**Suggested addition to University of Strathclyde Treasury Management Policy**

**Introduction**

**The partnership between the University Executive team and the Union Executive team takes the form of the Strategic Framework Alliance whereby both the teams work together to complete the changes for students as identified by the Union Executive team. One of the changes that is being worked on is ensuring that Strathclyde is sector-leading and living out its values with regards to sustainability and ethical investment. In the Strategic Alliance Framework it was agreed that Strath Union would work with the Responsible Investment Working Group on additions to the Treasury Management Policy to embed the university’s ethical investment work.**

The University of Strathclyde has a strong commitment to social and environmental responsibility across all of its operations. Ethical investment is already a key strand of this work, with the university announcing a major new responsible investment [plan](https://www.strath.ac.uk/whystrathclyde/news/2021/strathclydecommitstosustainableinvestmentplanand70carbonemissionscutby2025/) in 2020. This plan was developed in partnership with the Students’ Union and involved transferring 7% of the university’s investments to a sustainable fund managed by Newton Investment Management. This fund avoids certain environmentally and socially harmful areas and instead invests in certain more positive impact areas.

However, there is currently no formal ethical investment section in the university’s Treasury Management Policy to formalise the approach and ensure consistency over time. There is also scope to further strengthen our approach, in line with sector best practice, which has developed significantly since our latest ethical investment review. This could include moving the remaining 93% of the university’s portfolio into positive-impact areas.

As such, this paper from the Responsible Investments Working Group proposes an addition to the University of Strathclyde’s Treasury Management Policy to formalise the university’s approach to responsible investment.

The addition covers several areas of ethical investment:

**Exclusions**

[More than 70%](https://www.theguardian.com/education/2023/dec/13/more-uk-universities-cut-ties-with-fossil-fuel-industry) of UK universities, including the majority of Scottish universities, have an explicit exclusion of fossil fuel companies as part of their investment policies. Whilst fossil fuel exposure is minimal already, to ensure this remains the case it is best practice to include a list of excluded industries, including fossil fuel companies, in a publicly available ethical investment policy. This will also help to communicate to students, for whom this is an issue of [significant interest](https://www.sos-uk.org/post/student-views-on-universities-financial-decisions-and-ethical-investments#:~:text=Student%20views%20on%20university%20financial%20decisions%20and%20ethical%20investments,-June%2028%2C%202023&text=Invest%20for%20Change%20is%20an,and%20planet%2C%20not%20against%20them.), that the university is in line with the sector-standard on sustainable investment.

**Engagement (also known as stewardship/active ownership)**

As a shareholder in some of the world’s largest companies, and a client of a large global investment manager with significant Assets Under Management (AUM), Strathclyde is well positioned to influence these institutions in a more sustainable and socially responsible direction. This is particularly important given worrying trends on ESG progress in the investment management industry, with a [steady decline](https://shareaction.org/reports/voting-matters-2023) in ESG ambition in the sector since 2021. Whilst Strathclyde’s asset managers do conduct their own ESG due diligence and engagement work, including through MSCI ESG rating processes, this is just one aspect of sustainable investing that this policy aims to build on further. At the company level, we also know that [just 5%](https://www.ey.com/en_uk/news/2023/04/only-five-percentage-of-ftse-100-have-published-net-zero-plans#:~:text=Nearly%2018%20months%20after%20the,detailed%20under%20draft%20Government%20guidance.) of FTSE 100 firms have a credible net zero plan, according to draft government guidance. There is clear room for improvement both in how the investment management industry and individual companies are approaching the climate crisis and other ESG issues. Asset owners/investors, particularly those with such a clear reputation for scientific excellence and moral leadership, have a key role to play in helping to drive ambition. The most robust ethical investment policies recognise this influence as a key part of maximising the positive impact of a university’s investments. There are a range of expectations and tools available, some of which the university is already utilising, through which the university can exert this influence. Many universities, particularly those with the most comprehensive ethical investment policies, include reference to engagement with investment managers and other ethical stewardship work as a key part of the institution’s ethical investment remit.

Outlining Strathclyde’s ethical engagement processes and expectations is therefore a core part of ensuring our approach to responsible investment is comprehensive and maximises impact.

