INVEST FOR CHANGE

UNIVERSITIES GUIDE

SOS-UK

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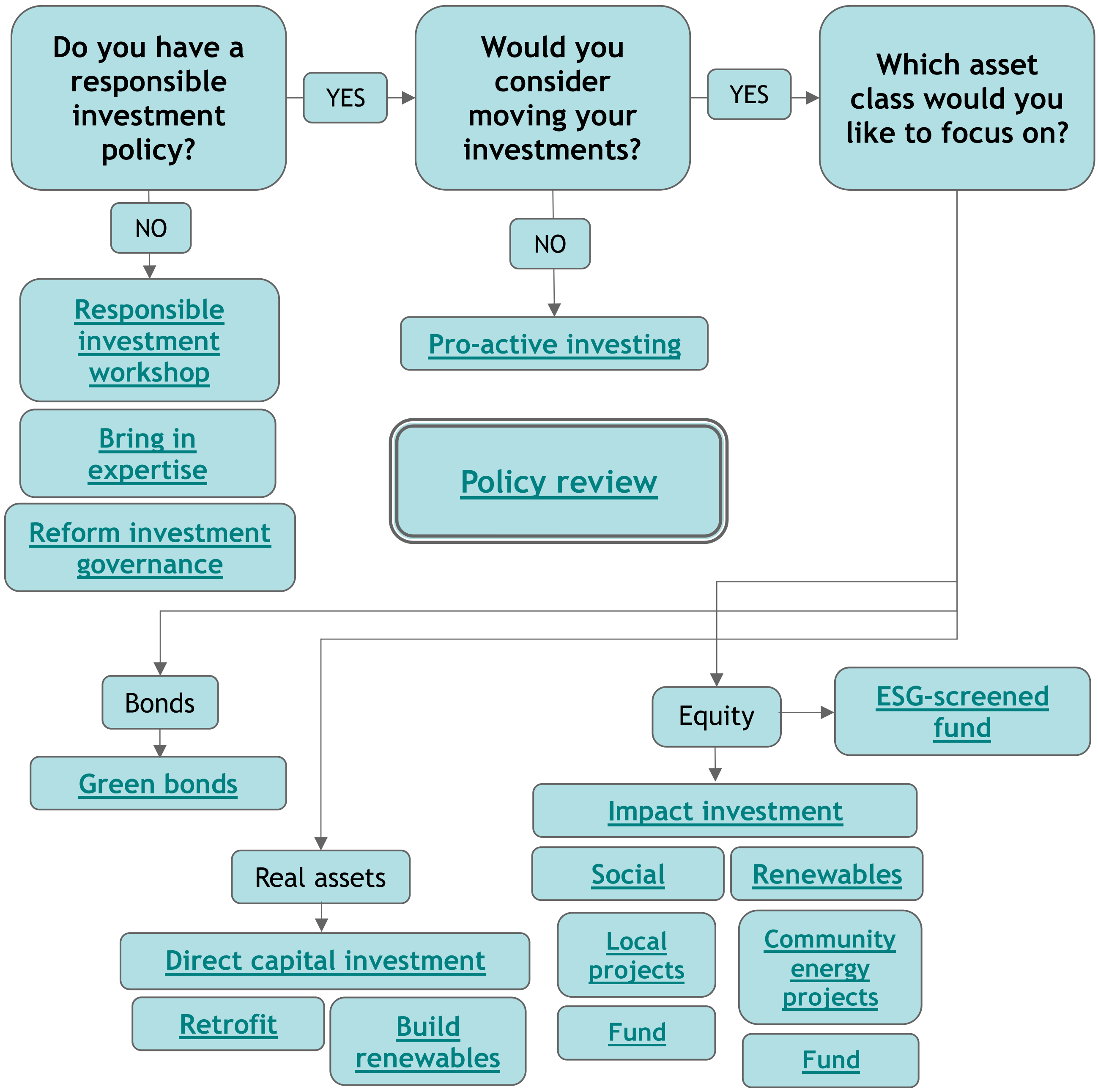
Identify effective actions

Use this flowchart to identify areas of responsible investment activity that would be effective at your university. Answer the questions to point you towards specific actions, then click on the actions to find out more and read case studies. This list of options is not exhaustive.



