



Responsible Investment Policy: Staff and student consultation

About this consultation

For the past year, we have been reviewing our Responsible Investment Policy. Our initial focus has been on embedding climate change and protection of nature into our policy and investment activities, as well as our commitments on social investment.

We now wish to ensure that our policy is fully aligned with our University's values, and sufficient to guide our investment approach over several years.

We have made significant progress since the publication of our existing Policy Statement (2016) and propose to enshrine our commitments to tackling the climate and nature crises and incorporating socially positive investments into the new policy.

We recognise the strength of feeling across our University communities on environmental, social and governance factors, including critical global issues and international contexts. We invite you to share your views on how these and other issues are represented in the revised policy and our proposed approach.

This consultation is happening alongside further work announced by the Principal on 14th May 2024. In his message, the Principal acknowledged the need to consider whether the approach we have taken on responsible investment has been strong enough and to ensure the student and staff voice is heard- this consultation therefore provides an opportunity for our staff and student community to share views.

[Update on the University's investments](#)

All individuals employed at the University and all matriculated students are eligible to respond to our proposed changes to the policy.

The consultation will be open from 31 May – 30 August 2024.

[Click here to respond to the consultation.](#)

If you require the consultation document in an alternative format, or have any queries about how to submit your response to the consultation, please contact responsible.investment@ed.ac.uk

Your data and privacy

We are collecting your information on the basis of legitimate interest and your responses will remain strictly confidential. The consultation is being conducted online and the software used to power this survey is Online Surveys.

For further information please visit the [University of Edinburgh's privacy statement](#).

What will the University do with the consultation responses it collects?

The University will analyse responses to the consultation and use these to inform the finalisation of the new policy, which we expect to submit for approval later in 2024. The



process of approval of the final policy will include discussions with the Investment Committee, approval by University Executive and final approval by University Court.

The ongoing work announced by the Principal on 14th May including the working groups on armaments and alignment to university values will inform the final policy.

A summary of consultation findings will be made available for staff and students later this year.

For any enquiries relating to the consultation, please contact responsible.investment@ed.ac.uk

Section 1: What is 'responsible investment'?

Responsible investment is an investment approach that integrates environmental, social, and governance (ESG) factors into investment analysis and decisions. It recognises that environmental and social factors can have an impact on the financial value of an investment and also that investments have an impact on the world around us.

The University was the first University in Europe to become a member of the Principles for Responsible Investment (PRI) when it signed in 2013 and has been rated by the PRI as a global leader amongst Universities on climate change issues.

[Principles for Responsible Investment](#)

What does a responsible investment policy do?

Our Responsible Investment policy operationalises our approach across the University's investment decision-making and provides mandatory requirements for the asset managers investing on behalf of the University. It seeks to translate our values and principles into a framework for the management of university investment funds.

The University's Investment Committee manages the University's endowment fund on behalf of the University, including appointing our investment managers, and is required to follow the commitments contained in the policy as part of its work:

[Investment Committee](#)

Income from the endowment provides vital support for a wide range of student scholarships across the University, funded by generous alumni and other donors over many centuries. The endowment also supports teaching activities across a wide range of subject areas, and life-saving and enhancing research across medical sciences and far beyond.

Our ability to offer donors the opportunity to make endowed gifts to a well-managed fund, combining a successful track record of returns against long term benchmarks with sound externally-validated ethical investment criteria, continues to attract support for our students and researchers today, for the benefit of current and future generations.



Our current Responsible Investment policy was agreed in 2016 and is now being updated. The University has made significant progress since then and the revised policy will formally incorporate existing commitments that have been delivered since 2016. The policy will also set new commitments to ensure our investments reflect the University's values and ensure continued compliance with the Principles for Responsible Investment, to which the University has been a signatory since 2013.

You can find our existing policy here:

[Responsible Investment Policy Statement \(2016\)](#)

The Principles for Responsible Investment are available here:

[Principles for Responsible Investment](#)

Section 2: Our current policy and progress to date

The University has made significant progress in embedding ESG approaches into its investment practices since the Responsible Investment Policy was launched in 2016.

This progress includes:

- Completing divestment from all fossil fuels including coal and tar sands, oil and gas in January 2021 across all asset classes
- Creating a dedicated Social Investment Fund and investing £8 million in social impact initiatives
- Allocating £60m from the endowment fund to renewable energies and sustainable and environmental impact companies of the future
- Completing carbon footprinting of the investment portfolio and decarbonising the equities portfolio, with the carbon footprint of equities down by 70% overall in a 5-year period
- Early membership of the Principles for Responsible Investment (PRI), with consistently high scores in annual assessments.

