



## Finance

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# Ethical Investment Policy

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## Introduction

Loughborough University is an exempt charity and follows an Investment Policy which provides income for its current purposes and enhances income and capital growth over the longer term, thereby enabling the University's Governing Body to meet its current and future objectives in respect of institutional investment. These are as follows:

- To maximise total return on investments (capital and income) whilst containing risk to an acceptable level and maintaining a suitable profile of investments with regards to the possible need to fund future developments at the University.
- To maintain the value of the general and endowment funds, after taking account of inflation (as a minimum) over the long term.
- To provide an income stream to the University and to the endowment funds.

## Our Investment Approach

In deciding on counterparties and companies in which to invest, the University aims to remain consistent with its ethical values. The University will not directly invest in companies whose activities could be seen to endanger individuals or groups of people.

### Short Term Deposits

The bulk of the University's Investments are in the form of cash deposits with Banks, Building Societies and Money Market Funds as approved by the Finance Committee.

These are inherently short term in nature and the University does not have further control on the use made of the deposits by the relevant counterparty.

### Endowed Funds

The cash elements of the Endowed Funds are held, separately to general funds, with a bank from the University's list of approved counterparties.

Endowment capital is managed by an external investment manager, currently Smith and Williamson (renaming to Evelyn Partners).

The asset allocation of the portfolio chosen is based on a medium risk strategy, designed to increase the value of the portfolio over the longer term. The investments held must have regard to normal charity ethical standards and take into account environmental, social and governance (ESG) factors alongside the financial metrics when determining the suitability of investments. In addition, we specifically exclude direct investment in the following investment areas:

- alcohol, armaments, fossil fuels, sanctioned countries, tobacco
- 3rd party collective funds held within the portfolio are also screened regularly to ensure that exposure to these areas is kept to a minimum.

Monitoring is undertaken on an annual basis by the Finance Committee and the investment manager provides the University with a quarterly portfolio valuation, analysis of performance and regular environmental, social & governance (ESG) and carbon tracking.

## **Other Investments**

The University and its subsidiary Loughborough University Enterprises Limited may make investments in wholly owned subsidiary companies, spin-out companies and other related parties including Loughborough Students' Union. Details are provided in the relevant body's annual financial statements.

## **Pension Scheme Investments**

The pension schemes used by the University are constituted as separate corporate bodies with their own boards of trustees. Consequently, the schemes' funds are invested entirely separately from those of the University and the University has no direct influence over the investment portfolios of those schemes.

For the Universities Superannuation Scheme ("USS") a trustee board includes representatives nominated by Universities UK.

<https://www.uss.co.uk/about-us/how-were-governed>

For the Leicestershire Local Government Pension Scheme ("LGPS") there is a pension committee which comprises 5 Leicestershire County Councillors, 2 Leicester City Councillors, 2 District Councillors, 1 university representative (currently De Montfort University) and 3 employee representatives.

<http://politics.leics.gov.uk/mgCommitteeDetails.aspx?ID=740>