Disclaimer: The information contained in this document is not intended to be investment advice. References to individual organisations are not endorsements or recommendations and investors should do their own research based on individual circumstances and seek qualified advice before taking any financial decisions.

STUDENTS ORGANISING FOR SUSTAINABILITY UNITED KINGDOM

Friends Provident Foundation
Fair economy. Better world.

Responsible investment workshop

If responsible investment is a new concept, getting some training on the topic may be useful. A workshop for the Finance or Investment committee on responsible investment, its wider context and how it could be applied at the university, could help get stakeholders on board and explore next steps.

The responsible investment charity ShareAction offer a range of training opportunities for university practitioners, from short workshops to day long masterclasses.

Some resources on universities and responsible investment:

- What is responsible investment? – United Nations Principles of Responsible Investment (UN PRI) website.
- The Value of Responsible Investment: The moral, financial and economic case for action – 2014 report by Investment Leaders Group.
- What's in a definition? Exploring the language of investment, value an impact – a 2020 briefing by ShareAction

CASE STUDY: Responsible investment workshop at St Anne's College, University of Oxford

WHAT?
Two 2-hour workshops as part of a consultation on the colleges responsible investment policy.
WHO?
A cross section of students, academic staff, including governing body members, and administration staff. There was also an online response facility.
WHY?
The college had not reviewed any aspect of its investment policy for around 20 years. It was looking at moving from a pure income orientated strategy to total return. This in itself would reduce its reliance on high dividend paying stocks. It also seemed relevant to review our responsible investment policy. We were aware of a movement to divest from fossil fuels but wanted to open up the debate to as wide an audience as possible. The workshops were both an opportunity to better inform students and staff on college investments as well as to solicit their views.
OUTCOME?
The college extended its exclusion policy and decided no longer to invest in fossil fuels, mining stocks and weapon manufacturers. It is currently working on a more expansive principles-based investment policy. This has been welcomed by the college community.

"We are very glad that the college initiated this review. We look forward to discussing the more comprehensive responsible investment policy next year."
-Feedback from student attendees

Information provided by John Ford, Treasurer and Finance Director at St Anne's College.

Bring in expertise

Make sure you're centring responsible investment effectively by bringing in experts in the field. Universities have unique opportunity here to tap into their own academics who may have specific expertise *and* an understanding of the university context. This could be a paid position, as below, or through committee or board membership.

Case study: The University of Cambridge appoints a responsible investment advisor to the Chief Financial Officer

In April 2019, Cambridge appointed an advisor to work with the Chief Financial Officer to establish a programme of research into responsible investment. The advisor is a researcher with expertise in sustainable investment and economic education and policy, currently a postdoctoral researcher at the Centre for Endowment Asset Management at the Judge Business School, and a research associate at the Centre for the Study of Existential Risk, Cambridge.

See more detail online.

Reform investment governance

Evaluate and improve the spaces in which investment decisions are made. You can do this by opening opportunities for input from all stakeholders, therefore ensuring investments act in the interests of beneficiaries.

Key areas to work on:

- *Stakeholder representation*: make sure the university community can contribute through student and staff representatives on the body that makes investment decisions. Work with your students' and trade unions to support this.
- *Bring in expertise*: co-opt a member of the governing body with experience or expertise in responsible investment.
- *Ensure effective contributions*: seek out or offer training around finance and investments which will ensure productive participation from lay members. This will allow for clearer input from a more diverse range of voices.
- *Commit to transparent decision making and practice*: disclose and report on holdings, voting and engagement regularly, in an accessible way.

CASE STUDY: Building Trust Through Transparency: a briefing report by Positive Investment Cambridge

Transparency from a university regarding its investment processes and decisions can **build trust with educational stakeholders** and facilitate more constructive conversation. As public institutions, universities have a responsibility to act for the benefit of their members and wider society. Greater transparency creates an opportunity to proactively demonstrate a university's value-driven approach towards investment.

This briefing report by Positive Investment Cambridge outlines the benefits of increased transparency, and steps universities can take to build trust through transparency.

See the report online.

CASE STUDY: Stakeholder representation at Imperial College London

At Imperial, the President of the students' union (SU) sits on the University Council board to represent students. In 2019, the SU President worked with the University's President's Board to put forward a recommendation to Council to set up a Socially Responsible Investment (SRI) Policy Working Group.

