

## Ethical Investment and Banking Policy

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*Note: All policies must be read in conjunction with all other SOAS policy, procedure and guidance documents. Printed copies of policies may not be the most up to date, therefore please refer to the policy pages on the SOAS external website or intranet for the latest version.*

## 1. Introduction

- 1.1. This Ethical Investment and Banking Policy defines the commitment of SOAS University of London to responsible investment. It details the approach that SOAS aims to follow (in partnership with its Discretionary Fund Managers) in balancing financial returns and risk with its environmental, social and governance ('ESG') stance with regards to its investments.

## 2. Scope of Policy

### 2.1. Scope

- 2.1.1. The Policy has been developed with the intention of actively promoting investment in companies and countries whose policies and practices reflect our own values and principles on ethical, corporate governance and social issues. Such approach will improve the wellbeing of society, support the move towards Net Zero and lead to a better global future.
- 2.1.2. The Policy provides a framework of principles to be applied to the full scope of investments held by SOAS and is intended to be entirely consistent with our duty to yield the best financial return within the level of risk considered to be acceptable by the Board of Trustees.

### 2.2. Background

- 2.2.1. Sustainability is a key priority for SOAS and we embrace our unique role in contributing to achieving the [United Nations Sustainable Development Goals](#) (SDGs). The goals provide "a shared blueprint for peace and prosperity for people and the planet, now and into the future". They recognise that "ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests."

- 2.2.2. Socially responsible institutions are those that adopt policies that promote the wellbeing of society and the environment and endeavour to reduce the impact on both society and the environment from irresponsible behaviours. SOAS understands that a commitment to society and the environment go hand-in-hand, and that commitment has been evidenced through its approach to sustainability across its research, teaching, collaboration with industry and campus development.
- 2.2.3. In its Strategic Plan for 2026-30, SOAS made clear its commitment to sustainability, and to tackling issues such as the climate crisis. Specifically, SOAS recognises that there is a global climate emergency, and that biodiversity is at risk of collapse. SOAS commits to providing new insights and leadership around the climate crisis and the circular economy thereby aiming to place SOAS at the forefront of sustainability thinking.

### 2.3. Investment of Funds

- 2.3.1. SOAS' authority to invest funds derives from its governing documents. The Board of Trustees is the governing body of SOAS, and comprises lay members, staff and students appointed under the University's statutes. The Board of Trustees has delegated decision making on investment matters to the Resources and Planning Committee, as advised by the Investment Sub-Committee.
- 2.3.2. SOAS holds a number of different types of investments:
- **General funds**, which are surplus cash and cash deposits arising from SOAS' normal operations, usually short to medium term in nature, managed to ensure operating requirements are met and funding is available to fund the capital investment plan.
  - **Endowments Funds**, which are funds managed in trust in accordance with any specified restrictions in use and/or in the preservation of capital or otherwise, determined by donors. SOAS has the following types of endowments:
    - **Unrestricted permanent endowments**: the donor has specified that the fund is to be permanently invested and generate an income stream for the general benefit of SOAS.
    - **Restricted permanent endowments**: the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
    - **Restricted expendable endowments**: the donor has specified a particular objective and SOAS has the power to use capital only for that objective over the medium term.

### 2.4. Investment Principles – Financial

- 2.4.1. SOAS holds its Investment Portfolio for 3 main reasons:
- A well-diversified investment portfolio yields the best returns (better than cash deposits) over the long term at a risk profile acceptable to the Board of Trustees.

