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Responsible Investment Policy

Document Control:

Policy Owner:	Group Finance Director
Policy Author(s):	Deputy Finance Director (Secretary to Investment Sub-Committee)
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Approving Body:	Finance and General Purposes Committee
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Amendment History:

Version Number:	Effective Date:	Summary of Amendments:	Author:
Historic	Jul 13 - Oct 21	Established and reviewed annually with minor amendments.	Deputy Finance Director (Secretary to ISC)
V1.0	25/10/22	Reviewed and amended to include medium term funds.	Chris Key, Deputy Finance Director
V2.0	24/10/23	Reviewed with no amendments.	Chris Key, Deputy Finance Director
V3.0	09/10/24	Reviewed in line with recommendations from Council re ethical assurance review, Investment and Socially Responsible Investment Policies merged and placed in new template.	Steve Wilkes, Deputy Finance Director
V3.1	25/09/24	Minor amendments following discussion at FGPC.	Chris Twine, Secretary to Council

1. Purpose and Scope

- 1.1 The Responsible Investment Policy sets out the approach to investment taken by the University of Warwick, ensuring that investment decisions are made responsibly and with integrity.
- 1.2 The Office for Students mandates that all registered Higher Education providers must be financially sustainable. Sustainability in all aspects (financial, social and environmental) is a priority of the University as outlined in the 'Excellence with Purpose' Strategy and detailed further in the 'Way to Sustainable' Strategy, which is underpinned by a commitment to support the achievement of the UN Sustainable Development Goals. The policy upholds this ethos by including Environmental, Social and Governance (ESG) factors in the investment approach.
- 1.3 The University of Warwick is an exempt charity. This policy adheres to the Charity Commission position that trustees have a duty to maximise returns on investment for charitable benefit.
- 1.4 This policy covers the investment of endowed funds and other funds held for medium and long-term purposes. The University delegates the responsibility for the selection of specific investments to appointed, third-party Investment Managers¹, whose specialist knowledge helps to promote sustainability and maximise returns. It should be noted that:

¹ The Investment Managers also manage some short-term investments through a short-term bond and Money Market Fund holdings. These are outside the scope of this policy; however, the same approach is followed, Investment Sub-Committee scrutinise these holding on a regular basis, and the same exclusions hold true.

- The endowed funds held by the University of Warwick Foundation are managed in accordance with this policy but are ultimately the responsibility of the Trustees of the Foundation.
- The funds of the University of Warwick pension scheme (UPS) do not belong to the University and are not covered by this policy.

2. Definitions

ESG /Socially Responsible Investing	ESG stands for Environmental, Social and Governance and represents a form of investing centred around consideration of these factors. It is also known as socially responsible investing.
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3. Responsibilities

Role	Responsible for
Deputy Finance Director (Secretary of ISC)	<ul style="list-style-type: none"> ➤ Ensuring the policy meets any external regulatory/legislative compliance requirements and undertaking regular horizon scanning in relation to this. ➤ Reviewing the policy for effectiveness on an annual basis. ➤ Managing relationship with Investment Managers.
Group Finance Director	<ul style="list-style-type: none"> ➤ Ultimately ensuring compliance with the policy, at an internal level on behalf of the University Executive Board.
Finance Personnel, particularly: Group Finance Director Finance Director Deputy Finance Directors Head of Finance Treasury	<ul style="list-style-type: none"> ➤ Ensuring that University funds are invested in line with the principles outlined in the policy.
Investment Sub-Committee > Finance & General Purposes Committee	<ul style="list-style-type: none"> ➤ Having delegated authority to oversee investments on behalf of the Council and Finance & General Purposes Committee (see 8.1). ➤ Management of the long-term investment portfolio, approving amendments to the policy, appointing Investment Managers, agreeing the strategic allocation of the UIF and UEF, and performance monitoring (see 8.2). ➤ Agreeing parameters and reviewing performance of the Investment Managers (see 8.4).

RACI MATRIX	
Responsible	Deputy Finance Director (Secretary to Investment Sub-Committee)
Accountable	Group Finance Director
Consult	Investment Sub-Committee > Finance & General Purposes Committee
Inform	University staff and students

4. Investment Objectives

- 4.1 The University seeks to produce the best sustainable financial return within an acceptable level of risk (see section 6).
- 4.2 The investment objective for endowed funds is to generate a total return to support the aims of the individual funds, whilst maintaining the real value of the capital of the funds by

obtaining a return in excess of inflation over the long term, with a target draw down of circa 2.5%² per annum and the balance providing capital growth in the medium term.

- 4.3 The investment objective for other funds held for long term purposes is to maximise the total return on investments (capital and income), whilst containing risk to an acceptable level by the diversification of the holdings within any asset class.
- 4.4 The University has committed to investing in an equity-based portfolio with the long-term objective of covering repayments on the bullet loans on maturity in 2037, by maximising returns in order to minimise the capital contribution to the repayment of the loans.
- 4.5 The investment objective for medium-term funds is primarily about protecting the short-term value of the investments so that funding is available for capital projects as and when they start, balanced with achieving a greater return than what is available via investing purely in bank and term deposit accounts.
- 4.6 The funds should be invested in accordance with the Environment, Social and Governance (ESG) factors outlined in section 5.

