



SUSTAINABLE INVESTMENT POLICY

Policy Overview:

This policy establishes the objectives and parameters of the University investment portfolios and outlines how the University is embracing environmental, social and governance (ESG) factors within its investments, reflecting the ambitious sustainability agenda within the University.

Scope of the Policy:

The following investment policy is applied to the University endowments; portfolios managed on behalf of the Development Trust and a portfolio relating to the Northern Colleges pension costs (“the Portfolios”). To reflect that this is a constantly developing area, the sustainable investment policy will be reviewed on an ongoing basis, and at least annually, by the Investment Committee, which includes a student representative from the Aberdeen University Students’ Association.

Sustainable Investment Strategy:

As part of the Aberdeen 2040 Strategy, the University is committed to reducing its carbon footprint, with a view to be carbon neutral before 2040.

In line with this ambitious target, the University is committed to ensuring that its portfolios are invested according to the highest ESG standards. Our strategy recognises that a responsible approach to sustainability and financial returns are not mutually exclusive and that companies which embrace a sustainable approach to environmental and social issues are more effective stewards of long-term capital.

The University intends to sign up to the Universities Responsible Investment Network, which will support our knowledge and decision making,

The portfolios will adhere to this strategy through a three-tier framework:

1. Investment Exclusions

Direct Investment

The portfolios will not directly invest in companies whose business has a significant interest in:

- Tobacco - manufacture, distribution or retailing
- Weapons – manufacture of controversial weapons including cluster bombs, landmines, nuclear weapons (systems of components) and companies that manufacture civilian firearms
- Coal and Tar Sands

In line with investment vehicle norms, significant is defined as 10% or more of revenue from the above activities.

The Committee have considered full divestment from fossil fuels but have decided to use the unique position and influence of the University to engage with the sector and encourage the transition to the low carbon economy. However, the University will aim, on a best endeavours’ basis, to not invest in companies who have significant interest in fracking.

Pooled Funds

When investing through pooled funds, investment decisions are made at the fund level, providing the University with less direct influence regarding the exact exclusions. Therefore, when investing through pooled vehicles, the University analyses the holistic ESG approach of the underlying fund manager and regularly reviews the fund exposures with its investment advisors.

2. Environmental, Social and Governance (ESG) Integration

When investing directly or through pooled funds, the University requires its fund managers to:

- Be signatories to the United Nations Principles of Responsible Investment (UNPRI)
- Incorporate ESG issues into their investment analysis and decision-making processes
- Engage on social and environmental issues and track this engagement through regular stewardship reporting to the Investment Committee.

The University also supports the principles of the United Nations Global Compact. These principles focus on operating in ways that meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. The University expects its advisors and managers to act in a way that promotes positive behaviours and discourages negative behaviours through their investment screening and practices. The University will also look favourably upon investments with specific commitments regarding alignment with the UN Global Compact.

The University will continue to review the pooled funds available and invest in those which adhere to the principles above.

3. Impact Investing

As part of a balanced portfolio that has an appropriate risk and liquidity spread, the endowment portfolios (University and Development Trust) have committed 6% of the portfolio to an impact investing program. This program will invest in businesses and sectors which are explicitly aiming to deliver an environmental and social return in addition to a financial return and will be diversified across eight sustainability themes:

- Clean energy
- Sustainable Transport
- Food & Agriculture
- Waste & Materials
- Ecosystem Services
- Education
- Health
- Financial Inclusion

Reporting

The University will make available on an annual basis an impact report highlighting the how the University's is working to meet the framework set out within the Sustainable Investment Policy.

Policy Owner: **Finance and Procurement**

Reviewed: by the Investment Committee

Original Policy Approved: Operating Board (28 January 2009)

Last reviewed: Investment Committee (29 January 2020)