



University of
St Andrews

Sustainability Investments Policy

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1 Purpose and scope of this policy

This policy has been developed to embed governance and sustainability and impact issues alongside financial considerations into investment decisions relating to those funds which have been **permanently endowed** to the University for both specific and general purposes.

Funds donated towards capital projects and funds donated on an expendable basis are covered by the University's Treasury Management Policy.

This policy is mandatory and applies to all staff. It operates in support of the University Ordinances and the Financial Regulations which are set by the University Court.

2 Sustainable Investment Policy & Variation of Terms

The University Court of the University of St Andrews holds a modest amount of Endowment Assets. These funds comprise restricted funds provided for specific purposes such as scholarships and prizes, as well as funds for general purposes.

Sections 3 to 12 below set out the investment policy for these assets. This investment policy is subject to regular review by the Investment & Treasury Assurance Group (ITAG) on behalf of the University Court. Section 13 sets out the regulatory framework and procedure which must be followed in the rare occasion that the University wishes to amend the use of endowed funds from that which was agreed by the original donor. Responsibility for governance of these arrangements rests with the University Court which it discharges by way of the Audit & Risk Committee.

3 Authority to Invest

The University Court derives its authority to invest funds from Ordinance No. 119 'Additional Regulations as to the administration and finances of the University', which provides for wide ranging powers to enter into financial transactions and arrangements.

OSCR, the Scottish Charity Regulator, sets out in the "[Charity Investments: Guidance and Good Practice](#)" the responsibility of charity trustees in relation to investments and their duties, in particular aligning investments to charitable aims as well as non-financial and ESG outcomes.

Regarding the application of sustainable investing principles, the University Court is content to place reliance on:

- a) A report commissioned by The Generation Foundation, Principles for Responsible Investing (PRI) and the United Nations Environment Programme's Finance Initiative (UNEP FI) considers the role of the investor as an active agent in shaping the world around us, rather than as a spectator betting on the side lines from legal firm Freshfields Bruckhaus Deringer.

Source: UNEP: [A Legal framework for impact. Sustainability impact in investor decision-making](#)

- b) A report commissioned by the Impact Investing Institute, Esmee Fairbairn and the Department of Culture Media and Sport (DCMS) and produced by Bates Wells Braithwaite, Herbert Smith Freehills LLP, BDB Pittman's and Farrer & Co., in order to provide a description and overview of the law and its application to impact investing by endowed charitable organisations of their endowment assets.

Source: Impact Investing Institute 2022 [Can Charities Invest their Endowment with impact? - Impact Investing Institute](#)

The University is satisfied that these reports indicate that it is empowered to make decisions on the basis of risk, return and impact by setting impact goals and measuring against them, which are aligned with the interests of the funds' stakeholders, as long as the approach to investment continues to involve a high degree of professional expertise, there is diversification in the asset base – taking into account due regard for items of risk and return – and where the trustees have considered whether a sustainable/impact investing approach will most effectively advance the University's objectives as well as actively shaping the world around us.

4 Needs of the Endowment Fund(s)

The primary purpose that the University Court needs to support is the generation of sufficient revenue to meet the specific purposes for which the funding was given to the University.

The specific funds largely provide for three main core areas of spending – support for specific academic chairs, provisions of scholarships and bursaries and a group of other specific funds which include book and prize funds, travel bursaries and other causes.

The University seeks to protect the real long-term value of its Funds against inflation as measured by the UK Consumer Price Index (UK CPI).

In addition to maintenance of this real terms value, the Fund must generate a return to meet the ongoing needs of the intended beneficiaries of the Funds, this requirement is approximately 4% of the fund value per annum.

Consequently, the University's investment policy aim is to achieve a long-term annual rate of return of CPI + 4%. It is the responsibility of management to monitor the return relative to UK CPI, taking account of both the needs of the beneficiaries whilst maintaining the real terms value of the funds.

This can be summarised as:

	Financial target	Liquidity	Risk	Impact alignment/ creation
Overall Endowment Fund	Average CPI +4% over the medium term of 3-5 years.	A minimum 3 years spend able to be liquidated within 7 days	There is a recognition that risk is required to generate return. ITAG should be comfortable with the risk exposure given the forecast returns and bearing the financial target in mind. The University can accept short term volatility	Impact ambitions are important, but must align to financial return objectives

5 Our guiding sustainability principles

We believe that our investments should mirror the University's desire to be sustainable and promote a better world as encompassed in the Sustainable St Andrews pillar of its Strategy. Our endowment addresses these issues via some guiding principles, which align closely with the UN Global Compact (UNGC), the UN Environment Programme (UNEP) and the UN Sustainable Development Goals (SDGs).