The SRI Policy Working Group drew on the expertise and views of the College community, key stakeholders, Endowment Board members and Council, as well as external experts in responsible investment.

The College SRI Policy was prepared by this Group and launched in March 2020, following approval by President's Board and Council. The Endowment Board will report back to Council annually on its implementation of the SRI Policy.

See more detail online.

Pro-active investing

If moving investments is not an option right now, focus on how investments are chosen and subsequently engaged with. Use the university's influence as an investor to spark wider behaviour change.

What can the university practically do?

- *Current holdings*: assess current investment holdings to see where the university should prioritise engagement. The university could commission student-led research to determine where engagement would be effective.
- *Screening*: consider how investment decisions are made and ensure this aligns with responsible investment principles and university values. Make sure this focus goes beyond just public equity, where changing which companies are held will not directly affect the company themselves. If you don't already, perhaps move towards a positive screening approach, selecting investments for potential impact, rather than excluding for their potential harm (negative screening).
- *Look for collaborations*: work with other investors to pressure companies into behaviour change. Collaborate on public statements or shareholder resolutions for company AGMs.
- *Consider AGM action*: If you hold shares, use your vote at AGMs. Consider sending students on the university's behalf. If you use investment managers, call on them to vote and speak out on environmental and social justice issues.

Case study: Investment manager engagement at LSE

At London School of Economics and Political Science (LSE), engagement with investments and investment managers is reported annually in the Financial Statements. Sections picked out here are from the latest Financial Statements, for the year ending 31 July 2019.

See more detail online.

LSE managed to engage with investments to increase the number of companies that were disclosing information related to climate change, as well as identify areas of concern such as supply chain and diversity in the workplace issues (Figure 1).

LSE also review each investment manager annually. This involved evaluating performance and replacing any managers who do not meet the responsible investments standards set by LSE.

. Since the introduction of the LSE Socially Responsible Investment Policy (SRIP) in 2015-16, the exposure of the endowments' investments in the areas it aims to minimise has reduced by over 80 per cent from 3.4 per cent of total assets to 0.6 per cent in 2018-19 (0.4 per cent tobacco, 0.1 per cent tar sands, 0.1 per cent thermal coal). During this period fund managers seeking Task Force on Climate-related Financial Disclosures (TCFD) or equivalent standards of climate change related disclosure from investee companies increased from 25 per cent to over 60 per cent of the total. Engagement on social issues such as supply chain and workforce diversity has improved a little but remained an area of concern and the use of the UN Sustainable Development Goals to shape engagement themes is at a very early stage although some improvement has recently been observed.

FIGURE 1

The Committee conducts an annual evaluation of each manager's performance in pursuit of its SRI targets and engages with managers on those areas of responsible investing where they need to improve in order to reach and sustain current industry best practice. The dialogues may be proactive or reactive in character and will continue as long as the assessment shows that the fund manager is moving in a positive direction.

Each manager has received our feedback and, where relevant, follow up discussions have taken place with those in groups 3 and 4 to understand their plans for improvement. Those which were in group 4 last year were asked to improve materially and the two managers which failed to do so have been replaced.

FIGURE 2

Case study: Success through collaboration at AGMs

In early 2020, ShareAction, along with 11 other institutional investors, filed a resolution calling on Barclays to phase out financing for fossil fuels and utility companies that are not aligned with the Paris climate goals.

The resolution gained media attention, and support from the investment community, including the likes of Nest, Jupiter Asset Management, EOS Federated Hermes, and M&G Investments. It also prompted Barclay's to put forward a counter-resolution to be net zero by 2050.

At the AGM the resolution got 24% of votes, unprecedented for a resolution of this kind in the UK. ShareAction calculates that, including abstentions, almost 34% of shareholders who voted on Resolution 30 did not follow the bank's formal recommendation not to support the shareholder-led resolution. Barclays' own resolution passed almost unanimously.

The level of support for the resolution from a significant base of shareholders is thanks to the commitment of 130 supporters, shareholder activists, and co-filers. It means ShareAction have the backing to be able to push Barclays to actually set targets in the short-term to realise its ambition to be net-zero by 2050.

For more details, see the article and blog online.

Case Study: Student AGM activism

For two AGM seasons, students at Trinity College, University of Cambridge, have been supported by Trinity Responsible Investment Society and ShareAction to attend AGMs on behalf of the College.

