

RESPONSIBLE INVESTMENT POLICY

1. **Introduction**

1.1 **Purpose**

This policy sets out the broad principles governing decisions on the investment of funds held by the University. The policy has been guided by trust principles and charity law.

The University is committed to ensuring that it makes investment decisions responsibly and with integrity, taking into account the legal view that when trustees exercise a power of investment they must do so to achieve the best possible financial return for beneficiaries, taking account of risk.

This policy applies to both endowment assets held under the Queen's University (Trust Scheme) Order (NI) 1982 and the medium/long term investment of University assets generated through retained surpluses.

1.2 **Advice**

The Investment Committee has obtained advice on the content of this policy from the University's independent legal and investment advisors.

1.3 **Roles and Responsibilities**

➤ Role of Senate

In accordance with the University's Charter and Statutes, Senate, as the Governing Body, is responsible for oversight of the management and administration of the University's affairs. Senate is supported by Planning and Finance Committee (PFC) to whom it has delegated a number of key responsibilities.

➤ Role of Planning and Finance Committee

The Terms of Reference for PFC are comprehensive, as it is a key sub-committee of Senate. Members of PFC (not Senate) are the Trustees of the Queen's University (Trust Scheme) Order (NI) 1982, and as such, also have a number of primary responsibilities. With regard to this policy the relevant extracts from PFC's Terms of Reference are:

- Advising, and where appropriate, making recommendations to the Academic Council and the Senate, on the University's academic, financial, physical and human resource objectives and priorities.
- Supervising all matters relating to the University's finances and accounts, investment of funds, the receipt of income and expenditure incurred and the management of trust funds.
- Consideration and approval of subsidiary strategies and operational plans to support the University in the delivery of its strategic objectives.
- Oversight of the strategic management of legacies, endowments, bequests and/or gifts made to the University.

➤ Role of the Investment Committee

The Terms of Reference of the Investment Committee are derived from two sources:

- (a) The Queen's University (Trust Scheme) Order (NI) 1982 –

- To advise PFC upon the investment, sale or reinvestment of any of the funds comprised in the Investment Fund and of any other funds or monies which shall at any time be or become subject to this Scheme.
- In accordance with any authority from time to time conferred on it by PFC to buy, sell or otherwise deal with stocks, shares and securities of all kinds including real property or any interest therein for and on behalf of the University for the Investment Fund.

(b) PFC –

- To provide advice on the investment of general University funds.
- To consider and subsequently report/make recommendations on matters pertinent to the investment of funds, the receipt of income and expenditure incurred and the management of Trust Funds.

2. **Key Definitions**

2.1 In the context of this policy the key definitions of the table below will apply.

Term	Definition
<i>ESG</i>	<i>An acronym that stands for “environmental, social and corporate governance”. ESG factors encompass a broad range of issues that some investors consider alongside traditional financial factors when assessing companies for potential investment. No definitive list of ESG issues exists, but examples include: energy and resource management (environmental); labour relations and product safety (social); and executive remuneration (corporate governance).</i>
<i>Responsible Investment (RI)</i>	<i>An investment approach that focuses on the integration of ESG considerations into investment management processes and ownership practices in the belief that these factors can have a positive societal impact and the recognition that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.</i>
<i>United Nations Principles for Responsible Investment (UNPRI)</i>	<p><i>Signatories of the UNPRI will comply with the following:</i></p> <ul style="list-style-type: none"> • <i>They will incorporate ESG issues into investment analysis and decision making processes.</i> • <i>They will be active owners and incorporate ESG issues into their ownership principles and practices.</i> • <i>They will seek appropriate disclosure on ESG issues by the entities in which they invest.</i> • <i>They will promote the acceptance and implementation of the Principles within the investment industry.</i> • <i>They will work together with other investors to enhance their effectiveness in implementing the Principles.</i> • <i>They will report on their activities and progress towards implementing the Principles.</i>

Note :- In the context of this policy the singular term University has been used throughout. In practice the action/decision may be effected by a relevant sub committee under delegated powers.

3. Investment Strategy

3.1 Objectives

The primary purpose of the investment of funds is to optimise returns in order to support the specific purposes for which the funding was given to the University.

The University seeks to achieve the maximum income that is consistent with preserving the real value of capital and income over the long term.

The University seeks to minimise volatility, whilst meeting its long term objectives, and has developed appropriate benchmarks in conjunction with external advisors. The University's appointed Investment Managers are required to manage the assets of the portfolio in accordance with Client Agreements and in line with the agreed Responsible Investment processes outlined below.

3.2 Choosing and Managing Investments

It is current University policy not to hold any shares or bonds directly.

All holdings are aggregated into pooled funds for the purposes of investment. Pooled fund investments benefit from economies of scale which allow for lower trading costs whilst facilitating diversification and risk reduction within the portfolio. Investment decisions are made at the pooled level so individual investors have limited direct influence on the specific investments within the fund.

This policy was reaffirmed by PFC and Senate in November 2015.

The University relies on professional fund managers for the day-to-day management of the investments..

