

Council Review

Socially Responsible Investment Policy (SRIP)

2024/25

Council SRIP Review Agenda

Policy Proposals 1

Policy Guiding Principles.....Slide 3-8

The following slides contain the Guiding Principles agreed by the review group, as the basis of the University's socially responsible investment policy.

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Policy Guiding Principles

Guiding Principle	Principle statement	Comment
<p>1. Strategic alignment</p>	<p>The University will invest in ways which promote and deliver the aims and objectives of the Sussex 2035 Strategy and are consistent with its foundational principles.</p> <p>Ethical Investments and investing activity will deliver financial sustainability to the University, securing a financial return which is sufficient to maintain the capital invested in real terms and meet endowment expenditure or contribute to the operating margin for investment.</p> <p>Sussex will make a distinctive, inventive, and positive contribution to environmental sustainability, human flourishing, and digital and data futures</p>	<p>Sussex 2035 identifies its vision for the future:</p> <p>Environmental Sustainability</p> <p>Human Flourishing</p> <p>Digital and Data Futures</p> <p>2035 Foundational principles include:</p> <p>“Financial sustainability - We need not just to meet our current financial commitments, but to invest in our future..... We will ensure that we generate an operating margin sufficient to regenerate and improve Sussex, to realise the ambitions of Sussex 2035.”</p> <p>“Ethical relations – Sussex is a diverse community of staff, students, and alumni, embedded in, and interdependently entangled with, wider local and global communities, and with the natural environment. As an organisation, we will seek to relate ethically to each other, to external stakeholders and partners, and to the natural environment.”</p>

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<p>2. External ESG reference</p>	<p>In making investment decisions the University will consider organisations and sectors which promote good ESG behaviours. The University recognises the United Nations Sustainable Development Goals as a leading indicator of the potential and scope to make a positive contribution to the world through investing.</p>	 <p>The infographic displays the 17 Sustainable Development Goals (SDGs) in a grid format. At the top, the text 'SUSTAINABLE DEVELOPMENT GOALS' is written in blue, with the 'O' in 'GOALS' being a colorful circular icon. Below this, 17 numbered icons are arranged in three rows. Each icon represents a goal with a specific title and a symbolic icon. The goals are: 1. No Poverty (family), 2. Zero Hunger (bowl), 3. Good Health and Well-being (heart/line), 4. Quality Education (book), 5. Gender Equality (gender symbol), 6. Clean Water and Sanitation (water tap), 7. Affordable and Clean Energy (sun), 8. Decent Work and Economic Growth (bar chart), 9. Industry, Innovation and Infrastructure (cubes), 10. Reduced Inequalities (scales), 11. Sustainable Cities and Communities (buildings), 12. Responsible Consumption and Production (infinity symbol), 13. Climate Action (eye/earth), 14. Life Below Water (fish), 15. Life on Land (tree), 16. Peace, Justice and Strong Institutions (scales), 17. Partnerships for the Goals (interlocking circles), and a final circular icon at the bottom right representing the entire set of goals.</p>

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3. Professionally led investing	<p>The University will place reliance on expert investment managers to manage its investments.</p> <p>External professional investment managers will be appointed to manage the University's investments in line with Council's Socially Responsible Investment Policy.</p> <p>Investment managers will be signatories to the United Nations Principles of Investment (UNPRI) and will be expected to meet or demonstrate progress towards the Student Led COP26 declaration on principles for asset managers</p>	<p>Establishes an approach delivered by experts which is contractually defined and can be scrutinised and evaluated.</p> <p>Provides for alignment with external standards</p> <p>a. UN Principles of Responsible Investment (UNPRI) b. COP26 declaration on principles of asset managers</p>
4. Active investor Positive and negative screening and engagement	<p>The University will be an active investor and will require its investment managers to act on its behalf in line with the SRIP.</p> <p>Investments will be selected using a combination of positive and negative screening to encourage good ESG behaviours (aligned to UNSDG), exercising rights of ownership, engaging proactively with financial and HE sectors and leveraging influence as an investor</p>	<p>Setting expectations for investment managers under UNPRI and COP26</p> <p>Engaging directly in sector e.g. Sussex involvement in Cambridge led consortium to approach financial services sector with rfp for cash management products.</p>

