UNIVERSITY OF PORTSMOUTH

ETHICAL AND SUSTAINABLE INVESTMENT STATEMENT

November 2022

Ethical and Sustainable Investment Statement

1. Context

This Ethical and Sustainable Investment Statement seeks to support the University vision of promoting long-term environmental sustainability and becoming climate positive by 2030. The Statement forms an Appendix to the University Treasury and Investment Management Policy (TIMP).

2. Scope

The Statement applies to all financial investments made with University or subsidiary funds (including endowment funds), whether held directly or indirectly through pooled investment arrangements. This does not include the main operating bank accounts of the University and its subsidiaries, whether denominated in sterling or foreign currency, until the completion of the next banking tender.

3. Principles

The University seeks to adopt an ethical and sustainable approach to its investments, by integrating environmental, social and governance (ESG) factors into its investment decisions. This integration embodies the following principles:

a) The University will not invest in organisations, or will dispose of existing investments, in the following circumstances:

   i. Where the investment might conflict, or be inconsistent, with the aims, objects or activities of the University

   ii. Where such an investment might hamper the work of the University either by alienating current or potential financial donors by alienating current students and staff or by having a material impact on applications from potential students

   iii. Where an investment is not excluded by (i) or (ii) above, but is considered by the University Executive Board to be unethical

b) To support University initiatives to become climate positive by 2030, the University will seek to balance the ethical and sustainable characteristics of its investments with the financial objectives about security of capital and return on investment, as stated in the TIMP.

c) The University will invest in a manner which is aligned to the delivery of the United Nations 2030 Agenda for Sustainable Development, and the Sustainable Development Goals (SDG).

d) Charity Commission guidance on investment matters will be followed by the University at all times.

e) The University acknowledges a distinction between its investments and other collaborations, partnerships and activities which it undertakes to achieve its mission.

f) The University expects its Fund Managers, as part of their normal investment research and analysis process to take account of ESG considerations in the selection, retention and realisation of investments.

The principles of this Statement will be applied using practices which are considered to be appropriate to specific investment types held by the University. These are detailed in paragraphs 4 and 5 below.

4. Practices – Endowment and other long-term Investments

Endowment investments represent donated funds held by the University for specific purposes over a medium to long term. This time horizon means that funds will be held in a wide range of asset classes.

The relevant practices for endowment and other long-term investments are as follows:

a) Investment alignment with SDG

The University will support investment which is aligned to the SDGs. This includes, but is not limited to, investing in organisations and countries demonstrating the following attributes:

i. Existence of policies and controls to protect communities and local people to prevent human rights abuse and discrimination

ii. Existence of policies and controls to protect the environment to prevent environmental damage, loss of biodiversity and habitats

iii. Demonstration of a positive approach to individuals, communities and environmental performance

iv. Development of environmental technologies to reduce the impacts of polluting/ destructive industries and climate change

Investments in the following non-exhaustive list of ethical themes will either be excluded or restricted to companies which derive less than 10% of their income from a particular theme :

i. Climate Change, defined as:
   - extraction of coal, oil/tar sands, other fossil fuels
   - electrical utilities not aligned with Paris Agreement NDC

ii. Armament and nuclear weapon manufacture for sale to military regimes

iii. Tobacco manufacture, production and cultivation (excluded)

iv. Adult entertainment (excluded)

v. Gambling, with the exception of the National Lottery and charitable lotteries (excluded)

vi. Animal testing of cosmetics

vii. High interest rate lending (excluded)

viii. Lack of commitment to environmental sustainability, defined as:
   - Absence of a published, monitored climate change plan
   - Absence of a published, monitored plan to reduce plastic waste

b) Voting Rights

When holding equity investments, the University will actively vote on ESG related issues put to shareholders.

c) External Fund Managers

In addition to applying the practices outlined in a) and b) above, the University requires approved external fund managers with responsibility for endowment investments to undertake the following:

i. Take a positive approach to stewardship as defined in the 2020 UK Stewardship Code for Institutional Investors by being a Tier 1 signatory to that Code.

ii. Be a signatory to the UN Principles of Responsible Investment (UNPRI)

iii. Be a signatory to the Net Zero Asset Managers Initiative

5. Practices – Treasury Investments

Treasury investments are used to manage the cash flows of the University in accordance with the TIMP. These investments have a maximum time horizon of three years and can only be held in a restricted list of investment instruments specified in Appendix 1 of the TIMP.

The relevant practices for treasury investments are as follows:

a) The University will not directly lend to any company engaged in the negative practices outlined in paragraph 4a) above.

b) Provided that the criteria stated in the TIMP are satisfied, the University will seek to hold a minimum of 5% of directly held treasury investments in the following:
   i. Green deposit accounts in which the ESG impact of the investment can be identified.
   ii. Green bonds which are listed on the MSCI Green Bond Index

Approved counterparties listed in Appendix 1 of the TIMP will be used for the balance of directly held treasury investments.

c) The University will monitor the emergence of ESG metrics which analyse exposure to excluded ethical themes, and contribution to SDGs via treasury investments with financial institutions. The portfolio will be reviewed bi-annually

by the Investment Manager against any such metrics issued by Sustainalytics or MSCI which the University can access at reasonable cost. The outcome of these reviews will be used to update the TIMP and where appropriate limit the University's exposure to financial institutions with weak metrics in this area.

d) The University will view positively those counterparties included in Appendix A of the TIMP which have issued position statements regarding alignment with SDGs, including the financing of fossil fuel power generation.

e) The University expects approved fund managers with responsibility for treasury investments to apply the practices outlined in a) above, and additionally be a signatory to the UN Principles of Responsible Investment (UNPRI). An explanation will be sought from any Manager not meeting this expectation.

6. Reporting

An annual report will be prepared for UEB, which will include the following as minimum:

a) Details of green deposits and bonds held by the University as part of its treasury investment portfolio at 31st July
b) An analysis by sector of endowment and treasury investments at 31st July
c) A review of the Ethical Policies of all external fund managers, noting any changes
d) Data on the proportion of directly invested companies which have published climate change plans and published plans to reduce plastic waste.
e) An update on any available ESG metrics analysing exposure to the ethical themes listed in paragraph 4 a) via treasury investments with financial institutions.

The annual report on Investment Management which is received by the Infrastructure and Finance Committee will include a section covering a) to e) above in summary.

The analysis described in b) above will be published on the University's website annually by 1st December.

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