

Investment Policy

1. Introduction & Scope

Royal Charter

The University of Reading is an exempt charity, established by Royal Charter, whose purpose is the advancement of knowledge.

The Royal Charter sets out the objects of the University: for the public benefit to advance education, learning and research through the provision, support and maintenance of a University. The property and funds of the University shall be used only for promoting the objects.

Specifically, this policy covers:

- (a) the University's group endowment portfolios, including for its connected charitable trusts;
- (b) the Investment property held within the University and any trusts of which the University is trustee (such as the NIRD trust), including any land classified as held for investment purposes;
- (c) The University's operational landholdings which may have a long term development potential (such as farmland). This policy therefore covers all the University Group's investment assets. The scope is designed to allow a holistic view to be taken across these assets in respect of optimal mix, risk, liquidity, annual returns and long term value appreciation.

It does not cover the core operational estate (e.g. Whiteknights and London Road Campuses).

The endowment portfolios are those funds invested with external investment managers, rather than any investments held directly by the University or related Trust. They are held at market value in the University's financial statements.

Investment properties are residential and commercial properties, or land, which are not in operational use, and are either rented out for a return to a third party and/or held for future development potential. These assets, as mandated by accounting standards, are valued at current market value (using qualified surveyors) in the University's financial statements.

The University's management of its operational cash balances is contained within a separate Treasury policy.

2. Objectives

The University's overall investment objective is to preserve and grow capital in real terms and to generate returns that support the activities of the University. The University seeks to produce a suitable financial return within an acceptable level of risk. The policy recognises that the pursuit of an optimal financial return is not the sole aim of the University's investments – rather that they exist

to further the University's academic, commercial and social aims. The University will seek therefore to use its Investments to make a real impact both at a local and a global level.

The University wishes to ensure that decisions around all its different classes of asset are complementary, and in particular to help the investment manager distribute risk by looking across the asset classes and mix in the investment property portfolio.

4 Risk, Liquidity and time horizons

The University believes in diversification to mitigate risk so its assets may be invested widely and should be diversified by asset class and security. The Investments and Development Committee, working on advice from the Executive Team and external experts, is responsible for agreeing a suitable asset allocation for all funds placed with the investment managers.

The University accepts that longer term investment are subject to a higher degree of risk and that the value of these assets will fluctuate.

The University seeks to manage the risks of permanent loss of capital and/or the erosion of purchasing power via inflation.

The University will agree a suitable risk strategy through Investments and Development Committee and in collaboration with third parties (e.g. investment managers).

The University will ensure that part of the portfolio is available as a source of emergency liquidity funding, to cope with unexpected issues and ebbs and flows in cash receipts.

5 Responsible Investment Policy

The University will assess the impact of its investments in three areas: environmental, social and governance (ESG). The University will recognise it should use its investments in a responsible manner, and that this has both a negative and positive dimension. It will look to avoid investments which are seen as promoting obvious harms, and choose investments which have a positive impact. It will also expect the investment manager to exercise influence through active ownership – both engagement and voting at AGMs.

The University seeks to avoid harm and has explicit exclusionary screens as well as ensuring ESG factors are integrated into all investment decisions. The University will screen out all corporations complicit in the violation of international law. The current exclusions and tolerances agreed by the Investments and Development Committee and applied by the investment manager cover weaponry and armaments, pornography, tobacco, gambling, high interest rate lending, alcohol, oil and gas (extraction, production, refining and financing), tar sands and thermal coal, and non-medical animal testing.

The University will continue to monitor other areas of concern as they develop, such as the border industry, and consider imposing exclusions in these areas.

The University recognises the climate emergency as a key challenge facing society and the students of the future. As such the University seeks to align with the Paris Agreement on climate change, encouraging our fund managers to reduce the carbon emissions of the investments, and advancing a just transition through engagement and investment in solutions (e.g. renewable energy and

infrastructure). The screening policy excludes fossil fuels and has been updated to include the largest financers of fossil fuel activities based on the Banking on Climate Chaos (BOCC) dataset. Any future investments in energy assets will be in renewable energy, low carbon energy, community renewable energy, or renewable energy projects on campus.

The University will choose investments in agreement with the University's overall strategy and community obligations. Such areas may include:

- Improving Environmental sustainability
- Increasing Workplace diversity
- Combatting Poverty
- Promoting Women's rights

Active ownership: Investment managers are expected to actively engage and vote in order to encourage businesses to make progress towards the UN Sustainable Development Goals. Where there are specific topics that impact the beneficiaries, the University will seek to represent their views. This may involve collaboration with the student body and other like-minded asset owners. Investments and Development Committee's terms of reference will include an ex-officio right of attendance for the Reading Students' Union.

The University seeks to understand the impact of the investments on people and planet, and will ask the investment managers to measure and report relevant sustainability metrics and active ownership activities at least annually. The Investments and Development Committee will review regularly their investment managers' policies and performance on environmental, social and governance issues, and report on this to its stakeholders regularly. The University expects the investment managers to be signatories to the UK Stewardship Code and UN Principles for Responsible Investing. The University also incorporates the Taskforce Climate Related Financial Disclosures (TCFD) in its annual financial statements

The University expects its investment managers to keep track of progress against its climate ambitions by monitoring the carbon emissions and emissions reduction targets of its investments over time, encompassing Scopes 1, 2 and 3 as data allows.

The Investments and Development Committee will also ensure that the commercial operation of the University's Investment Properties is also consistent with the University's ethical, environmental and social responsibilities.

6 Governance, Management, Reporting and Monitoring

The Investments and Development Committee is the key tool the University has to monitor its diverse portfolio, and to protect the University against the risk of erosion of asset value. Scrutiny and Finance Committee are responsible for setting the overall return targets and risk profile for the University; Investments and Development Committee are responsible for implementation and monitoring. The full Terms of Reference of Investments and Development Committee can be found on the University's website.

For management purposes the assets are divided into two main sections: investments held and managed by the currently appointed investment manager Cazenove Capital (the "endowment funds"), and assets managed directly (Investment property, mainly residential properties and land).

The assets managed by the investment manager are divided into a number of separate portfolios, including those owned by the University's charitable trusts. These have different aims, risk profiles

and return requirements. Investments and Development Committee will decide upon the risk and target returns for each portfolio, and the broad asset classes allowable. Within these parameters the Investment Manager is responsible for the choice of individual investments.

Investments and Development Committee will meet regularly to review the performance of each portfolio against targets and suitable benchmarks. Internally managed assets will be subject to the same reporting and monitoring by Investments and Development Committee.

Annually Investments and Development Committee will report to the wider University community how it is approaching responsible investment, and request feedback. To this end any relevant minutes from Investment and Development Committee on these issues will be published on the University website (redacted where necessary for commercially sensitive issues).

7 Approval & Review

The policy represents the aims of the University's investments, how the investments are controlled, and how they are monitored to ensure they deliver the stated objectives. The key features of the policy are:

- The policy is a living document which must be updated annually
- The policy sets out how the Investments and Development Committee ensures the delivery of the long term capital returns and income requirements as set by the Council of the University through Scrutiny and Finance Committee

Approved by Investments and Development Committee

19 February 2024

Updated 17 June 2024

Since 2016 the University has agreed to publish the details of its main endowment fund. These can be found here:

<https://www.reading.ac.uk/finance/university-accounts>