There are a series of changes prompted by deliberations since 2016 that we wish to incorporate into the revised policy which are explained below in more detail:

- to incorporate commitments to socially positive investment;
- to align investment portfolios to a 1.5°C decarbonisation pathway and achieve net zero emissions by 2040;
- a commitment to explore adopting nature positive approaches into our investment approach;
- a commitment to explore an active ownership approach to investments;
- to review our definition of 'controversial weapons' in the context of our Responsible Investment Policy; and
- to ensure that our investment activities are appropriate in an international context.



In addition, we recognise that we need to improve the transparency of our investment activities to allow our staff and student community to understand how our investments are managed, what our progress is, and what impacts our social investments are having.

The next sections summarise proposed changes to the Responsible Investment Policy statement (2016) and invites you to share your views on each topic.

Section 3: Socially positive investments

Social investment means investing in organisations, funds and projects that deliver a social benefit (such as organisations working to reduce poverty) or by supporting social enterprises to upscale their work. Such investments deliver a financial return, but that return may sometimes be lower than traditional investments.

[Socially positive investments](#)

In 2017 the University announced a fund of £8 million dedicated for socially positive investment, the first of its kind in the university sector in the UK. The fund has supported a housing project for people at risk of homelessness in Edinburgh, social enterprises across Scotland, and UK startups led by entrepreneurs from traditionally marginalised and underrepresented communities.

We will produce a full analysis of the performance of the Social Investment Fund in order to evaluate its impact in social and financial terms. This will help to inform our future social investment approach, which we seek to incorporate in our overall Responsible Investment Policy.

We already know that our investments have supported significant positive social and environmental impact, supporting projects such as a community-owned wind farm, support for affordable rural housing and a housing scheme for vulnerable people in Edinburgh.

We now wish to collate the impacts of our investments across the numerous funds we have invested in and present an overall picture of impact.

- 1. Do you support the proposal to incorporate socially positive investment into the remit of the responsible investment policy?***
 - Yes/No
- 2. Do you have further comments on how we can incorporate socially positive investment into our investment activities?**

Section 4: Commitment to 1.5°C alignment and carbon footprinting

In 2021 the University completed full divestment from all fossil fuels including coal and tar sands, oil and gas. However significant carbon emissions can continue to be associated with a portfolio even when divestment has been fully completed- for example from manufacturing or cement production.

What is carbon footprinting?

The Taskforce for Climate-Related Financial Disclosures proposed a range of metrics to measure a portfolio's exposure to carbon-intensive companies.

[Taskforce for Climate-Related Financial Disclosures](#)



The University measures the carbon footprint of the portfolio as well as a range of other metrics- that is, we estimate the carbon produced by companies in the portfolio by our share of their total revenues.

We have since worked with our Investment Committee investment advisors to reduce the carbon footprint of our equities portfolio by 70% in 5 years. This means that our equities portfolio is already aligned to a 1.5°C pathway that avoids the most dangerous climate change outcomes.

In addition to aligning our investments with our net zero by 2040 target, we propose to:

- Align all carbon emissions from our investment portfolio with a 1.5°C pathway, from a 2018 baseline. This is significantly in advance of the date most financial institutions are aiming to be net zero but aligns to our goal to be a net zero university by 2040.
- Conduct annual carbon footprinting studies to quantify the carbon emissions associated with our investment portfolios.

3. Do you support the proposal to align our investment portfolios with a 1.5°C decarbonisation pathway?*

- Yes/No

4. Do you have further comments on the proposal to align our investment portfolios with a 1.5°C decarbonisation pathway?

5. Do you support the proposal to measure of carbon impact metrics annually, as outlined by TCFD best practice guidance?*

- Yes/No

6. Do you have further comments on the proposal to measure carbon impact metrics annually?

Section 5: Nature and Biodiversity

As part of the Nature Positive Universities Network, the University has pledged to protect wildlife and prevent nature loss by 2030.

The University will explore how to incorporate action on nature and biodiversity into its main endowment fund and treasury activities. This is a complex area where best practice is rapidly developing.

The University proposes to explore what commitments can be made and follow best practice guidance from the Task Force on Nature Related Financial Disclosures (TNFD) to inform its approach.

[The Taskforce for Nature Related Financial Disclosures \(TNFD\)](#)

The actions the University will consider will include screening investments to avoid damage to biodiversity, oceans and deforestation, positive allocations to emerging nature and biodiversity funds, and identification of metrics and reporting requirements.

