University of Manchester

Responsible Investment Policy – July 2026

Summary

This Policy sets out the University's approach to Responsible Investment. A key element of the Policy is an objective to decarbonise the University's entire investment portfolio. Shares in companies with material fossil fuel reserves or involvement in fossil fuel extraction are excluded and further decarbonisation will be achieved through tilting the portfolio to more sustainable companies and engaging with companies.

Progress against the set targets can be found in the annual *Responsible Investment Report* located on the University's corporate documents webpage.

1. Introduction

The University, consistent with its values and as set out in its strategy '*From Manchester for the world*', is fully committed to acting in a socially responsible manner. This policy sets out the principles for Responsible Investing (RI) that includes consideration of Environmental, Social and Governance (ESG) issues relating to all investment decisions.

The fiduciary duty of the University's Board of Governors, as Trustees, to over the long-term, maximize returns from the University's investments applies within the agreed risk constraints and also the responsible investments principles and criteria described in this policy.

This policy does not detract from the University's commitment to academic freedom enshrined in its values and, in this context, does not define the parameters for its research and business relationships.

The University's investment portfolio is made up of endowment funds. These are gifts from donors intended to be held on trust to generate a return, usually for specific purposes within the University. The University invests these funds across a range of asset classes, including public equities, property, cash, diversified growth funds and fixed income funds. The University has set out its *Investment Beliefs and Objectives*, which are reviewed every two years. The University's Investment Sub Committee, chaired by a lay member of the Board of Governors and made up of lay members, members from the University's Senior Leadership Team and with representation from the Students' Union, reports to the Finance Committee. Responsibilities include appointing Investment Advisors and Investment Managers and monitoring performance of the portfolio, considering changes in investment strategy and target asset allocations, identifying and assessing new opportunities arising and reviewing compliance with the Responsible Investment Policy.

2. Environmental, Social and Governance (ESG) Issues

The University is particularly concerned about the following key ESG issues and will continue to adopt investment strategies that seek to, ideally, eliminate investments in companies with corporate behaviour leading to:

- Environmental degradation and climate change (more detail in Section 3 and 4 of this Policy)
- Development or manufacture of weapons banned under treaties of which the UK is a signatory
- Tobacco production, cultivation and manufacture
- Human rights violations
- The institutionalisation of poverty through discriminatory market practices
- Racial or sexual discrimination
- The exploitation of workers
- Giving or receiving of bribes

Where possible, or where specific criteria are defined (e.g. decarbonisation) in the investment process, exclusionary screening criteria will be used to address the above issues.

Where it is not possible to define screening criteria for a particular issue which can be used by investment managers, a monitoring and stewardship approach will be adopted, whereby investment managers will be expected to report quarterly on ESG issues, engagement and voting activity.

3. Decarbonisation: Action on climate emergency – zero carbon transition by 2038

Climate change is probably one of the most important issues facing the world today, and the University recognises the climate emergency declared by the UK Parliament and other nation states. The University fully supports the climate targets and ambition agreed in the 2015 Paris Agreement. As an institution, the University has aligned itself with the City of Manchester 2038 zero carbon target outlined in "Manchester Zero Carbon Framework 2020-2038" and embedded this target in the University's new strategy ('Our future'). The University in addition, has a strong carbon reduction focus in its research portfolio and will be strengthening this further to aid low carbon transition in local and global economy.

The University explicitly commits in this Policy to actively decarbonise its investments so that its investment portfolio reaches net zero carbon in 2038 (the 'long term' target). The chosen target is ambitious in comparison to national level targets and actions of other organisations which have focused largely on one aspect of carbon emissions and ensures that the University investment portfolio will undergo a significant transformation over the coming years as a result. This transition will be a key focus of the Finance Committee, reporting to the Board of Governors.

The University has set the following decarbonisation targets and commitments for the period 2023-27:

1) Reducing exposure to carbon intensive companies as measured by Weighted Average Carbon Intensity[2], an indicator of current climate-related risks, in the public equity allocation by at least 50% compared to the base year (2019).
2) Reduce exposure to carbon intensive companies within the investment grade credit and Multi-Asset Credit allocation by 40% compared to the base year figure calculated using appropriate benchmarks rather than actual University exposures.
3) Reduce energy consumption within the property portfolio by 10% compared to the base year and use 100% renewable energy by 2027.

In relation to commitments 1 and 2, the University will also monitor the possibility of achieving a stretch target of a 60% reduction relative to the base year.

4. Nature considerations

As an investor, the University recognises that environmental considerations are not limited to the climate crisis and that wider nature considerations – including dependencies, impacts, risks and opportunities - may also be useful. When designing, implementing, monitoring or changing its investment strategy, the University will consider whether applying a nature lens is appropriate. The University will also review whether it is appropriate to introduce nature-based targets, when the decarbonisation targets are restated at the end of the current 2023-2027 target period.

5. Influencing Corporate Behaviour

As an investor, the University has three means of bringing pressure to bear on corporate behaviour:

- *Judicious acquisition,* where the University's Investment Managers incorporate ESG issues into the investment decision making process, including the use of screening criteria.
- *Divestment,* where the University's Investment Managers may divest of funds where the company is in fundamental breach of normative standards.
- *Stewardship,* through which the University's Investment Managers influence the ESG related strategies of the companies in which the University is a stakeholder both via proxy voting and investor engagement.

6. Investment Charter

The University of Manchester will use its best endeavours to ensure that it operates its Investment Policy in a way that is consistent with the objectives described in Sections 1, 2 and 3. The University will mandate Investment Managers adhering to this and advise Investment Managers of the following requirements:

Progressive decarbonisation

- The University will select Investment Managers and require them to implement a strategy that will result in the University achieving targets outlined above in Section 3.

Judicious acquisition

- The University will include expertise to consider ESG factors and provide good investment stewardship as explicit selection criteria when awarding Investment Manager mandates.
- The University requires all Investment Managers and Investment Consultants, to incorporate ESG factors, including zero carbon transition targets as defined above, into their advice and selection criteria of investments.

Divestment

- Where the University has agreed exclusion criteria that Investment Managers need to adhere to, if any violations of the criteria are detected divestment must ensue as soon as practical, or as in the case of decarbonisation, within the timeframe defined in the Policy.
- In other situations, where a company in which the University currently holds shares does not respond positively to concerns about its practices and is deemed to be in fundamental breach of acceptable standards of ethical and/or environmental practice, where directly practical, the University will instruct its Investment Manager to divest of shares in that Company and require the Investment Manager to inform the Company of its reasons for doing so. The University may implement this by selecting pooled funds with policies on engagement and stock selection that are aligned to the University's objectives and beliefs.

Stewardship

- In addition to the specific exclusionary criteria for acquisition and disinvestment, the University will expect its Investment Managers to engage with companies to promote high standards of conduct in accordance with this Policy, provide proxy voting and report to the University on their stewardship activities.
- Where the University holds investments in any company that does not appear to be pursuing sound ethical business practices and/or displaying appropriate environmental responsibility, the Investment Managers will seek to persuade that company to operate in a more socially and environmentally responsible manner and to improve corporate disclosure.

7. Reporting and Review

The University will make available on its website a retrospective "snapshot" report listing all shareholdings every quarter. There will also be an annual *Responsible Investment Report* on adherence to this Responsible Investment Policy including target measurements outlined under Section 3, as well as reporting on stewardship activity undertaken by the University's Investment Managers.

The University will review the Responsible Investment Policy every two years.

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