



SOCIALLY RESPONSIBLE INVESTMENT POLICY - REVIEW GROUP EXAMINING DIVESTMENT POLICY

Background

In line with the recently agreed updated Responsible Investment Policy divestment review process (attached as Annex 1), Central Management Group (CMG) has agreed to activate a process to consider the case for divesting from two specific classes of activities, namely fossil fuels and armaments.

A Review Group is being formed with the task of examining these two issues and advising CMG on the options available to it and the impacts and consequences of those choices. CMG instructed that in the first instance a group be formed to examine fossil fuels, with subsequent work to examine armaments. In practice this may mean that the membership of the review group varies accordingly to the issue under examination.

Remit

The remit of the Divestment Review Group is to examine the case for, and impacts of, the University endowment fund divesting from [fossil fuels] [armaments] and to report back as in a timely, considered and thorough manner to Central Management Group on the options, impacts and consequences of any decisions it may make.

In coming to its view the group should:

- Ensure that its deliberations are fully in line with the recently agreed Responsible Investment policy and taking account of views expressed via the responsible investment consultation process
- Examine the range of opinion and action from other universities and asset owners in this field including potential advice from the PRI
- Ensure clarity over the meaning of, and options attached to, terms such as 'fossil fuels' and 'armaments'
- Ensure that it provides clear and well justified options for action for CMG to consider, across a range of possibilities and with clear impacts and consequences attached to each option presented
- Avoid coming to a single recommendation but present the full range of options available
- Involve the Investment Committee in providing investment and risk advice and where necessary consulting with the University's investment managers
- Seek to ensure consensus if possible on the choices presented
- Consider the need for further consultation prior to finalising its work, including specific conversations with donors

- Ensure that the options are reported against the criteria contained in the policy, namely:
- “An activity wholly contrary to the values and ethos of the university as stated above
- Impact on investment capital and returns
- Ease of avoiding investment within realistically available investment choices
- Impact on other areas of University activity (research, teaching, fund raising, procurement)
- The University’s view of future changes and ‘direction of travel’ in the area proposed”

Membership

- Prof Charlie Jeffery (Convenor), Senior Vice Principal
- Dave Gorman, Director of Social Responsibility and Sustainability
- Tasha Boardman, Vice President Services, Edinburgh University Students’ Association
- Mark Connolly, Director and Head of Fixed Income at the Scottish Widows Investment Partnership (Member of the Investment Committee)
- Prof Andrew Curtis, Professor of Mathematical Geoscience
- Dr Andy Kerr, Executive Director, Edinburgh Centre on Carbon Innovation
- Prof Lesley McAra, Chair of Penology, School of Law
- Phil McNaull, Director of Finance
- Tracey Slaven, Deputy Secretary, Strategic Planning

Annex 1 - Examining Future Calls for Avoiding Investment

1. Any group within the University may draw attention to any investment held by the University that is considered to be wholly at odds with the values and ethos of the University, either on an individual company basis or covering sectors of activity
2. The key criteria against which specific cases would be considered are:
 - An activity wholly contrary to the values and ethos of the university as stated above
 - Impact on investment capital and returns
 - Ease of avoiding investment within realistically available investment choices
 - Impact on other areas of University activity (research, teaching, fund raising, procurement)
 - The University’s view of future changes and ‘direction of travel’ in the area proposed
3. Expressions of concern should be related to either specific companies or specific sectors 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.

4. Cases will be considered by the Central Management Group in the first instance. If brought forward by EUSA, the President and relevant Vice President would attend for discussion of that item. CMG may instruct the Social Responsibility and Sustainability (SRS) Committee to consider the merits of the request and to report back with its findings. CMG may also ask the Investment Committee for comments and analysis.
5. The SRS Committee's deliberations will be led by the Chair of the SRS Committee and supported by the University's SRS, Procurement and Finance Departments. This may include the convening of a special sub-committee to consider the matter further. The SRS Committee is free to consider the best means to deliver a timely, considered and thorough response but in developing its analysis it should apply the criteria contained in the above policy.
6. In reaching its decision, CMG is expected to take into account the current extent (if any) of the investment or procurement managers' engagement with the relevant company on the matters complained of. It is for CMG to decide whether there are sufficiently strong grounds to warrant particular engagement with the company through the mechanisms established by the investment managers where this is not already in hand, or to request strengthening that engagement if already active. CMG may also decide to recommend divestment from a particular company, or avoid investment or acquisition in a specific sector of activity.
7. CMG is empowered to raise matters with the Investment Committee and investment managers without the need for Policy and Resources Committee's/Court's endorsement. Its decisions in regard to whether to do so in individual cases, whether positive or negative, shall be reported to the Policy and Resources Committee and the Court. The investment 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 Policy and Resources Committee and Court as appropriate.
8. It is acknowledged that a situation could arise in which engagement did not assuage serious concerns raised about a particular company. In those circumstances Court may conclude that it should disinvest. The Investment Committee would make the financial consequences of such a decision clear to the Court. There may also be a need to clearly indicate the procurement, sourcing or contractual consequences of any decision.
9. CMG's requests for engagement are normally transmitted to the investment managers via the Investment Committee. However, in exceptional circumstances, it is possible to ask the investment managers 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

investment managers after such consultation with the Investment Committee and SRS Committee as was practicable in the circumstances.