MANCHESTER 1824
The University of Manchester

SOCIALLY RESPONSIBLE INVESTMENT POLICY CONSULTATION

The University consultation about proposed changes to the University's Socially Responsible Investment Policy opened on 3 February and we have received a large number of responses so far.

The main reason for the proposed policy changes, which we believe are pioneering, is a recognition that climate change is the most important issue facing our planet today.

Many of the responses so far have raised additional questions and have asked for more clarity. As a result, we have developed this FAQ which I hope makes clearer about we are trying to achieve.

The consultation will remain open until Monday, 23 March, and I urge all staff and students to share their views.

Professor Nalin Thakkar
Vice-President for Social Responsibility

FREQUENTLY ASKED QUESTIONS

11. Is saying that this policy does not detract from 'The fiduciary duty of the University's Board of Governors, as Trustees, to over the long term, maximise returns from the University's investments' a 'cop out' for not doing anything?

12. In the policy, there is a section on 'Influencing Corporate Behaviour'. Does this mean that above strategy will be only be implemented in relation to climate crisis after attempts at influencing corporate behaviour?

13. Does the revised Socially Responsible Investment Policy include divesting from companies for other reasons that climate change and carbon emissions?

14. Does this policy change address carbon outputs by activities on campus?

15. Will you be reporting on which companies you have removed investments from?

Questions and answers

1. Can we summarise what we are proposing to do with our investments in response to climate crisis?

We will do two separate things:

1) remove our share investment in companies involved in fossil fuel extraction and production by 2022

2) redirect our share investments in carbon-intensive companies to companies that are more carbon efficient (emit less carbon for their level of activity), in a staged manner.

2. Why are we proposing to revise the Socially Responsible Investment Policy?

This is a response to the climate crisis, recognising that this is the most important issue facing our planet today.

The University has already taken a number of steps to help address the climate challenge. For example: We have already recognised the climate emergency declared by the UK government, and have aligned our University with the 2038 zero-carbon target of the city of Manchester.

Our staff, students and alumni are also naturally concerned about the climate crisis, and following discussions with the Students' Union, we agreed in December 2019, to bring forward the scheduled review of this policy by a year.

3. How do we currently invest?

We work with financial advisors who invest our money in designated 'investments funds' that meet the criteria we specify.

The investment funds may invest in shares, properties or cash exclusively, or in a mix of these. Each type of fund will hold a selection of investments; so, for example, a share fund will hold shares of many different companies rather than just one or two companies.

The funds are actively managed by fund managers so the allocations to various investments in the funds (e.g., shares in different companies) are constantly scrutinised and changed to ensure performance and/or to meet the investment criteria set by their clients.

Using 2019 as baseline, we had approximately 55% of our invested money in share funds, about 15% in a property fund, about 15% in a mixed fund and about 15% in a cash fund.

4. How are we proposing to change this?

We are aligning our investment policy with our 2038 zero-carbon target. However, we hope to make progress much faster than this.

To start this journey, this proposal would see us taking two separate actions:

1) removing all of our share investment in companies involved in fossil fuel extraction and production (such as oil companies) by 2022

2) redirecting our remaining share investments to companies that are more carbon efficient (emit less carbon for their level of activity) in a staged manner. For example, this could include a move from companies such as mining or road transport to renewable energy companies.

Under this proposal, we also commit to looking at other (non-share) parts of our investments as the means to measure the carbon footprint of these investments becomes available.

Finally, we also commit to annually report against these goals.

5. Is removing our investment in companies involved in fossil fuel extraction and production the same as divesting from fossil fuel companies?

Yes.

6. The policy says we will reduce our investment in companies involved in fossil fuel extraction and production by 99% by 2022. Why not 100%?

Our objective is 100% divestment. As described above, we invest through funds rather than directly in shares. It is possible that within a fund we have invested in, one of the companies may hold a small interest in fuels reserves or extraction that the fund managers are not aware of. Because of this unintentional inclusion it is more transparent to set the target at 99% (but still aim for 100%).

