**Ethical Investment and Banking Policy**

1. **Scope and Purpose**

Lancaster University recognises the importance of ensuring that its direct investment of funds[[1]](#endnote-1) matches its priorities and values in the context of its Strategic Plan to 2026.

Having an explicit Ethical Investment and Banking Policy helps the University’s stakeholders to make this connection and provides the opportunity to influence positive change in corporate behaviour. This policy supports the University’s aim to invest its own and endowed funds with due consideration for ethical, environmental, corporate governance and social issues.

1. **Executive Summary**

This policy is one strand of the University’s Sustainability Strategy and is aligned with the University’s Financial Regulations and its Treasury Policy.

The University invests its day-to-day working capital balances and endowment funds with the objective of maximising the return on those investments within an agreed risk framework. The selection, retention and realisation of treasury investment decisions should be consistent with its investment objectives and its legal duties. As such the University seeks assurance from both its fund managers and banking partners that they operate in a way consistent with ethical requirements.

The Treasury Policy deals in detail with the investment of day-to-day working capital balances, which are short and long-term deposits with agreed banking partners. These partners will be researched to ascertain compatibility with the University’s ethical and sustainability requirements.

This Policy deals in detail with the two managed investment funds held by Cazenove Capital (endowed funds) and on the University’s own investment portfolio managed by Brooke Macdonald. Further information is given below.

1. **Commitments**

Lancaster University is committed to ensuring that it makes responsible investment decisions with integrity. This ethical investment policy is based on the premise that the choice of investment decisions should reflect the ethical values the University espouses in public life. In order that this can be achieved, the University is committed to the following policy principles and:

* will not knowingly, directly or indirectly, make investments with companies or organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups such as gambling and pornography, or whose activities are inconsistent with the mission and values of the University.
* will engage with organisations in which it is considering investment in order to encourage ethical standards and practices.
* will screen investment decisions on ethical grounds and where an organisations practice’s do not meet the ethical standards required may choose not to invest.
* will make publicly available the details of investments covered under this Policy on an annual basis (based on the position as at 31 July).
* will regularly review its investments through the University Finance and General Purposes Committee.
* will give staff and students an opportunity to engage with this policy via representatives at appropriate University Committees and wider fora.
* will monitor the operation and review the effectiveness of this policy on a regular basis through the Finance and General Purposes Committee under delegations from the Council. Where appropriate, matters arising will be taken to the full University Council for consideration.

1. **Details of Lancaster’s investment portfolios**

Following Lancaster University’s declaration of the climate emergency in November 2020, the University took positive steps in its commitment to sustainability by transferring all its managed investment portfolios to two new funds.

The first is called ‘Responsible Multi-Asset Fund’ managed by Cazenove Capital and is designed to have a positive impact on people and the planet by avoiding harm through Environmental Social and Governance (ESG) integration and exclusions, benefiting stakeholders through responsible business activities. This fund is designed specifically for charities and aims to avoid harm by **active screening of investments, including for climate change, tobacco and armaments.**

The second fund is called the ‘Advance Strategy Fund’ managed by Brooks Macdonald within its Responsible Investing Service. This portfolio invests in funds which provide investment exposure to businesses providing direct solutions to the sustainability challenges that the world is facing and is framed around eight core themes: cleaner energy, resource efficiency, water and waste management, sustainable transport, health and wellbeing, safety, education and financial inclusion.

Our screening criteria is based on the proportion of a company’s revenue derived from fossil fuel extraction, production or power generation. For our Cazenove portfolios, companies deriving more than 10% of revenues from fossil fuel activities are flagged as fossil fuel related. For our Brooks MacDonald fund a lower 5% threshold is set.

The University will ensure that fund managers operate to socially responsible objectives, consistent with those of the University. These will include human rights considerations, climate and bio-diversity issues and engaging in best practice corporate governance.

**Sarah Randall-Paley, Director of Finance**

**Professor Simon Guy, Pro-Vice-Chancellor**

**March 2023**

1. *University staff pension schemes are managed and invested under entirely separate arrangements and are not covered by this policy.* [↑](#endnote-ref-1)