

## THE UNIVERSITY OF LEEDS

### POLICY ON REPOSIBLE INVESTMENT

*This document sets out an update to the Responsible Investment Policy for discussion and development – it has been updated to reflect the recently adopted Climate Active Approach, expands upon the ESG factors that we expect our investment managers to take into account, and adds the specific exclusions relating to tobacco and indiscriminate weaponry. Changes are highlighted in green. It also sets the expectation that our investment managers have adopted the UN Principles for Responsible Investment.*

The University of Leeds' endowment fund (Fund) is a globally diversified multi-asset investment which provides sustainable levels of growth and support activities such as scholarships, prizes and funding for research and academic purposes.

The University invests its Fund for the long term and expects its investment managers, as part of their normal investment research and analysis process, to take account of environmental, social, and governance (ESG) factors in the selection, retention and realisation of investments. This is insofar as these matters are regarded as materially impacting on the current and future valuations of individual investments as ESG factors play a significant role in determining risk and return. The University considers that companies' effective management of the risks associated with ESG matters can lead to long term financial benefits. Taking account of such considerations is seen as forming part of the investment managers' normal fiduciary duty.

The University is committed to ensuring that companies in which it invests adopt high ethical standards and responsible attitudes towards the environment. To this end, the University expects its investment managers to have adopted the UN Principles for Responsible Investment and through stewardship encourages them to hold companies to account by active engagement on corporate governance and strategy and use shareholder voting rights to influence company behaviour. The University believes this will raise standards in a way which is consistent with University values and with improvements in long term shareholder value.

The University would expect investment decisions and company engagement to take into account the following:

<b>Environment</b>	<ul style="list-style-type: none"><li>• The quality of environmental management, policies and reporting.</li><li>• Efficient use of natural resources.</li><li>• Pollution, waste, water and deforestation convictions.</li><li>• Resilience to climate change in line with the Paris Climate Accord.</li><li>• Impact on the global environment, its climate and biodiversity.</li></ul>
<b>Overseas Operations</b>	<ul style="list-style-type: none"><li>• Policies towards human rights, the nature of any operations in the third world, impact on indigenous communities and observance of labour standards.</li><li>• Consideration of fraud, bribery and corruption risks</li><li>• Marketing techniques, supply chain management and the quality of internal controls.</li></ul>
<b>Workplace</b>	<ul style="list-style-type: none"><li>• Approach to equal opportunities, training, health and safety, working conditions (including slavery and child labour), employee and board diversity, gender pay, senior executive remuneration and employee welfare.</li></ul>

<b>Product/Service</b>	<ul style="list-style-type: none"> <li>• The effect of the manufacture and sale of the products, services and materials on society and on public health and safety.</li> <li>• Resilience to technological disruptors, human resistance to antibiotics and sugar content concern.</li> <li>• Focus on recycling and impact of single use plastics.</li> <li>• The significance and benefits of any positive products and services.</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Involvement and impact in local communities both in the UK and overseas.</li> <li>• The extent and nature of charitable donations and the significance of any advertising complaints.</li> </ul>
<b>Political Activity</b>	<ul style="list-style-type: none"> <li>• Donations of money and/or services to local, national and international political bodies.</li> <li>• Lobbying activity and membership of lobby groups.</li> <li>• Impact of conflict.</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Tax strategies and specifically the use of any aggressive tax avoidance schemes.</li> <li>• Transparency.</li> </ul>

The investment managers have responsibility for stock selection of the Fund but are guided by the University's Policy on Responsible Investment (RI) and the Climate Active (CA) investment approach adopted by the University; the purpose of which is to drive behavioural change to achieve decarbonisation via a combination of divestment and engagement.

The investment portfolio is currently being managed with adherence to the RI policy, the CA approach and with reference to the following specific ESG constraints;

- No investment in companies that produce tobacco products, or derive 10 percent or more of their revenue from tobacco-related products or services.
- No investment in companies involved in the manufacture or sale of indiscriminate weaponry.
- No investment in companies with 5% or more of their turnover involved in the mining of thermal coal or tar sands.
- Following engagement, no investment in companies that needlessly emit significant quantities of carbon into the atmosphere, or which do not take seriously the transition to a low carbon economy.
- Where companies are vulnerable to climate risks we will either divest where there is little prospect of building resilience or engage with the company to achieve the world's net-zero emissions target.
- An engagement with a company will not exceed 5 years; divestment will occur during this period if:
  - there is no demonstrable commitment to change their strategy or;
  - there are concerns over a company's financial outlook during this period

The University must be informed of any purchase in IP Group.

*Approved by the University Council  
25 July 2019*