

Endowment Investment Policy

Summary

The University of Bristol's Endowment Investment Policy governs the management of endowment funds, aiming to generate income and grow the value of the funds over time. The policy requires ethical investment practices, prioritising investments that align with social, environmental, and governance goals.

Control information:	Control detail:
Owner	Group Finance Director, Finance Services
Author	Head of Treasury, Finance Services
Sponsor	Chief Financial Officer, Senior Team
Consulted	Finance & Investment Committee
Approved by	Board of Trustees
Responsible area	Finance Services
Version	2
Approval date	21 November 2025
Effective date	21 November 2025
Interim review effective date	14 February 2025
Full review period	3 years
Date of next full review	21 November 2028
EIA completion date	Not applicable
DPIA completion date	Not applicable
SIA completion date	Not applicable

Reporting requirements	Not applicable
Applicable statutory, legal or best practice requirements	Not applicable
Keywords	capital growth, endowment, ESG, ethical investment criteria, expenditure, investment decisions, investment funds, investment portfolio, risk appetite
Related information	<u>Bristol University Endowment Fund Management</u>

Contents

Endowment Investment Policy.....	1
1. Updates to this policy.....	4
2. Introduction.....	4
3. Scope.....	5
4. Definitions.....	5
5. Responsibilities.....	6
6. Expendable and Permanent Endowments.....	7
7. Investment management.....	7
1. Ethical investment criteria.....	8
2. Fund manager.....	9
3. Monitoring and review.....	9
4. Policy implementation.....	9

1. Updates to this policy

- 1.1. Substantive amendments to the previous approved version of the policy are as follows:
 - a. Parts of the 'Ethical Investments' section of the previous policy relating to impact investment have been removed. The principles the University seeks to promote in its positive investment activity have now been captured in a definition of 'Positive ESG Criteria', rather than aligning to Rathbones' own framework.
 - b. Some redundant wording has been removed, as merely replicating requirements concerning adherence to standard accounting practice and the requirements of the UoB Acts which the University must follow irrespective of this policy.
 - c. The specific exclusions have been moved to the definitions section, so as to make it more flexible/easier to update.
 - d. The specific thresholds for different levels of positive investment, which were tied to Rathbones' own appraisal methodology, have been removed in favour of new wording. This introduces a requirement to prefer investments with positive ESG criteria, which is now specifically defined. This is intended to make it easier to apply in circumstances where Rathbones do not manage the majority of the endowment investment

2. Introduction

- 2.1. The University of Bristol Acts 1960 and 1974 provide for the pooling of the investment of funds and the creation of a Trustee Securities Pool and a General Pool. The value of each pool is divided into investment units. The income of the pools is apportioned among the various endowment and other funds in proportion to the numbers of unit to which each fund is entitled.
- 2.2. The assets held by the University's endowment funds should be split into an investment portfolio, in order to generate income and capital growth, and cash deposits held within the University's general bank accounts, to maintain liquidity.

3. Scope

- 3.1. This policy covers all activities relating to the University's endowment funds, including investment decisions, ethical standards, fund management, and reporting. It is binding on University staff involved in investments or fund management, governance bodies, and external fund managers or advisors.

4. Definitions

- 4.1. **Endowment:** A fund made up of donated capital, which is invested to generate income. The income supports University activities, such as scholarships or research, according to the endowment's specific terms.
- 4.2. **Environmental, Social and Governance (ESG):** Factors which relate to an entity's practices concerning environmental stewardship and impact, social responsibility, and corporate governance.
- 4.3. **Excluded activities:** Any of the following:
- a. The manufacture or sale of tobacco products.
 - b. The production or sale of pornographic or sexually exploitative material.
 - c. The manufacture or sale of lethal arms or ammunition.
 - d. The exploration, extraction, or refinement of fossil fuels.
 - e. The operation of betting or gambling operations.
 - f. Direct involvement in human rights abuses, as may be determined by an internationally recognised body (including, without limitation, the United Nations), or which have explicit links to such entities.
- 4.4. **Expendable endowment:** A type of endowment where both the income and the capital may be spent according to the terms set by the donor or the governing body of the University.
- 4.5. **Permanent endowment:** A type of endowment where only the income may be spent; the capital must be preserved in order to generate income.
- 4.6. **Positive ESG criteria:** Corporate behaviour which promotes any of the following:

- a. Mitigation of the causes or effects of climate change.
- b. Human rights, as protected by the Universal Declaration of Human Rights and other internationally recognised conventions.
- c. Corporate social responsibility and business ethics.

4.7. **Risk Appetite:** The University's Risk Appetite is assessed as moderate. This means an investment strategy which accepts some risk to capital but adopts a balanced approach with time scales of typically over 5 years. A moderate investment strategy is likely to include dividend-paying equities.

