Policy	Responsible Investment Policy
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Approving body	Planning, Finance and Resources Committee
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RESPONSIBLE INVESTMENT POLICY STATEMENT

1. Introduction

1.1 Purpose

This policy sets out the broad principles governing decisions on the investment of funds held by the Queen's University of Belfast (the "University"). The University is a registered charity and, as such, members of the Senate (the University's governing body) are also charity trustees (the "Trustees"). Accordingly, this policy has been guided by trust principles and charity law.

The University is committed to ensuring that it makes investment decisions responsibly and with integrity, taking into account the legal view that the Trustees' primary and overarching duty is to further the purposes of the University and its Trust funds.

That is normally achieved by maximising the financial returns on the investments that are made. The investment criteria set out in Article 4 of the Trustee Act (Northern Ireland) 2001, require the Trustees to consider the suitability of the investment and the need for diversification; applying those criteria and taking appropriate advice so as to produce the best financial return at an appropriate level of risk and taking account of this Investment Policy Statement, for the benefit of the University and its purposes.

As part of their fiduciary role, the Trustees will consider environmental, social and governance (ESG) factors when managing the assets, as they believe that purposeful integration of ESG considerations into investment management processes and ownership practices can positively impact financial performance and further the University's purposes more broadly.

This policy applies to assets held under the Queen's University (Trust Scheme) (Amendment) Order (NI) 1992 (the "Endowment Fund") and the investment of the University's other assets generated through retained surpluses. This policy should be read in conjunction with the University's Treasury Policy.

Having sought advice from the University's external legal and investment advisors, the Investment Committee is satisfied that the content of this policy is consistent with that advice.

1.2 Roles and Responsibilities

- Role of Senate

  In accordance with the University's Charter and Statutes, Senate, as the Governing Body, is responsible for oversight of the management and administration of the University's affairs. Senate is supported by Planning and Finance Committee (PFC) to whom it has delegated a number of key responsibilities.

- Role of Planning and Finance Committee

  The Terms of Reference for PFC are comprehensive, as it is a key sub-committee of Senate. Members of PFC (not Senate) are the trustees of the Queen's University (Trust Scheme) (Amendment) Order (NI) 1992, and as such, also have a number of primary responsibilities. With regard to this policy the relevant extracts from PFC's Terms of Reference are:

  - Advising, and where appropriate, making recommendations to the Academic Council and the Senate, on the University's academic, financial, physical and human resource objectives and priorities.

- Supervising all matters relating to the University's finances and accounts, investment of funds, the receipt of income and expenditure incurred and the management of trust funds.
- Consideration and approval of subsidiary strategies and operational plans to support the University in the delivery of its strategic objectives.
- Oversight of the strategic management of legacies, endowments, bequests and/or gifts made to the University.

➢ Role of the Investment Committee

The Terms of Reference of the Investment Committee, which are set out in a separate document, are derived from two sources:

(a) The Queen's University (Trust Scheme) (Amendment) Order (NI) 1992 –

- To advise PFC upon the investment, sale or reinvestment of any of the funds comprised in the Endowment Fund and of any other funds or monies which shall at any time be or become subject to the Trust Scheme.
- In accordance with any authority from time to time conferred on it by PFC to buy, sell or otherwise deal with stocks, shares and securities of all kinds including real property or any interest therein for and on behalf of the University for the Endowment Fund.

(b) PFC –

- To provide advice on the investment of University funds.
- To consider and subsequently report/make recommendations on matters pertinent to the investment of funds, the receipt of income and expenditure incurred and the management of Trust Funds.

2. Key Definitions

2.1 In the context of this policy the key definitions of the table below will apply.

Term	Definition
ESG	*The University considers environmental, social and corporate governance (ESG) factors to be factors that give an indication of the long-term success of a company and can therefore impact upon investment returns and risk.* *The University considers the following, non-exhaustive definitions to be the underlying components of ESG, as detailed in the United Nations Principles for Responsible Investment (UNPRI) Reporting Framework:* • *Environmental factors: issues relating to the quality and functioning of the natural environment and natural systems.* • *Social factors: issues relating to the rights, well-being, and interests of people and communities.* • *Governance factors: issues relating to the governance of companies and other investee entities.*

Endowment Fund	*A single fund comprising all the Trust Funds administered by the University which is defined as the "Investment Fund" in the Queen's University (Trust Scheme) (Amendment) Order (Northern Ireland) 1992.*
General Investment Fund	*The general University funds, excluding Treasury Assets and the Endowment Fund, which have been set aside for longer term investment.*
Medium Term Funds	*The general University funds, held in Treasury Assets, with an aim of achieving higher returns than Operating Funds, by exploiting a duration of between 6 and 36 months but also maintaining an appropriate level of liquidity, without undue risk.*
Operating Funds	*The general University funds, held in Treasury Assets, to provide liquidity for the University to meet its operational cash flow requirements, by holding cash, deposits and liquid investments with a maximum of 6 months duration.*
Responsible Investment (RI)	*An investment approach that focuses on the integration of ESG considerations into investment management processes and ownership practices in the belief that these factors can have a positive societal impact and the recognition that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.* *Ownership (or stewardship) practices encompasses monitoring and engaging with investee companies, and exercising voting rights attaching to investments.*
Treasury Assets	*The University's assets comprising cash, cash alternatives and short to medium term investments. These include the University's Operating Funds and Medium Term Funds.* *Further details are provided in the separate Treasury Policy.*
United Nations Principles for Responsible Investment (UNPRI)	*Signatories of the UNPRI will comply with the following:* • *They will incorporate ESG issues into investment analysis and decision making processes.* • *They will be active owners and incorporate ESG issues into their ownership principles and practices.* • *They will seek appropriate disclosure on ESG issues by the entities in which they invest.* • *They will promote the acceptance and implementation of the Principles within the investment industry.* • *They will work together with other investors to enhance their effectiveness in implementing the Principles.* • *They will report on their activities and progress towards implementing the Principles.*