The University has determined the types of asset class in which it wishes to invest and has selected two fund managers to manage particular types of asset class, depending on their areas of expertise. The current fund managers and their respective mandates are set out in the following table:

<i>Manager</i>	<i>Asset/Market</i>
<i>Cazenove / Schroder</i>	<i>Active management of equities, property and bonds, all markets.</i>
<i>Legal and General</i>	<i>Passive management via tracker fund.</i>

The Financial Conduct Authority (FCA) regulates the fund managers.

There are a range of controls in place to monitor investment by the fund managers, including a total return benchmark which is aligned to the overall asset allocation. The University has also set each fund manager performance objectives in relation to published indices.

3.3 Diversification and Risk Management

The University recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The University manages the risk by:

- Investing in pooled funds;
- Restricting investment to asset classes generally recognised as appropriate for UK charities;
- Analysing the volatility and absolute return risks represented by those asset classes in collaboration with the investment managers and ensuring that they remain consistent with the risk and return profiles anticipated;
- Developing a diversified asset allocation.

These considerations drive decisions over asset allocation. The asset allocation is reviewed on an annual basis at a meeting, which is attended by the fund managers. In determining its asset allocation, consideration is given to:

- A full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class;
- The need for appropriate diversification.

The investments are diversified across various asset classes in order to increase the overall expected returns whilst reducing the overall level of projected risk. A mixture of passive and active mandates is also used to capture the returns required to meet the objectives.

3.4 Future Donations

Future gifts that are given to the University to produce income will be invested in accordance with this Responsible Investment Policy; and within the asset allocation strategy prevalent at the time, unless the donor makes specific requests around such investment. The donor's wishes will be respected if practicable.

4. Statement of Responsible Investment

4.1 Principles

The trustee's overriding obligation is to act in the best interests of the beneficiaries of the funds invested in the corporate name of the University. In this fiduciary role the University believes that ESG issues can affect the performance of investments. Accordingly, the University believes that these factors should be taken into account when managing the assets, subject to the overriding fiduciary duty to maximise the financial return on investments.

As a means of demonstrating its commitment to responsible investment practices, the University has employed fund managers who are signatories to the UNPRI. The fund managers are active investors, who vote at company meetings in which they have a shareholding, and proactively engage directly with the companies' senior management teams.

4.2 Responsible Ownership

Responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect the value of investments in them, and that the incorporation of ESG issues into investment decision-making can have a positive societal impact. It also places a high value on companies' own good governance.

Responsible ownership differs from ethical investment, which generally focuses on excluding or including companies from an investment portfolio (positive or negative screening). By contrast, responsible ownership involves investors using their shareholder power in the companies they invest in. The University does this via its fund managers who vote at shareholder meetings and engage, both directly and indirectly, with company senior management, when ESG issues of concerns have been identified. The purpose of voting and engagement is to improve corporate behaviour, to protect shareholder value and promote ESG best practice.

The University expects its fund managers to invest in companies which comply with ESG best practice. As such, the University expects that its fund managers will act in a way that reduces and, ideally, eliminates, corporate behaviour leading to:

- Environmental degradation
- Climate change
- Support for war or loss of life
- Human rights violations

- The institutionalisation of poverty through discriminatory market practices
- Racial or sexual discrimination
- Practices contributing to ill health
- The exploitation of workers, and
- The giving or receiving of bribes.

For actively managed funds votes are cast by Cazenove/Schroders according to its own voting policies. For passively managed funds, votes are cast by Legal and General Investment Management, according to its own voting policies. The managers will report to the University on their voting activities on a regular basis.

The fund managers are encouraged to engage, on the University's behalf, with those companies where ESG policies fall short of acceptable standards, and where this is likely to have a detrimental impact on the long-term value of the company.

Where investments are made by third party fund managers in pooled funds or similar vehicles, the University's requirement is that wherever practicable, the funds in question should seek to avoid direct investment in companies who do not comply with ESG best practice. The University does, however, recognise that where investments are made in index-related securities, it is not practicable, at present, to pursue an investment strategy where no indirect investment in such companies arises. Therefore the University will, on an annual basis, review the investment portfolio with the fund managers, to ascertain if alternative investments, which exclude such companies, can be used without being materially detrimental to expected investment returns.

4.3 Investment Decisions

The University delegates the selection of investments held to its fund managers, and does not impose explicit investment restrictions regarding social, ethical and environmental issues. However, the University has instructed its active fund managers to take account of ESG considerations, and provided that the effect is not materially detrimental to expected investment returns, the University will seek to transfer its indirect investment into funds which exclude companies involved in the extraction and production of fossil fuels, by 2025.

The University will ensure that the fund managers it appoints are capable of taking ESG issues into consideration when making investment choices, it will monitor the managers' action in this area and will work with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.

5. Compliance

5.1 Frequency of Review

This policy will be reviewed on an annual basis. Any recommendations for change will be considered by PFC, whose membership reflects key stakeholders.

5.2 Performance Measurement

On a quarterly basis the University monitors the performance of the combined assets and the performance of each manager's portfolio against their target benchmark. The University also reviews each manager's long-term investment performance and the appropriateness of the Fund's benchmarks.

5.3 Reporting

The Investment Committee will provide an annual report to Senate relating to the performance of the investments, the integration of ESG issues into investment decision-making and actions taken by the fund managers to implement the University's commitment to responsible investment.