG investing in the HE community. We will actively seek to dispose and divest of any investment held in a company carrying out an excluded activity, when efforts to bring about change by the means described above fail.

4.3.4
The appointed investment managers will act for the University, implementing this policy, executing the University's voting preferences and engaging with companies under our rights as a shareholder and in accordance with an agreed mandate.

4.4 Reporting, disclosure and accountability

4.4.1
The University will publish detailed investment information on its website. This will include a list of investments updated quarterly, and annual disclosure of information from our investment manager on ESG impact, voting record and engagement as a shareholder across the University's investment portfolio.

4.4.2
We will aim to establish a baseline measurement for the carbon footprint of our investment portfolio. Monitoring the carbon footprint is consistent with our intent to reduce carbon, but we anticipate limitations to the available data and calculations until clear industry standards and norms for the accurate measurement of emissions from investments is established.

4.4.3
The Finance and Resources Committee will receive regular detailed reports on investments providing full visibility of investment activity including performance against financial, ESG and other policy objectives. The Finance and Resources Committee will receive reports from the investment manager and will meet with the investment manager annually.

4.4.4
The University encourages members of our community to raise concerns where there is evidence of an investment being inconsistent with the University's Socially Responsible Investment Policy.

4.4.5
A mechanism for reporting concerns will be maintained and accessed via the University's website. The Finance and Resources Committee will commission the Chief Financial Officer to engage in a fact-finding exercise in relation to the concern and, where appropriate, investigate each concern raised and take appropriate action as necessary. Actions may involve engaging with the company through the University's investment manager, voting on issues at the AGM or disposing of any interest held, or all three. Where appropriate the CFO will engage staff members with relevant specialist expertise and will ensure a student participant in the investigation. The CFO will report the outcome of each investigation to the Finance and Resources Committee and publish them on the University's website.

5. Legislation and good practice

5.1
The University is an exempt charity within the meaning of the Charities Act 2011 and members of Council are also charity trustees. The obligations and fiduciary duties of charity trustees require balancing requirements to deliver a financial return, manage financial risk, deliver strategic objectives and preserve the charity's reputation.
https://www.legislation.gov.uk/ukpga/2011/25/contents

5.2
United Nations Sustainable Development Goals:
https://sdgs.un.org/goals

5.3
United Nations Guiding Principles on Business and Human Rights:
https://www.business-humanrights.org/en/big-issues/governing-business-human-rights/un-guiding-principles/

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