1.1 The purpose of this Investment Policy (the Policy) is to give guidance to the Finance and Performance Committee (FPC) of the university, and staff involved with treasury management, in connection with the investment and management of the university’s funds designated for investment (the “Investment Funds”).

1.2 Long-term investment objectives, policies and a prudent investment programme are essential tools for the Board of Governors and FPC in carrying out their fiduciary responsibilities with regard to the management and investment of the university’s investment Funds. In the pursuit of its investment objectives, the university may engage the services of one or more investment managers. The Policy also assists FPC in guiding Investment Managers in performing their duties.

1.3 This Policy aims to:

i. Establish a clear understanding of the University's investment goals and objectives.

ii. Define and assign responsibilities for investing activities.

iii. Offer guidance and define limitations regarding the investment of University assets, including endowments.

iv.

2.2 The Terms of Reference for FPC set out the following responsibility:

i. Approve and monitor the University’s Treasury Management Policy, Investment Policy and Investment Strategy
ii. Consider policies on investment of endowments and other assets.

2.3 Delegated officers of the University participate in:

- the formulation and execution of investment policy, objectives, and guidelines;
- setting asset allocation targets and recommending rebalancing where necessary;
- evaluating investment managers;
- reviewing such managers over time;
- measuring and reporting investment performance and other tasks as deemed appropriate, to FPC.
- execute day to day financial transactions within delegations and consistent with the provisions of this Policy.

2.4 Investment Manager(s) are designated external entities with discretion to purchase or sell, in the University's name, the specific securities that will be used to meet investment objectives.

2.5 Arrangements with any external body or party must be in writing, comply with the provisions of this policy and be signed on behalf of the University by persons with delegated authority.

3.1 The Executive Director of Finance & Procurement is responsible for investment of university funds in accordance with Treasury Management Policy, Investment Policy and the agreed Annual Investment Strategy.

3.2 Before the start of each financial year (or as soon as possible thereafter), an Annual Investment Strategy shall be drawn up for the following financial year in conjunction with the investment manager. The Investment Strategy and any variations are to be approved by FPC.

3.3 In exercising these responsibilities, the Executive Director of Finance & Procurement will:

i. Determine the funds available for investment in line with the agreed strategy, risk profile and allocation policy
ii. Recommend the appointment of external investment professionals specifically including Investment Manager(s).
iii.

3.4 Each Investment Manager appointed by the University must acknowledge, in writing, its acceptance of responsibility for investing University funds and agree to comply with the requirements of this Policy. Alternatively the University must be satisfied that any Investment Management Agreement between the University and the Fund Manager ensures that the Fund Manager has the specific responsibilities listed below. These terms of appointment of each Investment Manager will allow the investment manager discretion to make investment decisions for the assets placed under its jurisdiction, while observing and operating within this Policy. Specific responsibilities of the Investment Manager(s) include:

a. Discretionary investment management including decisions to buy or sell individual securities, either directly and/or via specialist investment managers, and to alter asset allocation within the limitations set out in this policy.
b. Report, on a timely basis, monthly investment performance results [illegible]
c. Where appropriate provide monthly valuation of the investment portfolio based on the previous month's closing prices.

classes with investment managers should be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of the university. Investment Funds should be invested in such a way as to help in meeting the future capital and other investment needs of the university. The long-term objective is to achieve a rate of return providing capital growth based on a 60% equity to 40% fixed income for the £3m invested annually towards bond redemption due in 2042, whilst ensuring the discretionary portfolio adheres to the university's ESG criteria (see section 9) and invests in companies that contribute to UN Sustainable Development Goals. This will be agreed with investment managers and FPC annually.

5.2 It is not expected that the investment objectives will be achievable in every year and, as a result, will normally measure investment performance over rolling three and five-year periods. The performance will be benchmarked against:

- 60% MSCI World Net GBP Index for equity investments
- 40% Bloomberg Capital Coporate 1-10 years GBP index for fixed income investments
- Peer group benchmark for similar non-profit/charity portfolios

comparison to similar facilities in the market

ii. Income and Growth - To achieve a balanced return of current income and growth of principal

iii. Long-Term Growth of Capital - To emphasise long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

5.7 Investment return is to be measured on the basis of total return; the aggregate return from capital appreciation, dividend and interest income, and fees.

6.1 In order to achieve its objectives, it is understood that investment returns will experience volatility and fluctuations in market value. The University will tolerate volatility as measured against the volatility of a comparable market index in each asset class and a composite index based on the strategic allocation to each asset. The indices used as a measure of an investment manager's performance will also be used to benchmark what is allowable volatility (risk).

7.1 Liquidity is a key consideration for credit rating agencies when setting a university's formal credit rating. The Executive Director of Finance & Procurement will ensure that any investment portfolio agreed with investment managers is highly liquid and, where required, can be cashed within 30 days.