Note :- In the context of this policy the singular term University has been used throughout. In practice the action/decision may be effected by a relevant sub committee under delegated powers.

3. Investment Strategy

3.1 Objectives

(a) Endowment Fund and General Investment Fund

The primary objective of the investment of the Endowment Fund and the General Investment Fund is to optimise returns in order to support the specific purposes for which the funding was given to the University. For this primary objective the University targets a total return of CPI +3.5% per annum or higher over 5 years, subject to acceptable risk.

In addition to the primary objective, the University's other objectives are to:

- provide a sustainable and reasonably stable distribution from the Endowment Fund, whilst preserving the real value of capital and income over the long term;
- comply with the University's Statement of Responsible Investment (below) and in so doing to enhance financial performance and deliver positive environmental and social benefits; and
- maintain access to liquid assets to provide funding to the University when necessary.

(b) Treasury Assets

The primary objective of these assets is to provide liquidity for the University's short and medium term cash requirements as described in the separate Treasury Policy.

3.2 Investment Selection and Management

Holdings are generally aggregated into pooled funds for the purposes of investment. Pooled fund investments benefit from economies of scale which allow for lower trading costs whilst facilitating diversification and risk reduction within the portfolio. Investment decisions are made at the pooled level so individual investors have limited direct influence on the specific investments within the fund.

The University relies on professional fund managers for the day-to-day management of these investments. The University's appointed Investment Managers are required to manage the assets of the portfolio in accordance with client agreements and in line with its Statement of Responsible Investment below.

The University has determined the types of asset class in which it wishes to invest and from time to time will appoint appropriate fund managers for the Endowment Fund, the General Investment Fund and any other University assets requiring external management.

The Investment Committee, in accordance with the Terms of Reference and with input from the investment adviser, will set appropriate strategic asset allocations for these investments from time to time. There are a range of controls in place to monitor investment by the fund managers, including a total return benchmark which is aligned to the overall asset allocation.

3.3 Diversification and Risk Management

The University recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The University manages the risk by:

- Investing in pooled funds;
- Restricting investment to asset classes generally recognised as appropriate for UK charities;
- Analysing the volatility and absolute return risks represented by those asset classes in collaboration with the University's investment adviser and ensuring that they remain consistent with the risk and return profiles anticipated;

- Developing a diversified asset allocation; and
- Considering ESG risks and maintaining good ownership practices in line with its Statement of Responsible Investment below.

These considerations underpin decisions over asset allocation. The asset allocation is reviewed on an annual basis at a meeting, which is attended by the investment adviser. In determining its asset allocation, consideration is given to:

- A full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class;
- The need for appropriate diversification; and
- The University's Statement of Responsible Investment.

The investments are diversified across various asset classes in order to increase the overall expected returns whilst reducing the overall level of projected risk.

3.4 Liquidity

The University seeks to maintain at least 75% of the investments in each of the Endowment Fund and the General Investment Fund in funds which are accessible with less than 30 days' notice.

Up to 25% of the investments in each of the Endowment Fund and the General Investment Fund may be invested in less liquid investments (where less liquid investments are defined as those requiring more than 30 days' notice to access) to increase the expected returns and diversify the portfolios.

However, this limit should be viewed as a guide and the University has discretion to allow this limit to increase, subject to Investment Committee oversight, to avoid being a forced seller of less liquid investments during adverse market conditions.

3.5 Currency

The University invests in a variety of global funds which often do not hedge overseas currency exposure, and may therefore have considerable exposure to non-Sterling currencies, which is accepted on the basis that it is a longer term diversifier of risk.

The University aims to maintain Sterling currency exposure within the range 30% to 70% (when measured across the University's total investments including for this purpose its Treasury Assets, General Investment and Endowment Funds) through a combination of Sterling investments or hedging non-Sterling currency exposure.

The investment adviser reports to the Investment Committee on the level of overseas currency exposure and this level is reviewed on an annual basis.

3.6 Future Donations

Future donations that are given to the University to produce income will be invested in accordance with this Investment Policy Statement; and within the asset allocation strategy prevalent at the time.

4. <u>Statement of Responsible Investment</u>

4.1 Principles

The Trustee's overriding obligation is to act in the best interests of the beneficiaries of the funds invested in the corporate name of the University. In this fiduciary role the University believes that ESG issues can positively impact society without unduly affecting the performance of investments. Accordingly, the University believes that these factors should be taken into account when managing the assets.