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<p>5. Excluded investments</p>	<p>The University will not invest in any organisations whose principal activities encompass excluded sectors and will work with its investment managers to establish and continuously improve investment methods which effectively identify and minimise exposure to excluded business sectors.</p> <p>Excluded sectors include:</p> <p>Gambling – management or ownership of gambling facilities</p> <p>Tobacco – manufacture and sale of tobacco products</p> <p>Armaments – production of weapon systems or their critical components.</p> <p>The University will not invest in any organisation where there is confirmed involvement in the production of weapons regulated or prohibited by international convention (controversial weapons); antipersonnel mines, cluster munitions, chemical, biological and nuclear weapons, or the supply of their key components.</p> <p>Pornography – the production or distribution of pornographic materials and ownership of adult establishments.</p> <p>Fossil Fuels - The extraction of coal, oil, natural gas, shale oil /gas and tar sands.</p>	<p>Principal activities means more than 5% of turnover unless otherwise stated</p> <p>Maximum turnover threshold provides for minor exposure through broad based business activities of large organisations with acceptable investment risk profile.</p> <p>The Guiding Principle proposed aims to minimise exposure to excluded sectors and to make progress towards more effective methods of identifying and limiting exposure. It recognises that this will be achieved over time and will require engagement and collaboration with investment managers, leveraging their expertise in this area to establish the art of the possible and the potential for and likely rate of change.</p> <p>Examples where a tolerance would be required include:</p> <p>Large retailers selling tobacco products and lottery tickets</p> <p>Some business sectors such as controversial weapons production can be screened out fully if there is any evidence of involvement but others are currently more difficult</p>

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Guiding Principle	Description	Comment
<p>6. Defined investments</p>	<p>Investments and investing activity is defined as the acquisition, management and disposal of medium to long term financial assets with duration greater than two years.</p> <p>Investments do not include the management of cash and cash equivalent assets with a duration of under two years, which are the University's operating working capital and the subject of the treasury management policy (Temporary cash), neither does it include equity held in subsidiary companies or the financial assets managed by the University's pension funds.</p> <p>Investments do not include other financial services procured by the University nor do they include corporate relationships which exist by virtue of the University's broader education, research and business activities, which are the subject of other policies (see guiding principle 10).</p>	<p>Investments defined as 1. long term endowment investments and 2. Medium-term investments (+2 years),</p> <p>Exclude the management of working capital treasury balances, the investment activities of the University's pension funds and investment in the equity of subsidiary companies.</p> <p>The policies and practices of the University's requirements for cash products are outside the scope of this SRI Review Group. However, as a formally constituted Group of the University of Sussex, we hope that a solution from the banking sector will be forthcoming to ensure we do not support the growth of fossil fuel-related activities. This principle is outlined in the Request for Proposals (RFP) submitted to Banking Providers in February 2024 by seventy-two HE institutions. The University of Sussex is one of the signatories to the RFP.</p> <p>https://sustainability.ed.ac.uk/news/2024-news/universities-call-for-fossil-free-banking-products</p> <p>https://www.governance.cam.ac.uk/committees/bef/Pages/request-proposals.aspx</p> <p>The University's policy on corporate relationships including its relationships with financial institutions who provide financial services and treasury services, including but not limited to banks, will be progressed through other policies.</p> <p>Other policies of relevance include the procurement policy and the donations policy.</p>

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7. Reporting, disclosure and accountability	<p>The policy will ensure regular, transparent reporting of investment activity is provided to the Finance and Resources Committee, providing full transparency of investment activity including performance against financial, ESG and other policy objectives.</p> <p>The policy will provide for disclosure to the student and staff stakeholder community of investments and information from investment managers on ESG performance, voting and engagement across the University's funds under management.</p> <p>The policy will require implementation of a transparent process for student and staff stakeholders to request a review by FRC of any individual investment which on an evidential basis, they believe is inconsistent with the SRIP.</p>	<p>Reporting and disclosure obligation to be imposed on investment manager.</p> <p>Policy obligation to disclose details of voting and engagement.</p> <p>Transparent mechanism for challenge to individual investments on an evidential basis. Review to be undertaken by FRC or subgroup and results of each challenge published on University web pages and reported to Council.</p> <p>FRC includes staff and student stakeholder representation.</p>
8. Charity Trustee obligations	<p>The policy will ensure that the obligations of charity trustees are met; balancing the requirement to deliver a financial return, manage financial risk, deliver strategic objectives and preserve the charity's reputation, (Charity Commission Guidance and fiduciary duty)</p>	<p>have a charity trustee obligation to act in the interest of the charity primarily.</p>
9. Investment objective	<p>The policy will ensure that the primary purpose of investing, which is to generate sufficient returns to preserve capital and meet endowment expenditure and/or maximise contribution to operating income from financial assets, is met.</p>	<p>Include a statement alongside the charity obligation to re-enforce the primary purpose of investing</p>

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10. Other policies	<p>The socially responsible investment policy will have regard to other University policies including those, such as the procurement and purchasing policy and the donations policy, which are concerned either wholly or in part with external relationships.</p> <p>The socially responsible investment policy is concerned with investor/investee relationships. Different policies may apply to other corporate relationships, including those with financial services organisations and banks (see guiding principle 6).</p>	<p>Policies will address different subjects with different policy objectives and implementation challenges. The achievable pace of change will vary greatly for different policies.</p>