We will adopt an A, B, C approach to investing and our investments:

- | | |
|--|---|
| A – Avoid Harm | We will seek to ensure our investments do not cause (or invest in companies that cause) harm from an environmental, societal or governance (ESG) perspective. |
| B – Benefit St Andrews and Society as a whole | <p>Our investments will consider the positive impact and benefit they have on The University of St Andrews, our local community and the wider, global, society as a whole.</p> <p>Our investments will be underpinned by ESG principles and our belief in innovation and will strive to drive positive change and outcomes.</p> |
| C – Considerate Investing | <p>Our investments and investing strategy will be Considerate, in both meanings of the word</p> <ul style="list-style-type: none"> • They will be based on, and demonstrate, careful thought and consideration • They will be targeted not to inconvenience or harm others |

The USTA will deliver a sustainable investment strategy by considering environmental, social and governance (ESG) characteristics alongside financial criteria (return, risk, volatility etc.) when selecting an investment opportunity.

In making investment decisions the University will, and expects its appointed managers to, consider and, where appropriate, prioritise, the following areas (this list should not be considered as exhaustive);

- Investments that support the University’s commitment to be Net Zero by 2035
- Actions that support global progress toward Net Zero, Paris Climate Agreement, the 2degree Investing Initiative, or similar strategies, protecting the global environment, its climate and its biodiversity;
- The protection of human rights, including but not limited to the equality of gender, race, religion and sexuality;
- The use of and promotion of good business ethics and good employment practices;
- The promotion and support of community investment;
- The promotion of international co-operation and an end to international conflict
- Encouragement of sustainable provision and procurement of essential resources and services (utilities for example)

Specifically, the USTA, and its appointed managers, should ensure University funds are not invested in:

- Companies which test on animals purely for cosmetic purposes
- Companies which produce weapons covered by international banning treaties, such as anti-personnel mines and cluster munitions
- Companies that generate an element¹ of revenue from
 - the provision of, or involvement in gambling, activities

¹ The University determines an element to mean more than 5% of their revenue. This is to avoid the exclusion of industries such as Retail where [for example] lottery tickets are sold but make up only an incidental proportion of overall revenue.

- the production, distribution or provision of tobacco products
- the production, distribution or provision of adult entertainment products or services
- Countries and state sponsored investments that violate widely accepted international treaties.

6 Climate Action – Net Zero by 2035

We consider climate change to be the most important long-term risk affecting humanity and the planet. The University vision is to be Net Zero by 2035. As such it will take out all avoidable greenhouse gases it releases into the atmosphere and compensate for remaining emissions that are unavoidable.

We believe that the endowment can play a role in both aligning its investments with Net Zero and actively contributing to a carbon neutral world. We distinguish between

- Impact investments that intentionally seek to remove or reduce greenhouse gas emissions from the atmosphere, whilst generating a financial return. We will measure their outcomes and evidence additionality, both at the investor and underlying investment levels. These are typically private market investments but can also include funds that are delivering attributable climate outcomes through shareholder engagement.
- Sustainable thematic investments in listed companies whose products and services help to decarbonize economic activity.
- Investments in companies which integrate environmental, social and governance policies into the way they operate and are seeking to transition to a net zero world.

All three approaches have a role to play in the endowment. Where possible we will prioritise:

- strategies that explicitly aim to reduce real world emissions over those that do not,
- strategies that can demonstrate additionality beyond a counterfactual.

We recognise that as we approach our target date of 2035, there will be more technologies, more solutions and more carbon offsets available for decarbonization. Therefore, our Net Zero implementation strategy may need to reflect this reality.

We will encourage our investment managers to support us in our vision and to adopt their own strategies for Net Zero. Our preference is for managers who:

- Mirror our timeline for Net Zero by 2035
- Where not possible, clearly articulate their targets and a terminal date for Net Zero across all assets, with interim milestones
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
- If using offsets for hard-to-abate emissions, prioritise carbon removal over avoided emissions, or choose avoidance offsets with clear biodiversity benefits.
- Facilitate increased investment in climate solutions
- Report portfolio Scope 1 & 2 emissions and, to the extent possible, Scope 3.
- Disclose in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations
- Employ active ownership policies and processes that align with or help further our Net Zero 2035 commitments

7 Strategic Asset Allocation and Investment Strategy

This can be found in our separate [Strategic asset allocation and investment strategy](#) policy.

This document is reviewed and updated on an Annual basis by the University's Investment and Treasury Assurance Group and approved by Court via submission by PARC.

8 Investment Managers

The University is a signatory of the United Nations Principles of Responsible Investment (UNPRI) initiative. Appointed asset managers must also be signatories of the UNPRI. They must disclose publicly their governance and sustainability frameworks.

9 Engaged ownership

We do not have the capacity to engage directly, so rely on our investment managers to do so on our behalf. In any manager selection process, we would weigh active ownership capabilities highly and expect to see robust engagement and voting policies and processes.

- Voting:
 - We expect our managers to vote in ways aligned with this policy.
- Engagement:
 - We require our managers to engage with companies for better sustainable outcomes. We encourage constructive engagement, with clear escalation milestones. Typical steps could include initial dialogue, an official letter, collaborative engagement with other shareholders and filing a shareholder resolution to influence board decisions. We recognize that engagement can take time but, where unsuccessful after a period of 5 years, would support divestment. We expect to see clear evidence of attributable outcomes that have been achieved through engagement, both in the manager selection process as well as ongoing reporting.

