Policy for Socially Responsible Investment

1. Introduction

The University believes that, in investing its funds, regard must be made to ethical, social, environmental and governance issues. In pursuing its strategy UCL 2034, the University believes that its investments should reflect its own desire to be sustainable and promote sustainability and that a preference will be given to positive screening to proactively bring about sustainable positive change in the world.

The Council, as Trustees, has the fiduciary duty to maximise returns from the University's investments, whilst ensuring that financially material risks are taken into account. Council has delegated the execution of this duty to its Finance Committee who in turn have appointed an Investment Committee with its specific Terms of Reference. The Investment Committee has recommended to the Finance Committee the appointment of investment managers who will 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.

This policy is designed to enable a socially responsible investment approach, whilst minimising any potential negative impact on its investment returns.

2. Responsible investment

The University will adopt investment strategies that seek to minimise and ideally eliminate irresponsible corporate behaviour. Some of the ethical, social, environmental and governance issues which it will focus on include:

- Environmental degradation
- Armament sales to military regimes
- Human rights violations
- Institutionalisation of poverty through discriminatory market practices
- Racial or sexual discrimination
- Tobacco production and manufacture

UCL's values recognise the enduring commitment to promoting environmental sustainability. 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'. Climate change in particular is one of the key challenges. 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, tackling irresponsible corporate behaviour, helping 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. The University has a particular concern in relation to fossil fuels, and will not invest in companies involved in fossil fuel extraction or production.

In recognition of conflict with our medical research objectives, the University will not invest, directly or indirectly (for example via a pooled fund), in the stock or bonds of companies involved in the production and manufacture of tobacco.

The University will publish its portfolio of holdings on an annual basis.

3. Investment approach

The University will use its best endeavours to ensure that it operates its Investment Policy in a way that is consistent with the objectives described above.

The University will appoint investment managers that will be accountable to the University in terms of financial performance and adherence to commitments made on issues of social responsibility and sustainability. They must demonstrate rigorous implementation of the Principles of Responsible Investment supported by the United Nations (www.unpri.org) and preferably be signatories. A report will be required each year from the investment managers demonstrating performance against socially responsible investment criteria.

As an investor, the University has three means of bringing pressure to bear on corporate behaviour: acquisition, divestment and engagement. UCL will instruct its investment managers with the following requirements:

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.

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.
- Investment managers will be instructed to monitor the performance of companies and to bring recommendations for divestment strategies to the Investment Committee for a decision.

Engagement

- The University will expect investment managers to 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, both informally and formally (raising issues at Annual General Meeting and exercising its shareholder's right to vote).

4. Policy responsibility

This policy is approved by Council and implemented, on behalf of Council, by the Finance Committee who in turn delegate this activity to the Investment Committee. Our interpretation of the fiduciary duties is that they are about maximising returns from the investments whilst ensuring that financially material risks, including ESG risks, are taken account of.

5. Review

The University will review this Policy for Socially Responsible Investment every two years.

Approved by UCL Council 17th April 2020