



# Responsible Investment Policy

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Approver	University Court
Document Owner	Executive Director of Finance / Head of Financial Reporting, Tax & Treasury
Purpose	The investment strategy for endowment funds which have been endowed to the University for both specific and general purposes
Scope	Relates to Investment of University Endowment funds only  <i>This policy does not cover the following;</i>  <i>University General Funds – Treasury Management Policy</i> <i>Pension related Investments – Scope of Trustees</i>

## 1 Introduction

Since its foundation in 1451, the University has relied on philanthropic support to achieve its objectives. Over the centuries, many buildings, teaching posts, research posts and scholarships have been funded by the generosity of donors. These donations are often endowment gifts – charitable funds held on trust to be used for the specific benefit of the University.

As trustees of the University, under the Charities and Trustee Investment (Scotland) Act 2005, the members of the University Court (the University's governing body) have a legal duty to do what is best for the University and its beneficiaries; these include those students and others who benefit from the proceeds of the University's endowment funds.

The University has a choice about how it invests these funds it needs to consider the balance and alignment between financial return and the wider impact of these investments on society. The University believes that in making decisions about how to invest the funds it holds, ethical, social and environmental and governance issues ("ESG") should be at the forefront of its agenda. This policy outlines the University's approach to responsible investment and how it will be implemented.

The SRI is policy aligned with the institutional strategy and the values set out in that strategy. It is also consonant with *Glasgow Green* – the University's Strategy for Environmental Sustainability.

The University's commitment to environmental sustainability is underlined by our ranking of 12<sup>th</sup> in the world in the Impact Rankings 2024 (which focus on UN Sustainable Development Goals) and a ranking at 20<sup>th</sup> in the world in the QS Sustainability Rankings 2024.

As a reflection of our commitment to the SDGs and sustainability overall, we;

- were the first University in the UK to declare we would divest from fossil fuels within by 2024. This was achieved ahead of schedule with full divestment achieved by Sep 2023.
- were the first University in Scotland to declare a Climate Emergency.
- are committed to a significant plan of action to achieve carbon neutrality by 2030.

## 2 Investment Objectives

The University has a fiduciary duty to maximise returns from the University's investments, while ensuring that financially material risks are considered.

The performance of the University's endowment investments is reviewed on a total returns basis and has both a capital growth and income target. The terms of most of our endowments require the capital value to be maintained, while income can be reinvested in line with the terms of the endowment.

## 3 Governance

To achieve the objectives, the University Court has delegated responsibility for endowments to the Finance Committee, which in turn appoints an Investment Advisory Committee (IAC) to provide expertise and oversight of its endowment investments. The Investment Advisory Committee has remit over the following:

1. To advise the Finance Committee and Court on investment policy.
2. To advise Finance Committee and Court on the impact of restrictions on return and growth objectives set by management and alternative proposals.

3. To appoint and replace Investment Managers to act on the University's behalf to deliver return and growth investment objectives set by management.
4. To monitor the activities and performance of the Investment Managers.
5. To ensure that the Committee's membership includes the skills and experience necessary to address its remit effectively. To this end, the Committee may request the Finance Committee to appoint additional members as required. The Chair of the Committee and Executive Director of Finance will participate in the selection process for a new member.
6. The Committee will from time to time undertake a review of its own performance and effectiveness as part of the overall review of Finance Committee.

The Investment Advisory Committee normally meets twice per year. It may meet more frequently at the request of Finance Committee or the Chair. A quorum for a meeting of the Committee is one third of its members, of whom at least one must be a lay member of the IAC.

The Investment Committee draws on advice from the Executive Director of Finance on the University's risk appetite regarding investment returns and budgetary impact.

## 4 Responsible Investment

### 4.1 Approach

The University recognises that ESG factors play a role in determining risk and return. Moreover, it believes and considers that companies' effective management of the risks associated with ESG matters can lead to long term financial benefits as well as having a positive impact on society. This policy is designed to enable a socially responsible investment approach, whilst minimising any potential negative impact on investment returns.

The University has taken progressive steps over time to incorporate ESG considerations in its investment approach and intends to continue to evolve this. The University will:

- Require fund managers to be signatories to UNPRI guidelines.
- Remain a signatory of Climate Action 100 and Institutional Investors Group on Climate Change (IIGCC).
- Consider additional signatory commitments at the request of the University Court or the Finance Committee.
- Include assessment and scoring of ESG credentials as a fundamental part of the selection criteria for fund managers.
- Apply exclusions in line with this policy and as agreed by the University Court.
- Regularly review ESG performance in a time frame agreed by the IAC and which is expected to include:
  - Carbon footprint of investments over time and where practical comparison to benchmarks.
  - Voting records of fund managers.
  - ESG reports of fund managers and funds.
  - Consideration and implementation of corrective actions including change of manager or funds where appropriate.

### 4.1.1 Signatory requirements and commitments

For the University to align its approach to investments with its commitments to social and environmental justice, including its *Glasgow Green* strategy and wider sustainability objectives, the University has adopted the United Nations Principles for Responsible Investment (UNPRI) and requires our fund managers to be a signatory.