Students received training and were able to ask questions at the AGM. This allowed Trinity to practice both shareholder and stakeholder engagement, as well as giving students a great development opportunity.

Some students followed up their attendance with a report, which can be found online.

Policy review

A responsible investment policy will form a solid base for investment activity. Reviewing policy will help work out how and why the university invests and clearly articulate this to any external parties.

How to effectively review policy:

- *Consult*: ensure a policy is comprehensive by consulting widely with all stakeholders. Report on feedback and how it has been incorporated for full transparency.
- *Use integrated thinking*: make sure policy is linked up with wider university activity and strategic vision. This allows policy to be easily enacted as part of the institutions normal activity and contribute towards longer-term objectives and aims.
- *Include, exclude, strategise, engage and disclose*: cover where and how you will invest, as well as how you will monitor and report on activity, to ensure policy is value-led, specific and comprehensive.

Check out our resource which guides universities through developing a responsible investment policy. This resource includes good practice examples from other institutions.

Green bonds

Investing in green bonds, or green bonds funds, allow investors to finance initiatives which take action on the climate crisis, whilst generating predictable financial return. Green bonds should be scrutinised carefully; the initiative should have a comprehensive impact measurement methodology in place, with regular reporting mechanisms. The university should be confident that investments will have real-world, positive effect and that the bond issuer's practices align with university policy on responsible investment.

There is opportunity also for universities to issue their own green bonds to fund large-scale redevelopment on campus.

Case study: The University of Helsinki invested in a Green Bond Fund

The University of Helsinki has taken a step forward in terms of responsible investments by investing over 40 million euros in the NN Green Bond Fund. This is one of the world's first green bond funds.

The fund invests in green bonds that are verified by an independent second party. The loans are earmarked and may only be used for predefined projects that reduce the environmental burden and support sustainable development. In most cases, the projects relate to investments aiming to reduce emissions generated by businesses.

See more detail online.

Direct capital investment

Universities have large estates and reducing the environmental impact of these is vital to take action on the climate crisis. Innovative use of investment funds could help fulfil investment objectives, generate energy and reduce emissions.

One way of doing this is to create an internal investment vehicle. Universities would invest directly in infrastructure and track savings, which are then used to replenish the original fund, with any surplus taken as investment return. This concept has been used across campuses in the USA, known often as a Green Revolving Fund (GRF).

Universities could also set up Energy Service Companies (ESCOs) to manage investment into their estate and could potentially be widened out to infrastructural improvement to the local community too.

Case study: Harvard University's Green Revolving Fund

The Green Revolving Fund (GRF) at Harvard University is a $12 million revolving fund that provides capital for high-performance campus design, operations, maintenance, and occupant behaviour projects. Harvard first launched the Green Revolving Fund in 2002. The fund has achieved average annual returns of 30 percent, saved the University $4.8 million dollars annually, supported nearly 200 projects and reduced Harvard's environmental footprint.

The model is simple:

- GRF provides the up-front capital
- Applicant departments agree to repay the fund via savings achieved by project-related reductions in utility consumption, waste removal, or operating costs.
- The payback formula allows departments to upgrade the efficiency, comfort, and functionality of their facilities without incurring any capital costs.

See more detail online.

There are two clear projects, amongst others, for which this kind of investment could be used: retrofitting existing university infrastructure and building renewables on campus.

Retrofit

Investing in your existing estate will improve energy efficiency, reducing emissions and generating cost savings. Universities need to be working towards ambitious carbon reduction targets, both to tackle the climate emergency and attract students[1].

Using a method such as ESCOs or GRFs, investments can be made in the universities existing estate, generating savings that are then used to replenish the investment vehicle and deliver the university financial return.

[1] Since 2010, NUS and SOS-UK research has shown that around 80% of students want their institutions to be doing more on sustainability. Research available online.

Case study: St John's College, University of Cambridge's energy saving retrofit

At St Johns, student accommodation, known as hostels, have been refurbished to an Energy Performance Certificate rating B to save energy and contribute to carbon management plans.

The Superintendent of Buildings reported that at the end of January 2018 two more hostels had been successfully upgraded and another was being worked on, each with new energy efficient heating systems. A new hostel investment plan to upgrade hostels and improve their energy efficiency had been agreed amongst stakeholder groups.

See more detail online.

