University of Liverpool Ethical Investment Policy

1. Introduction

This Policy has been developed with the intention of active promotion of investment in companies and investment funds which demonstrate policies and practices that are in line with the University values as set out in Strategy 2026. This states that 'We will be guided by strong ethical principles and ensure that our values are embedded in our plans and actions'.

This Ethical Investment Policy applies to the full scope of the investments held by the University. It does not apply to the investments held by the independent University of Liverpool Pension Fund.

The University Council's authority to invest funds derives from its Statutes and is detailed further in its Regulations.

The governance of investment activities is delegated to the Investments Sub-Committee of the Council, which reports to the Planning and Resources Committee of Council.

This Ethical Investment Policy is subject to regular review by the Investments Sub-Committee and approval by Council.

2. Investment of Funds

A separate document, The University of Liverpool Investment Strategy, sets out the objectives for the investment portfolios held by the University. The appointed investment fund managers of the University have responsibility for stock selection. They have the delegated authority to manage the assets of the portfolio in accordance with the guidelines set out by the University.

3. Investment Principles

The University of Liverpool is committed to investing its funds on a socially responsible basis. The University believes that to accord with its values when investing its funds, regard must be made to Environmental, Social and Governance (ESG) issues.

The University has identified two sets of principles which accord with its values and aspirations in this area, one relating to the operations of its fund managers and the other to setting appropriate standards for all its investments.

Firstly:

The United Nations Principles for Responsible Investment.

These six principles have been developed, *inter alia*, to 'better align investors with the broader objectives of society' and are as follows:

- We will incorporate ESG issues into investment analysis and decision-making processes;

- We will be active owners and incorporate ESG issues into our ownership policies and practices;
- We will seek appropriate disclosure on ESG issues by the entities in which we invest;
- We will promote acceptance and implementation of the Principles within the investment industry;
- We will work together to enhance our effectiveness in implementing the Principles; and
- We will each report on our activities and progress towards implementing the Principles.

The University therefore expects that its fund managers will either be signatories of the UNPRI or echo its principles in the way it operates.

Secondly:

The United Nations Global Compact

The University also supports the ten principles of the United Nations Global Compact, which stem from the acceptance that, as with the University itself, corporate sustainability starts with a company's value system and a principled approach to the way it operates. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. The ten principles are derived from:

- The Universal Declaration of Human Rights;
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development; and
- United Nations Convention Against Corruption.

The ten principles are:

- **Human Rights**
  - Businesses should support and respect the protection of internationally proclaimed human rights; and
  - make sure that they are not complicit in human rights abuses.
- **Labour**
  - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - the elimination of all forms of forced and compulsory labour;
  - the effective abolition of child labour; and
  - the elimination of discrimination in respect of employment and occupation.
- **Environment**
  - Businesses should support a precautionary approach to environmental challenges;
  - undertake initiatives to promote greater environmental responsibility; and
  - encourage the development and diffusion of environmentally friendly technologies.
- **Anti-Corruption**
  - Businesses should work against corruption in all its forms, including extortion and bribery.

In managing its investments the University therefore expects its appointed investment managers to encourage good behaviour and discourage poor behaviour through the screening of investments (using the principles above or an equivalent framework) and through the direct engagement with the companies in which they invest. In doing so, they should promote sustainability, good business ethics, good employment practices and the transition to a low carbon economy.

4. Exclusions

Beyond the responsible investment practices and principles set out above, the University believes that certain types of investment should be excluded from its direct investments. These are:

- Companies that manufacture tobacco products;
- Companies that derive significant revenues from thermal coal or tar sands;
- Companies that derive significant revenues from the manufacture or sale of armaments;
- Companies engaged in testing of cosmetic and non-pharmaceutical products on animals except where it is mandatory;
- Companies that derive significant revenues from the sale of tobacco products.

The University defines significant as in the region of 10% or more of revenues.

The University has committed to extending the exclusion on thermal coal and tar sands to companies that derive significant income from fossil fuel extraction. The University is consulting its fund managers on this and intends to have a full fossil fuel exclusion in place for 31 July 2022.

5. Manager Discretion and the Use of Pooled Funds

While operating in accordance with the principles set out in section 3 and the exclusions set out in section 4, appointed investment managers are left at their own discretion to select individual stocks and investments and to operate within their own Socially Responsible Investment Policies.

The University is able to invest in certain investment strategies through pooled funds, where individual investors have no direct influence on the investments within the fund. The benefits of such investments may include access to illiquid asset classes through liquid investments or exposure to a more diversified range of underlying assets in the most cost effective way. In selecting pooled funds or similar vehicles, the University will take account of funds' compatibility with the principles and exclusions set out above and seek to minimise indirect investment in companies that fall within the exclusions of this Policy wherever there is scope for this requirement to be accommodated.

6. Investment Manager Reporting

The appointed investment managers are expected to report regularly to Investments Sub-Committee. The investment managers will provide monthly valuation data and quarterly reports, which outline the performance of the University portfolio compared against the agreed benchmark. The investment managers will engage directly with Investments Sub-Committee through attendance at Investments Sub-Committee meetings and the provision of reports including an Environmental, Social and Governance report and providing information on the engagement that has taken place with companies that the University has holdings in.

7. Monitoring

In order to give effect to its commitment to this Policy the University will:

- publish the Ethical Investment Policy on its website following its approval by Council;
- issue guidance to its investment managers responsible for the University's investments;
- for segregated (direct) mandates, incorporate the exclusions in section 4 into the relevant investment management agreements and agree how the exclusions will be achieved;

- for pooled investments, seek to minimise indirect investment in companies which would fall under these exclusions;
- delegate to Investments Sub-Committee the responsibility to monitor the operation and the effectiveness of the Policy and provide Council with an annual update;
- include a Student Representative Officer in the constitution of the Investments Sub-Committee;
- consider representation from members of the University community that the University should not invest, or should disinvest, in specific areas in addition to the current exclusions; and
- publish on its website annually a list of the companies and other investments in which funds are invested by the University.

Any expressions of concern should be made to the Chair or Secretary of the Investments Sub-Committee and should be related to specific companies whose activities or values appear, on the basis of clear evidence, to be so far removed from the University's values as to give grounds for serious concern. In the event of an investment being considered by Investments Sub-Committee to be invested in funds or activities that are inconsistent with this Policy, Investments Sub-Committee will review the position with its investment managers and seek to reallocate funds as appropriate.