The University of Manchester

Revised Policy for Socially Responsible Investment

1. Introduction

Investors have not traditionally taken account of how the companies in which they invest make their profits, with conventional wisdom tending to be that investment may properly be made in any public company operating clearly within the law. In recent times there has been a movement towards Socially Responsible Investing (SRI), where Environmental, Social and Governance (ESG) issues are considered along with financial factors. The Board of Governors, as Trustees, has the fiduciary duty to maximise returns from the University's investments. They have delegated the active management of the investment portfolio to investment managers who will frequently buy, hold and sell investments with a view to maximising returns. It is recognised that long term stability and sustainable investment returns depend on well governed social and environmental systems.

In pursuing its Manchester 2020 Strategic Plan, The University of Manchester ('The University') has explicitly committed itself to ensuring that 'social, economic and environmental factors are built into our processes for the procurement of goods and services and how we invest our money'.

The University has therefore developed this Policy for Socially Responsible Investment, which will allow it to pursue an ethical investment approach, whilst minimising any potential negative impact on its investment returns.

2. ESG Issues

The University is particularly concerned about the following key ESG issues and will adopt investment strategies that seek to minimise or, ideally, eliminate, irresponsible corporate behaviour leading to:

- 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
- Giving or Receiving of Bribes

Within the Manchester 2020 Strategic Plan, the University confirms that it 'will be committed to environmental sustainability, setting and meeting the highest possible standards across the full range of our activities'. The University acknowledges that its investment strategy should be consistent with its sustainability objectives and that it should make investment decisions which are consistent with its social responsibility values.

The United Nations Office for Disaster Risk Reduction (UNISDR) defines environmental degradation as 'the reduction of the capacity of the environment to meet social and ecological objectives, and needs'. Some examples of environmental degradation given by UNISDR are: land degradation, deforestation, desertification, wildland fires, loss of biodiversity, land, water and air pollution, climate change, sea level rise and ozone depletion. Climate change in particular is one of the key issues facing the world today. In December 2016, 195 world leaders adopted the Paris Agreement, a legally binding document that commits all signatories to action on climate change for the coming two decades, and the University fully supports the targets agreed. There are various ways in which the University can reflect its environmental concerns in its investment decisions, including seeking investment in low carbon energy assets, actively engaging with companies it invests with in order to influence decision making, minimise irresponsible corporate behaviour and help to achieve carbon reduction targets and divesting from those companies which are deemed to be in fundamental breach of acceptable standards of ethical and/or environmental practice.

3. Influencing Corporate Behaviour

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

- *Judicious acquisition,* where agreed ethical and environmental criteria are applied by the University's Investment Managers when making investments.
- *Divestment,* where the University's Investment Managers may divest of shares held where the company is in fundamental breach of ethical investment standards.
- *Engagement,* through which the University's Investment Managers may influence the ESG related strategies of the companies in which the University is a shareholder.

4. 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 Section 2, above. The University will advise its Investment Managers of the following requirements:

Judicious acquisition

- The University will require Investment Managers to incorporate ESG factors into their selection criteria.
- The University will seek to identify and promote low or zero carbon investments where available without detrimental impact to investment risks and returns.
- The University will not invest in companies in the tobacco industry
- The University will not invest in companies that derive more than 5% of their revenue from thermal coal or oil sands

Divestment

- 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, the University will divest itself of shares in that Company and require the Investment Manager to inform the Company of its reasons for doing so.

Engagement

- The University will work with Investment Managers who engage with companies where ESG issues are a concern, provide proxy voting on ESG issues and report to the University on their engagement activities.
- Where the University invests 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 by, among other possible forms of engagement:

    i. Raising issues relating to ethical business practices and environmental responsibility at Annual General Meetings; and
    ii. Exercise its shareholder's right to vote on such issues.

Pooled Funds

The University is able to invest only in some assets, asset classes and investment strategies through pooled funds, where individual investors have less direct influence on the investments within the fund. The benefits may include access to investments with large 'lot sizes' (e.g. property and infrastructure), access to illiquid asset classes through liquid investments or exposure to a more diversified range of underlying assets in the most cost effective way. Where investments are made by Investment Managers in pooled funds or similar vehicles, the funds should seek to avoid direct investment in companies that fall within the exclusions of this policy wherever there is scope for this requirement to be accommodated.

5. Reporting and Review

The University will make available on its website a retrospective "snapshot" report listing all shareholdings on a quarterly basis.

The University will review this Revised Policy for Socially Responsible Investment after the first 12 months of its issue and then every two years thereafter.

Document control box	
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Related policies:	Financial Regulations 2.6, 8.8 and 10.28
Related procedures:	None
Related guidance and / or codes of practice:	None
Related information:	None
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Lead contact:	Head of Tax and Financing