Build renewables

To move towards a low-carbon economy, we need widely available and easily accessible renewable energy infrastructure network. Universities may have both investment funds and land, enabling the building of these assets on their land. For some universities, it may be more efficient to build off campus, in parts of the UK where renewable energy generation is more efficient due to weather conditions.

This is not only a sustainable investment, with a measurable environmental impact but also positions institutions as drivers for a just transition to clean energy. Universities can also benefit from the generated energy.

Case study: The University of Cambridge build a solar farm on university land

The University of Cambridge are currently planning for the construction of a solar farm on university-owned land.

The land is currently farmed by a tenant farmer under three separate agreements and a small, vacant, pony field. The solar farm, of up to 22MW, will have the facility to generate up to 11MW. The electricity generated will supply university buildings on the site with low-carbon electricity.

This will contribute to the University's Science Based Target to reduce its energy-related (scope 1 and 2) carbon emissions to absolute zero by 2048 with an aspiration to become zero-carbon by 2038.

See more detail online.

Impact investment

Impact investing describes investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return[2]. What sets these investments apart is intentionality: identify the desired environmental or social impact and work backwards from there.

For externally managed portfolios, universities should instruct investment managers with clear guidance, based on policy or formulated by answering the questions below. Investment managers with specific impact investment expertise may need to be appointed.

Key questions to answer:

1. *Define impact intention*: What is the impact you are trying to achieve?
2. *Identify specific investment areas*: What kind of projects, schemes or funds will achieve your agreed impact? Are there any local or specific opportunities?
3. *Set expectation for financial return*: What is the minimum return acceptable?
4. *Outline measurement methods and set reporting commitments*: How will you measure and report on impact?
5. *Direct or indirect*: Will you work directly with projects, through organisations or investment managers?

Case study: Student-run investment fund at the University of Edinburgh

Prosper is the first student-run social investment fund in the UK; founded and run entirely by students at the University of Edinburgh. Their mission is to deliver positive social change in Edinburgh through responsible, student-led investments. They aim to challenge traditional perceptions of finance, making the world of investment more compassionate and responsible.

To do so, they run an equity portfolio underpinned by five core values and environmental, social and governance (ESG) criteria; it is these underpinnings which ensure investments have an indirect positive social and environmental impact.

See more detail online.

Renewables

Renewable energy can be a good option for a long-term impact investment: we need energy as a society, but we know we cannot continue to use fossil fuels. Investing in renewables is investing in the future.

[2] What is impact investing, Global Impact Investing Network. Available online.

Community energy projects

Community energy projects use collective action to reduce, purchase, manage and generate energy. They have an emphasis on local engagement, local leadership and control and the local community benefiting collectively from the outcomes.[3]

Universities could directly engage with a particular project, perhaps locally, or work with organisations who pair projects and investors[4]. Through this kind of investment universities are not only supporting renewable energy generation but also community causes, to which any revenue is directed.

Case study: Friend's Provident Foundation's community energy investments

As one of Friend's Provident Foundation's thematic programmes, social investment opportunities in community energy are actively sought out.

Current investments include:

- Awel Coop is a 4.7MW two wind turbine project near Swansea, that is wholly owned, controlled by and benefits the local community, an area of high social deprivation. Over the project's lifetime, it is expected that £3 million will be given to alleviate local fuel poverty.
- An investment to, in conjunction with Thrive Renewables, acquire two projects with a view to migrating ownership to the local community; a 3.2MW solar array in the Midlands and a 6.9MW three wind turbine scheme in North West England.
- A loan to The Community Share Underwriting Fund, who support share offers for the development or purchase of community assets, including community energy projects.

See more detail online.

Fund

Although the measurable environmental and social impact will not be as significant, some universities may be more comfortable sticking to established funds. It should be noted that these funds are not always increase renewable infrastructure provision itself but will generally support the continuation of existing renewable energy generation.

Carefully choosing funds with investment managers that invest in the development of new renewable infrastructure specifically, will mean your investments can contribute towards a low-carbon future. Looking into the companies that run these funds, and the way in which they invest responsibly (screening, investment policy, etc) will also help ensure your investment has the impact you want.

Collaboration with other universities could also be utilised to develop a bespoke universities renewables fund. There are investment firms who can develop this, get in touch to find out more.

[3] What is Community Energy, GOV.UK. Available online.
[4] Examples of which are Pure leapfrog and Core.