7.2 To minimise the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Executive Director of Finance & Procurement will, when required, provide investment manager(s) with an estimate of expected net cash flow, to allow sufficient time to build up necessary liquid reserves.

7.3 The Executive Director of Finance & Procurement will determine broad targets for the level of available investment funds that are to be held in cash or cash equivalent forms.

8.1 The responsibility for establishing the strategic asset allocation for the university rests with the Executive Director of Finance & Procurement . In making asset allocation judgments, t the university must invest in a portfolio of assets that will generate a return sufficient to meet the stated objectives. This asset allocation will be agreed annually with FPC when the Annual Investment Strategy is approved.

8.2 The general policy is that through significant allocations to asset classes that have different risk and return characteristics, the university maintains a highly diversified portfolio that is expected to generate strong returns and reduce volatility over the long term.

8.3 FPC will formally review the asset allocation during its annual review of this Policy.

9.1 The university is committed to ensuring that it makes investment decisions responsibly and with integrity. The university adheres to Charity Commission guidance on ethical investments, noting that governors have a duty to maximise returns on investment for charitable benefit, but also recognising that there are specific situations where governors may properly allow their investment strategy to be governed by considerations other than the level of investment return. The university's investment policy is designed to enable a sustainable investment approach, whilst minimising any potential negative impact on its investment returns. The university will seek to be open and transparent about its policy and practice.

9.2 The university believes that, when investing its funds, a high priority must be placed on promoting good standards environmental, social, and governance ('ESG') behaviour.

be accountable to the university in terms of financial performance and adherence to commitments made on issues of sustainability.

10.1 The amount of funds available for investment is determined by the demand for funds for financing and operating activities of the University, including financing the annual coupon and for £3m to to be invested annually in a long-term portfolio towards redemption of the £90m bond in 2042.

10.2 Financing and operating decisions along with market conditions may therefore significantly increase or decrease the investment returns to the University.

10.3 Financing decisions involving raising external finance must be considered within the context of the Terms and Conditions of the university's listed bond.

10.4

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12.1

14.1 Members of FPC, university staff and Investment Managers involved with investments are expected to maintain the confidentiality of information obtained by virtue of their positions. Information obtained solely by virtue of one's position on FPC, as a member of the investment staff, or as an Investment Manager (and not from other sources or relationships) is not to be used for personal financial purposes.

It is the general policy of the University not to engage an Investment Advisor and not to invest with an Investment Manager if a member of the FPC has a material ownership interest in, or is directly employed by, the Investment Advisor or Investment Manager. If an FPC member has such a relationship, that relationship must be disclosed to the Chair of the Committee in accordance with the procedures described below.

If an FPC member knows that he or she has engaged a potential or existing Investment Advisor, or has an investment with a potential or existing Investment Manager, whether in the same fund as the University, a different fund, or in a separate investment account with the Investment Manager, such relationship or investment must be disclosed to the Chair of the Committee in accordance with the procedures described below.

It will be the responsibility of the investment staff, when performing due diligence on a potential Investment Advisor or Investment Manager, to use reasonable efforts to ascertain whether any

5.1 <u>When an FPC Member Owns or is Employed by an Investment Advisor or Investment Manager.</u>

If the FPC is considering engaging an Investment Advisor or purchasing an investment with an Investment Manager, an FPC member with a material ownership interest in, or who is directly employed by, that Investment Advisor or Investment Manager must disclose the interest or employment to the Chair. In consultation with legal counsel and investment staff, as appropriate, the Chair will make a recommendation to the Committee, which will determine whether the Investment Advisor should be disqualified from engagement by the University, or the Investment Manager should be disqualified from investment by the University.

5.2 <u>When an FPC Member is a Client of an Investment Advisor or Investment Manager</u>

If the FPC is considering engaging or continuing the engagement of an Investment Advisor, or is considering purchasing or redeeming an investment in a fund or with an Investment Manager, an FPC member who is a client of such Investment Advisor or fund or Investment Manager (e.g., is also invested in the fund or otherwise with the Investment Manager) must disclose the interest to the Chair. In consultation with legal counsel and investment staff, as appropriate, the Chair will make a recommendation to the Committee, which will determine whether the member will be recused from the engagement or purchase or redemption decision. Whether the member will be recused will depend on the facts and circumstances. The relevant inquiry will include, among other factors, whether the University's decision to engage, invest, redeem, or take no action, could have an impact on the FPC member's relationship or investment in any material way.

5.3 This policy also applies to family members and related entities of FPC members.

5.4 If an FPC member is unsure whether his or her relationship with a potential or current Investment Advisor or investment with a potential or current Investment Manager merits disclosure, the FPC member will err on the side of caution and disclose the relationship to