Consistent with its commitment to responsible investment practices, the University expects its fund managers and bankers to be signatories to the UNPRI. As such, the University's fund managers should be active owners, who incorporate ESG issues when they vote at company meetings in which they have a shareholding, and proactively engage directly with the companies' senior management teams on relevant ESG issues.

4.2 Responsible Ownership

Responsible ownership is about recognising that the impacts of corporations on the environment, on workers and on communities can seriously affect the value of investments in them, and that the incorporation of ESG issues into investment decision-making can have a positive societal impact. It also places a high value on companies' own good governance.

Responsible ownership differs from ethical investment, which generally focuses on excluding or including companies from an investment portfolio (negative or positive screening respectively). By contrast, responsible ownership involves investors using their shareholder power in the companies they invest in. The University effects this via its fund managers who vote at shareholder meetings and engage, both directly and indirectly, with company senior management, when ESG issues of concern have been identified. The purpose of voting and engagement is to improve corporate behaviour, to protect shareholder value and promote ESG best practice.

The University expects its fund managers to invest in companies which comply with good ESG practice. As such, the University expects that its fund managers will act in a way that reduces and, ideally eliminates, corporate behaviour leading to:

- Environmental degradation
- Climate change
- Support for war or loss of life
- Human rights violations
- The institutionalisation of poverty through discriminatory market practices
- Racial or sexual discrimination
- Practices contributing to ill health
- The exploitation of workers, and
- The giving or receiving of bribes.

Consistent with this, the University expects its fund managers to avoid investment in companies with significant revenue derived from:

- Controversial weapons[1];
- Tobacco production or distribution; or
- Fossil fuel extraction or production (see 4.3 below).

Where investments are made by third party fund managers in pooled funds or similar vehicles, the University's requirement is that wherever practicable, the funds in question should seek to avoid direct investment in companies who do not comply with good ESG practice.

The University does, however, recognise that where investments are made in index-related securities, it is not practicable, at present, to pursue an investment strategy where no indirect investment in such companies arises. Therefore, the University will regularly review the

[1] Defined as companies involved in production of (or essential components of) cluster bombs, landmines, depleted uranium, chemical and biological weapons, blinding laser weapons, non-detectable fragments and incendiary weapons (white phosphorus).

investment portfolio with the fund managers and investment advisers, to ascertain if alternative investments, which exclude such companies, can be used without being materially detrimental to expected investment returns.

The University, with its investment advisers, will monitor its investment managers' activities in relation to ESG factors, voting and engagement on a regular basis, seeking to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with its expectations.

4.3 Fossil fuels

The University has committed to exclude companies involved in the extraction and production of fossil fuels[2] from its investments, by 2025. The University has been working with its investment managers to comply with this commitment and expects to have no meaningful exposure to such fossil fuel companies by 2025.

4.4 Net Zero

In line with the University's Net Zero Plan, which sets out an integrated, whole-university approach to achieving net zero greenhouse gas (GHG) emissions by 2040, the University will seek to achieve this across its investments by 2040.

4.5 Positive local, social and environmental impacts

When selecting investments to achieve its investment objectives, the University will actively consider opportunities to invest either:

- locally (i.e. within Belfast City or Northern Ireland more generally); and/or
- in sustainable or impact investments (being those which are expected to deliver positive social or environmental benefits, typically defined as contributing to the UN's Sustainable Development Goals).

Provided the investments are consistent with the University's overall investment objectives and not expected to be detrimental to the investment returns.

4.6 Active ownership

The University recognises its responsibility as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The University has delegated the exercise of rights attaching to investments to its investment managers, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The University generally does not monitor or engage directly with issuers of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the University from time to time, taking into account the long-term financial interests of the beneficiaries.

The University seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the University reviews how these are implemented in practice.

[2] Defined as companies and/or issuers who derive more than 5% of their revenue from the extraction and production of oil & gas, oil sands or thermal coal.

The investment managers will report to the University on their voting activities on a regular basis.

4.7 Investment Decisions

The University, with its investment advisers, delegates the selection of investments held to its fund managers, subject to the responsible investment policies described in this Investment Policy Statement.

The University, with its investment advisers, will ensure that the fund managers it appoints are capable of taking ESG issues into consideration when making investment choices. It will monitor the managers' action in this area and will work with the fund managers and the investment Advisers to ensure sufficient data is available to aid effective decision making.

5. Compliance

5.1 Frequency of Review

This policy will be reviewed on an annual basis. Any recommendations for change will be considered by the PFC, whose membership reflects key stakeholders.

5.2 Performance Measurement

On a quarterly basis, the University, with its investment advisers, monitors the performance of the combined assets and the performance of each manager's portfolio against their target benchmark. The University also reviews the managers' long-term investment performance and the appropriateness of the Funds' benchmarks.

5.3 Reporting

The Investment Committee will provide an annual report to PFC and Senate relating to the performance of the investments, the integration of ESG issues into investment decision-making and actions taken by the fund managers to implement the University's commitment to responsible investment.