



# “Socially Responsible Investment” - The Agreed Approach

## Policy

1. It is competent for the University Court to give the Investment Committee, and hence the Fund Managers (Baillie Gifford), guidance and indeed, instruction, on the way in which the endowment funds are invested. The Court recognises that compliance with such guidance could constrain the Investment Committee’s capacity to secure the maximum return on the endowment funds, and in such circumstances the Investment Committee may well choose to advise the Court of the prospective impact of any restrictions placed on their freedom of action.
2. The Court has endorsed an approach based on ‘engagement’ with companies on ethical issues through the Corporate Governance Unit operated by the Fund Managers.
3. The Court has also agreed that information regarding the companies and other funds in which the University’s endowments are invested should be published annually.
4. As a consequence of 2 and 3 above, it is possible for any group within the University to draw attention to any investment held by the University that is considered ‘unethical’. The Court has declared its willingness to consider such representations, on the following basis.
5. The key criterion against which specific cases would be considered would be whether the activity complained of (and substantiated) was wholly contrary to the University’s value systems either as reflected in the Mission Statement, the Goals and the Corporate Plan or in regard to wider issues of social, environmental and humanitarian concern. This would for example include, but not be limited to, human rights abuse, discrimination on grounds of race, gender or disability and serious and persistent environmental damage.

## Process

6. Expressions of concern should be related to specific companies whose activities or values appear, on the basis of clear evidence, to be so far removed from the University’s core values as to give grounds for serious concern. Cases will normally only be considered if brought forward by representative bodies such as EUSA or a recognised trade union, or via the University’s committee structure.<sup>1</sup>
7. Cases will be considered by the Central Management Group in the first instance. If brought forward by EUSA, the President would attend for discussion of that item. CMG is expected to take into

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<sup>1</sup> A possible alternative approach could be for representations to be considered by the Court to the effect that the University should disinvest in categories of companies identified by reference to the businesses in which they are engaged. This has not been generally adopted, not least because the criteria for identification of such businesses would be matters of personal opinion. However, in 2004 a proposal that the University should disinvest in the tobacco industry was made, and was accepted by the Court as an exceptional case in view of the impact of that industry’s products’ on health, in the context of Edinburgh being a major centre of medical research.

account the current extent (if any) of the Fund Managers' engagement with the relevant company on the matters complained of. It is for CMG to decide, on Court's delegated authority, whether there are sufficiently strong grounds to warrant engagement with the company through the mechanisms established by the Fund Managers where this is not already in hand, or to request strengthening of that engagement if already active. 1 A possible alternative approach could be for representations to be considered by the Court to the effect that the University should disinvest in categories of companies identified by reference to the businesses in which they are engaged. This has not been generally adopted, not least because the criteria for identification of such businesses would be matters of personal opinion. However, in 2004 a proposal that the University should disinvest in the tobacco industry was made, and was accepted by the Court as an exceptional case in view of the impact of that industry's products' on health, in the context of Edinburgh being a major centre of medical research.

8. CMG is empowered to raise matters with the Investment Committee and Fund Managers without the need for Finance and General Purposes Committee's/Court's endorsement. Its decisions in regard to whether to do so in individual cases, whether positive or negative, is reported to the F&GPC and the Court. The Fund Managers would be asked to report back, giving clear details as to any action that had been taken, so ensuring accountability. CMG will communicate these matters to F&GPC and Court as appropriate.
9. It is acknowledged that a situation could arise in which 'engagement' did not assuage serious concerns raised about a particular company. In those circumstances it might be concluded by the Court that it should disinvest. The Investment Committee would no doubt wish to make the financial consequences of such a decision clear to the Court.
10. CMG's requests for engagement are normally transmitted to the Fund Managers via the Investment Committee. However, in exceptional circumstances, it is possible to ask the Fund Manager's Corporate Governance Unit to pursue a matter at fairly short notice (e.g. at a forthcoming company AGM). In such circumstances a request for engagement should be passed from CMG to the Convener of the Investment Committee who would communicate it to the Fund Managers after such consultation with the Investment Committee as was practicable in the circumstances.

M D Cornish

University secretary

Based on proposals adopted by the University Court in July 2003

Modified December 2006 following disbandment of the Trustees and formation of the Investment Committee

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