7. The policy refers to 'carbon intensity'. What does this mean?

This is a value that is derived by dividing the total amount of carbon dioxide emission by a company from its own activities, by the level of its activity (as measured in value of their sales). So effectively, this is a measure of the carbon efficiency of a company.

As an example, for two companies each with sales with the value of £10M, a less carbon-intensive company will have lower emissions from its activity than a more carbon-intensive company.

This is the best measure we have at the present and the only one that is broadly accepted by investment managers.

8. **Why are we proposing to reduce the 'carbon intensity' of our portfolio as well *as* divestment from fossil fuel companies?**

   Most of the emissions resulting from fossil fuels are not emitted directly by companies with fossil fuel reserves but by others using the fossil fuels (for example utilities, transportation, etc.). So, disinvesting in fossil fuel companies alone has no impact on this.

   By progressively reducing the carbon intensity of our whole investment portfolio, we are shifting our investment to the more carbon-efficient companies. This means that our investments will support the change to a low-carbon economy which is necessary in the response to the climate crisis.

   We believe this change goes much further than just disinvesting from fossil fuel companies and makes our proposals one of the most radical in the higher education sector.

9. **Are we reducing the carbon intensity of our portfolio instead of divesting from fossil fuel companies?**

   No. This is in addition to divesting from fossil fuel companies.

10. **Why are we doing this in step-wise fashion - why can't we reduce the carbon intensity of our share investments immediately to zero?**

    We can disinvest in fossil fuel companies relatively quickly and will do this **by the end of 2022**.

    Our pace in reducing the carbon intensity is determined by the speed at which the global economy shifts to low-carbon and the development by the investment industry of the right investment funds (with the right share mix) for us, and other like us, who want to go down this path.

    We are proposing to reduce the carbon intensity of our share investments by 30% by the end of 2022. We will be reviewing our investment portfolio regularly thereafter and will require our investment managers to focus our investment towards businesses and organisations that are carbon efficient to allow us to reach our 2038 zero-carbon target.

    We understand that the faster we do this the better and will aim to reach our zero-carbon target well before 2038. We will publish our progress on an annual basis.

11. **Is saying that this policy does not detract from 'The fiduciary duty of the University's Board of Governors, as Trustees, to over the long term, maximise returns from the University's investments' a 'cop out' for not doing anything?**

No. The Board of Governors of any university has the same obligations as for example, trustees of charities do, regarding their fiduciary duty i.e., the duty of care and to act in the best interests of the organisation (including ensuring best returns on investments).

The changes we are proposing are not in any conflict with this duty of care. The global economy is changing at an increasing pace in response to the climate crisis and the actions taken by businesses and governments to mitigate the crisis. The approach we are proposing is appropriate and prudent for these conditions.

12. In the policy, there is a section on 'Influencing Corporate Behaviour'. Does this mean that the above strategy will be only be implemented in relation to climate crisis after attempts at influencing corporate behaviour?

No. The targets in relation to divestment and decarbonisation are clearly and specifically set out in the policy and will NOT be subject to first attempting to influence corporate behaviour.

The issue of influencing corporate behaviour is a general statement referring to other aspects of the SRIP where specific targets or exclusions are not stated.

13. Does the revised Socially Responsible Investment Policy include divesting from companies for other reasons that climate change and carbon emissions?

No. We already have a number of social and governance factors built in to our Socially Responsible Investment Policy which address these areas.

14. Does this policy change address carbon outputs by activities on campus?

No. This consultation is about our investment policy. However, we recognise the need to decarbonise all of our activities to meet our 2038 carbon target and the important role research, teaching and our other activities play in this. Our future, the University's new vision and strategic plan, recognises this and we have begun consultation on each of our seven themes and strategic goals, which staff and students are encouraged to take part in.

15. Will you be reporting on which companies you have removed investments from?

We will publish snapshots of our investments every quarter and how they are performing against our objectives.