5. Responsibilities

- 5.1. **Development Office** are responsible for negotiating gift agreements of endowments with potential donors (or, where the donor is deceased, with executors or legal representatives), and for drawing up gift agreements which encapsulate the specific conditions in a practical way.
- 5.2. **Fund Managers** are appointed by the University to manage the endowment fund investments in line with the approved University policy.
- 5.3. **Governance bodies** are responsible for setting the strategic direction of the endowments, for setting investment targets, and ensuring that the endowment management is consistent with the fiduciary duties of the University trustees. Responsibility for endowment policy is reserved to the full Board, on the recommendation of the Finance and Investments Committee.
- 5.4. **Procurement** oversees the appointment of external fund managers or service providers in line with procurement regulations and business requirements.
- 5.5. **Treasury** manages the day-to-day operations of the endowment. This includes making decisions about investments and the monitoring and reporting of the performance of the investments. The Treasury team also advise on the use of endowments in line with the specific terms and conditions which apply to each fund.

6. Expendable and Permanent Endowments

- 6.1. Expendable and Permanent endowments shall be treated for accounting and practical purposes in accordance with Charity law, the Higher Education SORP, and the University of Bristol Acts 1960 and 1974.

7. Investment management

- 7.1. The University's endowment investments are held for capital growth. The objective of the endowment investments is that the market value should grow at least in line with inflation.
- 7.2. The University's endowment investments are also held to generate an income sufficient to fund charitable activities, as defined in terms of the respective endowments.
- 7.3. The Finance and Investment Committee shall annually recommend a target for income return and capital growth, which shall be communicated to the University's fund managers
- 7.4. The amount of cash held by the University's endowment should be reviewed annually by the trustees. The level of cash held within the endowment should be sufficient to cover six months' worth of expenditure incurred by the endowment funds.
- 7.5. Endowment investment decisions should aim to optimise the yield of the endowment investments within the context of the University's Risk Appetite.
- 7.6. To minimise risk to an acceptable level, any endowment funds should be invested in a diversified portfolio which does not have excessive exposure to any specific sector or industry.
- 7.7. Notwithstanding the performance objectives, the investment of the University's endowments also take into account ethical criteria that align with the University's ethos and purpose.

1. Ethical investment criteria

- 1.1. The Finance and Investment Committee may from time to time recommend that certain industries or activities should be excluded from consideration for investment by endowment funds, for the following reasons:
 - a. Where, because of its inherent unsustainability, the activity or industry poses a long-term financial risk.
 - b. Where an activity or industry is fundamentally inconsistent with the charitable aims of the University.
- 1.2. The activities or industries for which an exclusion currently applies are the Excluded Activities.
- 1.3. University, or its agents, will not invest endowment funds, whether directly or indirectly, in entities that generate more than 10% of turnover from Excluded Activities.
- 1.4. When making endowment investment decisions, the University or its agents will consider the impact of a potential investment against the Positive ESG Criteria. Where this assessment indicates that a positive impact is expected, this will count in the favour of that investment, the other criteria of this policy notwithstanding.
- 1.5. The University, or its agents, should employ any power which may apply as a holder of investments to influence corporate behaviour in the investee towards alignment with Positive ESG Criteria. A record of such actions will be maintained and reported in the annual endowment update or at the request of the University's Finance and Investment Committee.
- 1.6. Where the University holds an endowment investment in an entity which falls outside of the ethical investment criteria of this policy, then a reasonable grace period will be allowed for the entity to return to a state of compliance. If it becomes apparent that the entity is likely to persist in a state of non-compliance then the investment will be liquidated and the proceeds reinvested in a compliant investment.

2. Fund manager

- 2.1. Fund Managers are appointed according to the applicable process set out in the University procurement policy.
- 2.2. The University shall ensure that its Fund Managers, or any other of its agents, are aware of the Endowment Investment Policy, including its ethical requirements, and have the expertise and capacity to implement it.
- 2.3. Any Fund Manager appointed to manage endowment investments is subject to periodic review to ensure that this investment policy, including its ethical requirements, is being adhered to, and that the service provider represents the best value for money for the University.

3. Monitoring and review

- 3.1. The endowment policy and a summary of endowment investment assets shall be available on the University website, and updated quarterly.
- 3.2. The policy shall be subject to triennial review by the Finance and Investment Committee and may be amended at their discretion at any time. Amendments to the policy will be approved after consultation with students and staff or their representatives.
- 3.3. Student and staff representatives, subject to confidentiality requirements, shall be able, by arrangement with the University, to review internal reports concerning the investment portfolio.

4. Policy implementation

- 4.1. This policy shall be binding on any staff of the University of Bristol, or their agents who make investment related decisions on behalf of the University.