- Funds extracted from the portfolio returns go towards funding Endowed academic staff positions and student scholarships, that support research and teaching income.
- The Unrestricted part of the portfolio is available to be encashed at times of emergency, and is therefore treated from an accounting point of view as a liquid short-term investment

## 2.5. Portfolio Objectives and Implementation

- 2.5.1. The long-term aim of the portfolio is to produce an average annualised total return (dividend/interest income plus capital growth) of inflation (as measured by the UK Average Earnings Index) plus 3.5%.
- 2.5.2. The Investment Sub-committee, in delegating investment management, requires the Discretionary Fund Managers to pay attention to the standard investment criteria, namely the suitability of the class of investment and the need for diversification insofar as is appropriate to the circumstances of the portfolio. The Investment Sub-committee wishes to pursue a medium risk approach to investment as it is seeking a return of in excess of inflation over the long-term and is willing to take capital risk to achieve its objectives. A medium risk approach uses a well-diversified portfolio but may contain a high proportion of a single asset class such as equities.
- 2.5.3. The investment strategy will be implemented through liquid instruments such as bonds (government and corporate), equities (both direct and indirect, through investment vehicles for certain areas) and property funds. The investment vehicles may be either open or closed end and will include property funds. If the Discretionary Fund Managers wish to invest in asset classes not detailed above, permission will be sought from the Investment Sub-committee in advance of any purchases being made. The maximum investment allowed in equities is 85% of the portfolio.
- 2.5.4. Extraction of funds from the portfolio to support staffing and scholarships is set at 4% of the 5-year trailing average value of the fund.

## 2.6. Allowed Investment Ranges and Benchmark

- 2.6.1. Considering the long-term objective of producing an average return of inflation plus 3.5% per annum on an annualised basis, the Discretionary Fund Managers recommend the following neutral asset allocation as it believes that this is consistent with SOAS' long-term objectives. The benchmark and the allowed investment ranges that are to be used for performance comparison is the following composite:

### Benchmark

Asset Class	Weight (%)	Benchmark Index	Ranges (%)
Bonds	20.0	FTSE Actuaries UK Conventional Gilts All Stocks Index	10-30
Equities (ex. Real Estate Investment Trusts)	75.0	MSCI All Countries World Index Net Dividends reinvested GBP	50-85
Cash & Cash Equivalents	5.0	SONIA 7 -day compounded	0-20
Other (Property including Real Estate Investment Trusts and Commodities)	0.0		0-20
<b>Total</b>	<b>100.0</b>		<b>100</b>

- 2.6.2. The portfolio's asset allocation versus this composite benchmark is determined on an ongoing basis and the Discretionary Fund Managers will take positions versus the benchmark reflecting its views regarding the relative attractiveness of the different asset classes it may invest in.

## 2.7. Other Considerations

- 2.7.1. The Manager may not allow any individual holding to account for more than 5% of the market value of the Portfolio or exceed a 3% overweight position relative to the Benchmark, whichever is higher, at the time of purchase, excluding Collective Investment Schemes and UK Gilts
- 2.7.2. The portfolio is managed on a discretionary basis
- 2.7.3. The investments are held in a ring-fenced client account (at the Discretionary Fund Managers' custodian) and any cash is diversified.

## 2.8. Investment Principles – ESG

- 2.8.1. SOAS has identified three principles which accord with its values as a socially responsible institution: firstly, the stewardship of the operations of its external fund managers; second, environmental, social and governance (ESG) integration into its investment operations and governance practices; and third, setting appropriate

standards for all its investments through criteria that our external investment managers are required to apply when investing SOAS' funds.

## 2.9. Stewardship

- 2.9.1. The investment managers that oversee the investment funds of SOAS work to an agreed investment mandate. In developing this mandate we set a fundamental principle that managers must apply investment criteria based on environmental, social and governance (ESG) standards. As part of our investment manager selection process, SOAS requires fund managers to confirm they have robust ESG policies in place. During our regular performance reviews of the fund managers, we assess their application of ESG policies in making investment decisions.
- 2.9.2. As SOAS delegates the day-to-day investment management to external investment managers it expects them to evidence their active ownership policies and actions on a regular basis.
- 2.9.3. SOAS requires its investment managers to have adopted the UN principles for Responsible Investment and encourages them to hold companies to account by active engagement on corporate governance and use of shareholder voting rights to influence company behaviour.
- 2.9.4. SOAS believes that its appointed managers should consider environmental, social and governance scores using screening mechanisms and the positive framework of the United Nations' Sustainable Development Goals.
- 2.9.5. The investment managers engage directly with the Investment Sub-Committee through attendance at Investment Sub-Committee meetings, and (between such meetings) with the Director of Finance & Procurement.