7. Do you support the proposal to incorporate the protection of nature and biodiversity into the responsible investment policy?*

- Yes/No



8. Do you have further comments on the proposal to incorporate the protection of nature and biodiversity into our investment activities?

Section 6: Active Ownership and Universal Ownership

The University recognises the substantial opportunities it has for positive impact in the world by taking action to address climate change, nature loss and social inequality.

As a large institutional investor, with a diversified, long-term portfolio, the University could be described as a “universal owner”:

Universal Ownership (PRI)

“The active ownership model gives more weight than traditional portfolio management to inter-generational concerns and to the sustainability of the economy as factors affecting future risk-adjusted returns.”

As a Universal Owner, the University could explore a more proactive approach towards generating wider positive social and environmental impact across its diverse range of investments. At the same time, our resources are limited and our endowment fund already generates positive impact from the range of activities it supports, such as scholarships or medical research.

The Principles for Responsible Investment has set out guidance for investors seeking to explore an active ownership approach. To date, the University has not formally adopted an approach, but proposes to include a commitment to explore an Active Ownership approach in its new Responsible Investment Policy.

9. Do you support our commitment to explore an Active Ownership approach in our new Responsible Investment Policy?*

- Yes/No

10. Do you have further comments on this proposal to explore an Active Ownership approach to our investments?

Section 7: Responsible Investment in relation to armaments and in the international context

The Principal announced two new working groups on the 14th May that will play a crucial part in informing the review of our Responsible Investment Policy in the international context, including our definition of armaments.

Working Group 1

Our existing Responsible Investment Policy includes a commitment not to invest in controversial weapons - using the definition provided by Sustainalytics:

“Certain weapons are considered controversial due to their disproportionate and indiscriminate impact on civilians, even years after a conflict has ended. These include anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium, and white phosphorus munitions.”

Sustainalytics’ definition of controversial weapons



This short-life working group will review and confirm the wording of the definition of 'armaments' as part of our investment approach. The group will draw on the expertise of colleagues in Finance, Social Responsibility and Sustainability, Heads of School, the academic community and a EUSA representative will be invited.

The recommendations of the group, subject to approval by the University Executive and the University Court, will be incorporated into the new Responsible Investment Policy.

11. Do you support our commitment to review our definition of 'controversial weapons' in the context of our Responsible Investment Policy?*

- Yes/No

12. Do you have further comments on the definition of 'controversial weapons' we should use in our Responsible Investment Policy?

13. Do you have further views on definitional issues associated with armaments?

Working Group 2

This second working group will be tasked with reviewing our investment approach in the international context, in accordance with our values and the UN Principles for Responsible Investment. In addition, it will consider the transparency of our approach as discussed in Section 8 below.

The recommendations of this group, subject to approval by the University Executive and the University Court, will also be incorporated into the new Responsible Investment Policy.

14. Do you support our commitment to review our responsible investment policy to ensure that our investment activities are appropriate in an international context?*

- Yes/No

15. Do you have further comments on how we can ensure that our investment activities are responsible in an international context, in accordance with our values and the UN Principles for Responsible Investment?

Section 8: Impact Measurement, Transparency and Reporting

It is clear that members of the University community wish for greater transparency on how University investments are governed, how the Responsible Investment policy principles and commitments are translated into practice, and the conditions under which our investment managers operate.

We report using the UN Principles for Responsible Investment and will continue to do so. However, we recognise that some of our material on investments requires more regular updating. In addition, expectations on transparency have changed since 2016 and we now need to understand what best practice looks like today.

Additionally, some of our social investments transform lives, but we do not currently have a consistent means of capturing and reporting these positive impacts.

To improve the transparency and reporting of our investments we will:

- share our impact more regularly and transparently;



- update our website with greater regularity;
- continue to report to PRI;
- create a clear impact measurement framework for our social investments;
- clearly set out the parameters under which our investment managers operate; and
- ensure that our approach is informed by our Responsible Investment Working Groups.

There may be circumstances under which it is inappropriate to publish full details as this could compromise the commercial confidentiality of our approach or the ability of the Investment Committee to deliver its role.

For example, we do not think it is appropriate to publish the fees we pay for our investment advisers, or the fees charged by individual investment managers.

16. Do you support our commitment to improve the transparency of our investments?

- *Yes/No

17. Do you have further comments on how we can improve the transparency of our investment activities?

Thank you

Thank you for taking the time to read and respond to this consultation.

The University will analyse responses to the consultation. These will inform the development and finalisation of the new policy, which will be published in early 2025.

A summary of consultation findings will be made available for staff and students later this year.

For any enquiries relating to the consultation, please contact us using the email:

responsible.investment@ed.ac.uk