**Positive Impact Investments**

A number of universities have already started to set targets for positive impact investments, including the Universities of [Edinburgh](https://www.ed.ac.uk/sustainability/programmes-and-projects/supply-chains-and-investments/responsible-investment/social-investments) and [Bristol](https://www.bristol.ac.uk/media-library/sites/finance/documents/endowment-investment-policy.pdf), and [Jesus College Cambridge](https://www.jesus.cam.ac.uk/sites/default/files/inline/files/Responsible%20Investment%20Policy.pdf). These are investments which go beyond a traditional ESG approach (which tends to aim to avoid the risk of high-polluting, high-inequality/exploitation companies to long-term investment returns by excluding them from portfolios). Instead, they target a specific, measurable, positive environmental and social impact. There is significant [evidence](https://www.sos-uk.org/post/student-views-on-universities-financial-decisions-and-ethical-investments#:~:text=Student%20views%20on%20university%20financial%20decisions%20and%20ethical%20investments,-June%2028%2C%202023&text=Invest%20for%20Change%20is%20an,and%20planet%2C%20not%20against%20them.) that students are highly supportive of impact investments by their university. Not only will this help us to advance our social and environmental ethos in our investments, it will also offer a reputational benefit as we would be joining sector-responsible investment leaders. It may also enable the university to support local businesses such as those in the Glasgow Innovation District.

**Transparency**

Finally, many universities list their investments publicly each year at an agreed date to provide a transparent snapshot.

As such, the following addition to the Treasury Management Policy is proposed:

**“Ethical Investment**

The University of Strathclyde is committed to managing its investments in accordance with the highest standards of social and environmental sustainability. The university will therefore select fund managers and invest in funds that demonstrate a strong approach to ethical investment and generally invest in accordance with the values of the university.

As part of its commitment to social and environmental responsibility, there are a number of areas the university does not and will not invest in, either directly or via pooled funds. These include:

* Fossil fuels
* Tobacco
* Gambling
* Deforestation

The university also believes that, working with its investment manager/s, it can use its voice as a shareholder to improve companies’ policies and practices in relation to environmental and social responsibility. As such, as far as possible, it will:

* Receive regular reports from its investment manager/s relating to ethical investment activities. This should include information on voting at company AGMs, informal and formal engagements and other activity aimed at improving the environmental and social responsibility performance of companies in the university’s portfolio. It should include reference both to successful engagements and to how engagements have been escalated where compliance with ethical and environmental standards has not been achieved.
* Undertake regular engagement with its investment manager/s to ensure that they are investing in companies that are committed to decarbonisation and social responsibility and effectively engaging with companies and other investment managers. The university will refer to third-party reports into the investment management sector to better understand best practice and engage with its manager/s. The University expects its investment managers to support environmental resolutions at company AGMs (or to disclose a clear rationale for not supporting them) and to vote against the re-election of directors of companies where the company does have credible climate strategies, excessive remuneration packages that are not linked to environmental metrics, or the reappointment of auditors who sign off accounts with unrealistic assumptions relating to environmental risks and stranded assets. The university reserves the right to publicly move its business away from managers who do not meet these expectations. It will assess compliance with the expectations regularly and use them as a key plank in evaluating managers in regular re-tendering and review processes.
* Join with other universities, investors and investor groups in initiatives aimed at advancing shared goals in the area of responsible investment.

The University is committed, wherever possible, to investing for positive social and/or environmental impact. This includes positive local impact in Glasgow and the surrounding areas, as well as more generally in areas such as renewable energy, social housing, the circular economy, sustainable transport infrastructure, reforestation and rewilding projects.

As such the University aims to invest at least 10% of its endowment in ‘impact investments’. This allocation should be subject to the relevant financial considerations laid out in this policy, but these should be balanced against the opportunity for deep positive impact in line with the university’s values that these investments offer, alongside the usual risk/return/liquidity consideration. Impact investments are defined by the [Global Impact Investing Network](https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing) as “ investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return”. The university will refer to expert organisations such as the Impact Investing Institute, Big Society Capital and the Global Impact Investing Network, as well as impact investment best practice in the charity and HE sectors, to determine appropriate impact investments with its investment manager, or with other managers. This is important for ensuring impact claims are credible.

The University will also work with its investment manager/s to publish an annual snapshot of its investment holdings, to be made available on the university’s webpages alongside information about the university’s work on ethical investment”

It is proposed that the university should publicly announce these additions to spotlight the positive work that it continues to do, as it is a key area of interest to students and the wider Strathclyde community. As an influential institution, it is also possible that publicising Strathclyde’s actions could promote best practice elsewhere, influencing other investors and widening the impact of this work further.