## 2.10. ESG (Environmental, Social, Governance) Integration

- 2.10.1. SOAS considers environmental, social and corporate governance (ESG) factors to be factors that give an indication of the long-term success of a company and can therefore affect investment returns and risks. We believe that purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices can have a positive impact on financial performance.
- 2.10.2. SOAS has adopted the definitions of the underlying components of ESG, as detailed in the [United Nations Principles of Responsible \(UNPRI\) Investment Reporting Framework](#). These principles are periodically updated and our investment managers will follow the current definitions, as found here, in their investments on our behalf.

## 2.11. Fossil Fuel Policy and Status

- 2.11.1. SOAS actively supports investment in renewable energy businesses to facilitate the renewable energy transition. SOAS does not support continued investment in fossil fuels and has no direct investments in fossil fuel companies.

- 2.11.2. The appointed investment manager has a socially responsible mandate which means that, in addition to employing negative screens, there is a strong tilt towards technologies for the future and forward looking companies, many of which are low carbon by nature. SOAS and the Investment Sub-Committee monitor the investment exposure on a regular basis with particular regard to carbon emissions.
- 2.11.3. The divestment from fossil fuels, including income from the extraction, drilling or production of fossil fuels (coal, oil and other fuels), is part of SOAS' commitment to a sustainable future and the transition to a fair and just low carbon economy.

## **2.12. Exclusions**

- 2.12.1. SOAS wishes to invest in companies where the activities of the company are, on ethical grounds, consistent with its educational and/or research objectives.
- 2.12.2. SOAS' appointed investment managers are required to apply the following investment exclusion criteria to their investments:

### **a) Gambling**

- The Manager may not directly invest in companies which own and/or operate a gambling establishment, deriving more than 5% of revenue from these operations.
- The Manager may not directly invest in companies which derive more than 5% of revenue from the manufacture of specialized equipment used exclusively for gambling.
- The Manager may not directly invest in companies which derive more than 5% of revenue from supporting products/services to gambling operations.

### **b) Tobacco**

- The Manager may not directly invest in tobacco production (i.e. exclude the tobacco sector).
- The Manager may not directly invest in companies which derive more than 5% of revenue from the manufacture of tobacco products.
- The Manager may not directly invest in companies which derive more than 5% of revenue from tobacco-related products or services.

### **c) Armaments**

- The Manager may not directly invest in armaments (i.e. exclude the aerospace & defence sector).
- The Manager may not directly invest in companies which derive more than 5% of revenue from the production of military weapon systems and/or integral, tailor-made components for these weapons.
- The Manager may not directly invest in companies which derive more than 10% revenue from tailor-made products and/or services that support military weapons.

- The Manager may not directly invest in companies which derive more than 10% of revenue from the production of non-weapons-related tailor-made products and/or services to the military or defence industry.
- The Manager may not directly invest in companies which derive more than 5% of revenue from the manufacture or sale of small arms to military/law enforcement.
- The Manager may not directly invest in companies which derive more than 5% of revenue from the manufacture and sale of key components of small arms.
- The Manager may not directly invest in companies which are involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon with regards to controversial weapons.
- The Manager will be asked to clarify that the avoidance of investments in armaments includes companies that design, manufacture, or sell specialized or tailor-made components, technology, or services that are used in military equipment or operations where credible evidence links them to the commission of war crimes or violations of international humanitarian law.