Case study: Triodos Renewables Europe fund

Triodos Investment Management is a globally active impact investor that see impact investing as a driving force in the transition to a more inclusive and sustainable world.

This fund directly invests in small to medium-sized clean energy projects - wind farms, solar photovoltaic and solar thermal installations - throughout Europe. Typically, these installations are privately owned and/or operated by a special-purpose vehicle.

Through their Energy and Climate Impact Strategy, of which this fund is a part, they aim to address four key areas:

1. Increase renewable energy generation and improve access
2. Limit energy demand
3. Improve reliability
4. Energy democracy

This kind of fund is open to institutional investors, such as universities.

See more detail online.

Social

Investing in social solutions gives the university a chance to highlight issues which are relevant to them; perhaps a local challenge, an issue the student body is particularly passionate about or an area in which the university specifically researches.

More generally however, it provides a chance for universities to make sure their investments support the transition to a fairer society for their students to graduate into.

Local projects

There may be local opportunities to invest into your university town or city, supporting communities and contributing to the university's civic role. Some examples are funds that invest in local housing projects to increase affordable housing, or funds that identify and invest in start-up social enterprises.

Universities could also directly invest in home-grown projects or businesses. Identify local challenges and university strengths to find an appropriate area, then research local opportunities.

Case study: Edinburgh Local Community Grants scheme

The University of Edinburgh's scheme helps the development of projects, community activities and sustainable local action through funding and collaboration.

The aims of the Edinburgh Local Community Grants scheme are to:

- Increase engagement between the University and local communities.
- Have a positive social impact.

- Create learning opportunities (including informal and non-traditional forms of learning).

See more detail online.

Fund

Universities can invest in funds which then pool money from different investors to invest into projects which deliver measurable social impacts. Social impact investment funds cover areas such as homelessness, unemployment, poverty, health, and more.

Case study: The University of Northampton's social impact investments

The University of Northampton have teamed up with Big Society Capital to support them to invest with impact. In 2011, they made a direct £200,000 equity investment in Goodwill Solutions Community Interest Company (CIC), a local logistics enterprise that trains, employs and supports ex-offenders.

Since 2014, the University has made a series of further investments: £150,000 in Big Issue Invest's Corporate Social Venture Fund which supports early-stage social ventures through the provision of small loans, alongside mentoring support from key partners (including the University) and £100,000 in Impact Ventures UK, a venture fund providing early-stage growth capital to social enterprises in the UK.

These investments have led to significant social impact, with research projecting that the total social impact is equates to a financial return as high as £52 million.

See more detail online.

ESG[5]-screened fund

Invest in a 'ready-made' fund with a variety of holdings, but in a responsible manner. These can range from general to issue-specific investment and are commonly focused on public equity. Investments decisions are made after screening investments against ESG[5] criteria. This can be negative and/or positive screening, i.e. excluding or including certain industries and practices.

This allows universities to confidently exclude certain corporate practices without having an impact on financial return. Universities should however, focus on the private market to make have a tangible impact with asset allocation decisions. With public equity and other secondary market investments, impact is more likely to be realised through engagement, or making a public statement about what you choose not to hold.

Any prospective funds should be carefully scrutinised to avoid greenwashing.

What should you look out for to avoid greenwash?

- *Ethical screening criteria*: How does it work and how was it developed?
- *Engagement practices*: Does the fund engage with companies to promote ESG[5] values? How active is this engagement?
- *Transparency*: Does the fund have clear reporting and disclosure measures in place?
- *Investment manager practice*: Are the investment managers operating the fund committed to responsible investment?

Case study: Snowball Impact Management

Snowball is a diversified, multi-asset investment vehicle that aims to create positive outcomes for people and planet whilst generating sound financial returns. They invest in a range of public and private funds that support a variety of social and environmental outcomes encapsulated by the UN's Sustainable Development Goals.

Snowball select investment opportunities through a screening process where investments are chosen against a specific impact framework, which also provides the basis for measuring impact. The framework considers impact from two perspectives.

1. The potential impact of the investments that their managers hold
2. How their managers work with their investments/investees to improve their impact

Snowball, and opportunities like this, are open to institutional investors, such as universities.

See more detail online.

[5] Environmental Social Governance (ESG) describes a set of standards for a company's operations that responsible investors use to screen potential investments.