The UNPRI is a United Nations-supported international network of investors working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision making and ownership practices.

The UNPRI Investment Reporting Framework defines the underlying components of ESG as follows:

- **Environmental:** Biodiversity loss, greenhouse gas emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion and pollution, waste management, ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.
- **Social:** Human rights, labour standards, child, slave and bonded labour, workplace health and safety, freedom of association and expression, human capital management and employee relations, diversity, relations with local communities, activities in conflict zones, health and access to medicine, consumer protection and controversial weapons.
- **Governance:** Issues relating to the governance of companies and other investment vehicles. For listed equities, these include board structure, size, diversity, skills and independence, executive pay, gender pay gap, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues and how the strategy is to be implemented. For unlisted asset classes, governance issues also include matters of fund governance, such as the powers of advisory committees, valuation issues and fee structures.

The Principles for Responsible Investment are a voluntary set of investment principles that offer a menu of possible actions for incorporating environmental, social and governance (ESG) issues into investment practice.

The principles are as follows:

- Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4:** We will promote acceptance and implementation of the principles within the investment industry.
- Principle 5:** We will work together to enhance our effectiveness in implementing the principles.

**Principle 6:** We will each report on our activities and progress towards implementing the principles.

The University is strongly committed to environmental sustainability; this is reflected in its divestment from fossil fuels and membership of both the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100. Further details of both organisations are outlined below:

[IIGCC - The Institutional Investors Group on Climate Change](#)

[Climate Action 100+](#)

Signatories to other bodies may be considered and recommended by the IAC or be proposed through representations outlined in section 6.

#### 4.1.2 Exclusions

The University will require investment managers to exclude direct investment in the following:

- Tobacco production companies
- Fossil fuel companies
- Companies that manufacture controversial weapons
- Companies that are in serious breach of international treaties to which the UK is a signatory.

Further exclusions will be considered as part of the representations process outlined in section 6.

#### 4.1.3 Fund Managers

##### *Fund Manager Selection*

The investment managers who oversee the investment funds of the University are required to work to agreed investment mandates. As part of our investment manager selection process, the University requires fund managers to confirm that they have robust ESG policies in place. The University requires its investment managers to have adopted and be signatories of the UN Principles for Responsible Investment. It also requires them to hold companies to account by active engagement on corporate governance and use shareholder voting rights to influence company behaviour.

The Investment Advisory Committee will review the fund on a regular basis to determine whether areas require to be re-tendered to better align with our approach to ESG.

##### *Fund Manager Reporting*

The appointed investment managers are required to report regularly to Investment Advisory Committee. 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 the Investment Advisory Committee with attendance at IAC meetings and the provision of report. These must include an annual Environmental, Social and Governance report highlighting areas of greatest concern to the University, information on the engagement that has taken place with companies that the University has holdings in and voting records along with benchmark data on their progress towards net zero.

When a fund manager does not adequately follow this line, the University will consider changing the manager at an appropriate point in time.

## 5 Monitoring

To give effect to its commitment to this Policy, the University will:

1. publish this Policy on its website following its approval by Finance Committee.
2. issue guidance to its investment managers responsible for the University's investments.
3. for segregated (direct) mandates, incorporate the exclusions into the relevant investment management agreements and agree how the exclusions will be achieved.
4. monitor fund managers' performance on areas of greatest concern including engagement and voting records.
5. delegate to Investment Advisory Committee the responsibility to monitor the operation and the effectiveness of the Policy and provide Finance Committee and Court with an annual update.
6. publish on its website annually a list of the companies and other investments in which funds are invested by the University; and
7. A report on the implementation of this policy will be submitted annually to the Finance Committee

## 6 Representations

Groups or individuals from within the University may make representations in respect of an investment or investments held by the University or to change signatory commitments. Representations should be made in writing to the University Secretary. Such representations will be considered on the following basis:

1. The key criteria against which specific cases would be assessed would be (a) whether the University's current approach is contrary to the University's stated values, as reflected in the Mission Statement or the Strategic Plan; or (b) whether it raised wider issues of social, environmental and humanitarian concern.
2. Representations should be related to industries or specific companies whose activities or values appear to be so far removed from the University's core values as to give grounds for significant concern.
3. Representations would be considered by a Court group in the first instance. The group would comprise two lay members of Court, a staff representative chosen by the staff members on Court, the SRC President, the Executive Director of Finance and the University Secretary. The group would consider the current extent of the fund managers' engagement with the industry or company with respect to the concerns raised.
4. The group might recommend to the Court that it should disinvest in a company or companies. The Investment Advisory Committee would ask for advice on the financial consequences of such a decision
5. The Court might consider any arguments or counter-arguments presented by individuals or groups in relation to possible amendments to the policy. Individual members of these groups may request verification of information provided. This process will be as open and transparent as possible.
6. Once a decision had been reached following a representation, the Court would not normally revisit the same issue for at least two years.