



## Ethical Investment Code of Practice

### 1. Introduction

The Business Review Committee (“BRC”) of Keele University has drawn up this Ethical Investment Code of Practice (“the Code”) to affirm the investment principles that govern decisions about the University’s investments.

The Code aims to ensure that the University’s investments are managed in a productive but socially responsible manner which reflects the mission and values of the University. This Code is based on the premise that the University’s choice of where to invest should be in line with its strategic aims and its environmental, social and ethical values in line with our Environmental and Social Sustainability Policy.

### 2. Governance

BRC has delegated authority from Council to actively monitor and take a view on the ethical and overall position of the University’s investments. BRC may advise against investment in areas which it considers to be ethically unacceptable including environmentally or socially harmful areas and areas of human rights abuse. Equally, as part of a balanced portfolio, BRC will encourage investments that support a positive environmental, social and corporate governance (“ESG”) agenda. This will be supported by advice from the University’s Investment Managers, who will assist the University in developing this framework within its investment portfolio.

The University will consider representation from members of the University community as to whether it should not invest in, or should divest from, specific companies. This should be done in writing to the Chief Financial Officer. The representations will then be considered by BRC on behalf of Council.

The Code is consistent with the University’s policy on accepting funds for research.

The University notes that the Keele Superannuation Scheme is constituted as a separate body with its own Board of Trustees. The Scheme’s funds are invested entirely separately from those of the University and are therefore not covered by this Code.

### 3. Process for choosing investments

The process for choosing investments is as follows:

- Check all potential investments to ensure that they are in line with the University’s value system and desire for a positive approach to ESG issues.

- Identify appropriate investment objectives – The objectives at the date of this Code are capital preservation combined with a sustainable growing income and a degree of capital growth in real terms. The total nominal return objective is CPI inflation plus 4.0% per annum.
- Agree the level of risk – BRC recognises that whilst increasing risk increases potential returns over a long period, it also increases the possibility of a shortfall in returns as well as producing more short-term volatility. The risk appetite at the date of this Code is such that moderate short-term fluctuations in value are acceptable on the assumption that they lead to higher returns over the long term. The maximum acceptable loss in any one year in normal market conditions is in the range of 15-20%, although it is understood that losses could be larger in times of market crisis.
- Construct a well diversified portfolio of investments that are expected to maximise the return (net of all costs) given the acceptable level of risk. The investment managers are currently permitted to invest in listed equities, bonds, property, hedge/absolute return funds, private equity and commodity funds.
- Review the above process in the framework of the University Governance in Section 2

#### **4. Management of assets**

BRC regularly reviews the continuing suitability of the University's investments with the appointed Investment Managers, who actively invest in line with the University's investment process framework.

#### **5. Approach to ESG issues**

BRC believes that ESG factors can have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. BRC also recognises that long-term sustainability issues present risks and opportunities that increasingly require explicit consideration.

BRC will consider how ESG factors are integrated into all investment decisions. BRC will discuss with the Investment Managers how to evaluate ESG factors, including stewardship obligations attached to the investments.

BRC is committed to ensuring that the University investments have strong ESG characteristics. The portfolio is based on Investment Funds, within which there may be some very limited indirect exposure to tobacco, gambling and alcohol. The University accepts a very limited indirect exposure to these areas on the basis that there can be occasions when this is an acceptable form of investment. In practice, for the overall portfolio, this means:

- No direct exposure to tobacco, gambling, and alcohol stocks in the portfolio.
- Less than 1.0% indirect investment portfolio exposure to tobacco, gambling and alcohol stocks.
- No portfolio exposure to controversial weapons, adult entertainment, fossil fuels or arms companies stocks
- Measuring of ESG risk scores in underlying funds, with justification required for scores above the benchmark
- Reducing the overall "carbon footprint" of the investments over time
- Making investments in sustainability-themed areas: for example, in climate change mitigation, low carbon technology, sustainable infrastructure, energy efficiency and other such opportunities.

BRC will receive regular reports from the Investment Managers on the ESG characteristics of the portfolio.

## 6. Compliance with, and review of, this Code

BRC will monitor the operation and effectiveness of this Code on an annual basis, and without delay after any significant change in investments.

<b>Document Name</b>	Ethical Investment Code of Practice
<b>Owner</b>	Finance
<b>Version Number</b>	2.0
<b>Equality Analysis Form Submission Date</b>	N/A
<b>Approval Date</b>	16 November 2023
<b>Approved By</b>	Council (BRC)
<b>Date of Commencement</b>	2 April 2019
<b>Date of Last Review</b>	16 November 2023
<b>Date for Next Review</b>	15 January 2025
<b>Related University Policy Documents</b>	None
<i>For Office Use – Keywords for search function</i>	