



UNIVERSITY OF ABERDEEN AND UNIVERSITY OF ABERDEEN DEVELOPMENT TRUST JOINT SUSTAINABLE INVESTMENT POLICY

Policy Overview:

This policy establishes the objectives and parameters of the University of Aberdeen (the University) and the University of Aberdeen Development Trust (Development Trust) investment portfolios and outlines how the University and Development Trust are embracing environmental, social and governance (ESG) factors within their investments, reflecting the ambitious sustainability agenda within the University in line with the Aberdeen 2040 objective of achieving net zero carbon before 2040.

Scope of the Policy:

The following investment policy is applied to the University endowments, portfolios managed on behalf of the Development Trust and a portfolio relating to the Northern Colleges pension costs (“the Portfolios”). To reflect that this is a constantly developing area, the sustainable investment policy will be reviewed on an ongoing basis, and at least annually, by the Investment Committee, which includes a student representative from the Aberdeen University Students’ Association.

Sustainable Investment Strategy:

As part of the Aberdeen 2040 Strategy, the University is committed to reducing its carbon footprint, with a view to being carbon neutral before 2040.

In line with this ambitious target, both the University and Development Trust are committed to ensuring that the Portfolios are invested according to the highest ESG standards. Our strategy recognises that a responsible approach to sustainability and financial returns are not mutually exclusive and that companies which embrace a sustainable approach to environmental and social issues are more effective stewards of long-term capital.

Investment of the Portfolios will adhere to this strategy through a three-tier framework:

1. Investment Exclusions

The Portfolios will not be invested in companies or managed funds which have significant investments in companies whose business has a significant interest in:

- Tobacco - manufacture, distribution or retailing
- Weapons – manufacture of controversial weapons including cluster bombs, landmines, nuclear weapons (systems of components) and companies that manufacture civilian firearms
- Coal, Tar Sands or Fracking

In line with investment vehicle norms, “significant” is defined as 10% or more of revenue from the above activities. Moreover we will endeavour to exclude all such investment even below this threshold.

Climate positive

No funds are currently directly invested in fossil fuel companies. No later than 2025, and as soon as is practical, any investment of the Portfolios in the energy sector will actively reflect the University’s aspiration to support energy transition. *To achieve this, we will seek to find alternative investments in pooled funds and will continually benchmark our success over the next four years, monitoring and reporting on our progress across a broad range of metrics.*

The Portfolios will be invested in what were traditionally fossil fuel companies only where there is clear evidence that they are leading the transition to clean technologies, thus signalling the University's support for that leadership. Any such investment will be continually monitored to ensure that these companies are making progress in sustainable energy delivery.

Pooled Funds

When investing through pooled funds, investment decisions are made at the fund level, providing the University with less direct influence regarding the exact exclusions. Therefore, when investing through pooled vehicles, the University analyses the holistic ESG approach of the underlying fund manager and regularly reviews the fund exposures with its investment advisors.

2. Environmental, Social and Governance (ESG) Integration

When investing directly or through pooled funds, the University requires its fund managers to:

- Be signatories to the United Nations Principles of Responsible Investment (UNPRI)
- Incorporate ESG issues into their investment analysis and decision-making processes
- Engage on social and environmental issues and track this engagement through regular stewardship reporting to the Investment Committee.

The University also supports the principles of the United Nations Global Compact. These principles focus on operating in ways that meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. The University expects its advisors and managers to act in a way that promotes positive behaviours and discourages negative behaviours through their investment screening and practices. The University will also look favourably upon investments with specific commitments regarding alignment with the UN Global Compact.

The University will continue to review the pooled funds available and invest in those which adhere to the principles above.

3. Impact Investing

As part of a balanced portfolio that has an appropriate risk and liquidity spread, the endowment portfolios (University and Development Trust) have committed to a minimum of 5% of the portfolios to an impact investing program. This program will invest directly or through pooled funds in businesses and sectors which are explicitly aiming to deliver an environmental and social return in addition to a financial return and will be diversified across eight sustainability themes:

- Clean energy
- Sustainable Transport
- Food & Agriculture
- Waste & Materials
- Ecosystem Services
- Education
- Health
- Financial Inclusion

4. Reporting

The University will make available on an annual basis an impact report highlighting the how the University and Development Trust are working to meet the framework set out within the Sustainable Investment Policy.

Policy Owner

Finance and Procurement

Reviewed by:

Investment Committee

Policy Approved by:

University Court – September 2021
Development Trust – November 2021

Last reviewed:

December 2021