5. Environment, Social and Governance Factors (ESG)

- 5.1 The University asserts that Environmental, Social and Governance (ESG) factors have a material impact on investment risk and that good stewardship can create and preserve value for the longer term.
- 5.2 Socially responsible investing aims to reduce the risk of harmful corporate behaviours. These include:
 - environmental degradation
 - armament sales to military regimes
 - human rights violations
 - the institutionalisation of poverty through discriminatory market practices
 - racial or sexual discrimination
 - tobacco production, cultivation and manufacture
 - the exploitation of workers, and
 - the giving or receiving of bribes

This also includes consideration of the University's obligations under the [Modern Slavery Act](#).

- 5.3 Currently, the University holds its investment assets in the University Investment Fund ("UIF") and endowment donations in the University Endowment Fund ("UEF"), which are managed by third-party Investment Managers. When selecting third-party investment managers/funds the University will ensure that the Responsible Investment Policy is understood and that the investment strategy/funds of the provider are capable of and committed to complying with the policy.
- 5.4 In order to make investments in a way that positively supports its values the University will:
 - avoid direct investment in companies that have activities inconsistent with the educational and/or research objectives of the University.
 - consider environmental and social issues, as set out above, when making an investment in a company, in the belief that socially sustainable companies are more likely to be successful in the long run.

² The percentage target is reviewed on an annual basis by the Finance Team. Any change in the percentage target is submitted to the Investment Sub-Committee for approval.

- actively engage with companies through our Investment Managers to encourage best practice in environmental, social and ethical standards.
 - ensure that the University's investment managers themselves have a socially responsible investment policy that ensures environmental and social issues are considered.
 - regularly monitor the University's investments and the procedures for reviewing investment proposals to ensure that its ethical standards are maintained.
- 5.5 Where investments are made by the Investment Managers in pooled funds or similar vehicles, the University's requirement is that wherever practicable, the funds in question should not be directly invested in companies that contravene this policy. The Investment Managers will actively screen collective investments to exclude companies materially involved in:
- the production, cultivation and manufacture of tobacco, in recognition of the conflict with the University's medical research objectives.
 - fossil fuels and the extraction of thermal coal, the production of oil from tar sands or the extraction of petroleum.
 - the production or sale of armaments.
- 5.6 The University recognises that avoiding indirect investments in certain companies is currently unfeasible when investing in index-related securities. The Investment Sub-Committee is committed to rigorously reviewing index related securities annually to seek alternatives that adhere to the Responsible Investment Policy, ensuring they do not materially compromise expected returns.

6. Risk

- 6.1 The permanent endowed funds are expected to be preserved in perpetuity, allowing a long-term investment horizon and accepting a higher degree of market volatility.
- 6.2 The endowed funds are held to benefit current and future beneficiaries, with the key risk being inflation. The assets will be invested to mitigate this risk over the long term, accepting some short-term capital volatility whilst producing an investment return from income and capital gains. The draw down target for the endowed funds can be adjusted to protect the real value of capital.
- 6.3 The other funds for long-term investment are required to produce a real return in excess of inflation and are unlikely to be required at short notice. Therefore some capital volatility can be accepted as part of the overall investment strategy for the funds. Investment risk will be mitigated by diversified holdings across asset classes and geographical regions. The base currency of the portfolio is Sterling and investments will be mainly held in Sterling funds.
- 6.4 Any medium-term funds are generally excess cash balances in relation to short-term working capital requirements. These are funds that will be allocated towards capital projects and therefore the risk of loss of value needs to be minimised and funds need to be available as required.

7. Time Horizon

- 7.1 Permanent and longer term expendable endowments are invested so as to produce a total annual return to support the aims of the fund and to maintain the real value of the capital in the longer term.
- 7.2 The other funds for long term investment are allocated on an annual basis as part of the University's five year plan and are unlikely to be required at short notice.

7.3 The medium-term funds are likely to be allocated towards capital projects over the course of the University's five year plan and therefore a time horizon of 3-5 years is appropriate.

8. Governance

8.1 As per the Scheme of Delegation, the Council has ultimate responsibility for the University investment strategy and has delegated responsibility to the Finance & General Purposes Committee and the Investment Sub-Committee to oversee the management of investments.

8.2 The Investment Sub-Committee is responsible for the management of the long-term investment portfolio, recommending amendments to the Responsible Investment and Treasury Management policies to the Finance & General Purposes Committee for approval, appointment of Investment Managers/advisors, agreeing the strategic asset allocation of the UIF and UEF on an annual basis with the Investment Managers, with regard to the anticipated return and risk profile of both portfolios, and performance monitoring.

8.3 The Investment Managers regularly report on the performance of the portfolio, including details on ESG factors, at each Investment Sub-Committee meeting.

8.4 The Investment Managers are expected to perform in accordance with agreed parameters and their performance will be regularly monitored against appropriate industry standard benchmarks and a range of indicators decided by the Investment Sub-Committee, taking account of the University's commitment to responsible investment of its funds. The Investment Sub-Committee will report on the performance of the Investment Managers on an annual basis to the Finance and General Purposes Committee.

9. Associated Documents

- [Office for Students – Conditions of Registration](#)
- [‘Excellence with Purpose’ Strategy](#)
- [‘Way to Sustainable’ Strategy](#)
- [UN Sustainable Development Goals](#)
- [Charity Commission – Guidance for Trustees](#)
- [Modern Slavery Act](#)
- [Scheme of Delegation](#)