10 Fund Performance

Appointed managers will be accountable to the University in terms of financial performance and adherence to commitments made on issues of sustainability and impact.

Investment managers are expected to report to the ITAG in writing and in person periodically in line with the needs of the Committee. Investment managers will provide monthly valuation data to the finance department in good time for inclusion in the monthly accounts preparation process, as well as more detailed reports summarising:

- a. Investment Returns – Investment managers will provide a quarterly report outlining performance compared against the agreed benchmark for that quarter, the previous 12 months and the previous 3 and 5 years or since appointment (as appropriate).
- b. Investment Criteria – Investment managers will provide quarterly reports outlining their investment decisions in relation to the Investment Criteria agreed with them on appointment and as summarised in this policy.
- c. Investment managers will engage with the wider stakeholder group on a rolling basis at a public event to be held on the University's premises, as requested by ITAG.

- d. The University would expect any appointed investment manager to support the development of this policy in conjunction with the ITAG, particularly with regard to transparency and definition of sustainability issues.

11 Measurement and reporting of impact

We recognise that impact measurement and reporting is still in its early stages and expect data quality and standardization to improve over time.

On a quarterly basis (or annually as agreed in advance, by exception) we expect managers to disclose their voting decisions and shareholder engagement outcomes, and delineate engagements that are collaborative through investor coalitions or conducted directly.

Managers should also endeavour to communicate on an annual basis the Scope 1,2 (and where possible Scope 3) emissions of securities and a weighted average carbon intensity metric for the portfolio, as well as an indication of transition progress to Net Zero for individual companies and for the portfolio as a whole.

12 Ongoing donations

Ongoing donations will be used in accordance with donor's wishes.

Those gifts that are given to produce income to support general or specific income will be invested in support of the asset allocation strategy prevalent at the time, unless the donor makes specific requests around such investment, in which case the donor's wishes will be respected if practicable. Those gifts that are given to be spent on a specific purpose will be done so as soon as practicably possible and within three years of giving. Those gifts that are given for the general benefit of the University will be used in the year of gift on purposes which will be determined by the University. Currently such income is used to support the provision of scholarships and bursaries for students, or towards specific fixed asset investments.

13 Variation of terms

From time to time the original terms and conditions associated with some older endowments cannot be met. Ordinance 2009 No.3 'Regulation of Foundations, Mortifications, Gifts, Endowments and Bursaries Use of Surplus Revenue and Amendment of Endowments' provides the University with the authority to amend the use of such funds. In such circumstances the University may take steps to utilise the revenue from such funds for alternate purposes. The process for this action is outlined below;

1.1. Permanent variation of terms

- 1.1.1. This power may be exercised where the original terms of the endowment cannot be currently fulfilled and are unlikely to be fulfilled in the future. This could occur, for example, where the operations of the University are significantly altered such as when a particular study course is withdrawn.
- 1.1.2. Where the founder, patron, donor or other trustee of the relevant endowment fund is known to the University and is capable of expressing a view, the University will first consult them and give due weight to any view expressed in relation to how the terms are changed.
- 1.1.3. Where the founder, patron, donor or trustee cannot be contacted, the University will endeavour to ensure that any new terms will remain as true to the original intentions as is possible. For example, although not exhaustive or conclusive:

- Funds endowed for scholarship purposes will continue to be used to fund scholarships;
- Funds specifically intended for Scottish or UK students will continue to be used to fund students from those areas;
- Funds designed to subsidise students on a particular course may be re-designated to a different course within the same School.

1.1.4. Any proposed change to the terms of a permanent endowment fund will be formally submitted to Court and cannot be carried out unless approved to do so by both the donor (which applicable) and Court.

1.2. Redeployment of excess income

1.2.1. Where, in any academic year the income generated by a restricted, permanent endowment fund exceeds the amount that can be reasonably utilised for the original intended purpose, the University may redeploy those funds for an alternative purpose subject to the conditions set out below.

1.2.2. Where the founder, patron, donor or other trustee of the relevant endowment fund is known to the University and is capable of expressing a view, the University will first consult them and give due weight to any view expressed in relation to how the excess funds are utilised.

1.2.3. Where the founder, patron, donor or trustee cannot be contacted, the University will endeavour to ensure that the redeployment of excess funds will remain as true to the original intentions as is possible. For example, although not exhaustive or conclusive:

- Income generated for scholarship purposes will continue to be used to fund scholarships;
- Income specifically intended for Scottish or UK students will continue to be used to fund students from those areas;
- Income designed to subsidise students on a particular course may be re-designated to a different course within the same School.

1.2.4. Any proposed redeployment of income will be decided in conjunction with the Spend Controller of the endowment fund (normally the Head of School) and will be formally submitted to Court. No redeployment of income will be carried out unless approved to do so by the donor (which applicable), the Spend Controller and Court.

1.3. Responsibilities

1.3.1. The Development Office of the University are responsible for collating the contact details for individuals, trusts or other donors who have made permanently endowed donations to the University.

1.3.2. All reasonable efforts will be made by the Development Office to ensure that these details are kept secure and up to date.