**d) Fossil Fuels**

- The Manager may not make any new direct investments in the Oil & Gas Producers and Oil Equipment, Services & Distribution sectors.
- The Manager may not directly invest in the Coal Mining FTSE sub sector.
- The Manager may not directly invest in companies which derive more than 5% of revenue from production (involvement in oil and gas exploration, production, refining, transportation and/or storage), excluding issuers within the FTSE Industry "Utilities".
- Without prior approval, the Manager may not directly invest in companies which derive more than 10% of revenue from providing tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage, excluding issuers within the FTSE Industry "Utilities".
- The Manager may not directly invest in companies which derive any revenue from the extraction of thermal coal.
- The Manager may not directly invest in companies which derive more than 10% of revenue from providing tailor-made products and services that support thermal coal extraction.
- The Manager may not directly invest in companies which derive more than 5% of revenue from shale energy exploration and/or production.
- The Manager may not directly invest in companies which derive more than 5% of revenue from oil sand extraction.
- The Manager may not directly invest in companies which derive more than 5% of revenue from oil and gas exploration in Arctic regions.

**e) Other Sectors**

- The Manager may not directly invest in the Iron & Steel FTSE sub sector.



- The Manager may not directly invest in companies which derive more than 5% of revenue from the production and/or distribution of palm oil.

**f) Human Rights, Labour Standards, and Border Industries**

- The Manager may not directly invest in companies which are subject to any severe controversies pertaining to social supply chain incidents including those concerning: community relations, labour relations, occupational health and safety, employees - human rights as well as employee incidents including those concerning: employees - human rights, labour relations and occupational health and safety.
- The Manager may not directly invest in companies which derive more than 5% of revenue from owning or operating private prisons or from border industries.

2.12.3. While the preceding exclusions can be monitored using Sustainalytics screening, the final category, **Human Rights & Labour standards**, are flagged using a wide variety of governmental and quasi-governmental sources. Companies whose policies, practices and record on human rights and labour standards are identified as failing to respect the established norms are excluded.

2.12.4. SOAS will liaise with the appointed investment managers to agree on companies that should be excluded on these grounds.

2.12.5. The appointed investment managers currently use Sustainalytics ESG ratings to assess these factors in line with the UN Global Compact. The UN Global Compact is the world's largest corporate sustainability initiative which calls on companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and to take action that advance societal goals.

## **2.13. Banking**

2.13.1. SOAS is committed to ensuring the closest possible alignment between the ethical principles set out in this policy and the partners we work with to access banking services, such as current accounts, foreign exchange, cash deposits and credit facilities, that are crucial to the operation of the university. We will regularly survey the banking options available to identify suitable partners when our existing partnerships end.

## **2.14. Governance**

2.14.1. SOAS' Resources & Planning Committee (RPC) has delegated authority from the Board of Trustees to monitor and approve this Policy. The Investment Sub-Committee keeps the Policy under regular review and makes recommendations to the RPC. It is also responsible for considering representations concerning this Policy, in collaboration with SOAS' Sustainability Working Group, and making recommendations to the RPC as appropriate.



## 2.15. Monitoring and transparency

- 2.15.1. In order to monitor the implementation and ongoing adherence to this Policy SOAS will:
- Publish this Ethical Investment and Banking Policy on its website;
  - Publish a list of its investments quarterly on its website;
  - Issue copies of the Ethical Investment and Banking Policy to its investment managers responsible for managing our investments and hold regular meetings to monitor adherence with the Policy;
  - Provide an annual update to the SOAS Board of Trustees.
  - Publish a list of members of the Investment Sub-Committee on the SOAS website.
- 2.15.2. In the event that the Investment Sub-Committee deems that the investment managers are not managing the assets in a way that is consistent with this Policy, the Investment Sub-Committee will review the position with its investment managers and take the appropriate decisions.

## 2.16. Student and Staff Representation

- 2.16.1. SOAS's Ethical Investments and Banking Policy is decided on by the Resources and Planning Committee and Board of Trustees, which include student and staff representation.
- 2.16.2. The Ethical Investment and Banking policy will be published on the SOAS website, with appropriate contact details, enabling members of the SOAS community to have an opportunity to engage with the Policy.
- 2.16.3. Staff and students are also given an opportunity to engage with this Policy via their staff and student representatives at appropriate SOAS committees.

## 2.17. Review Process

- 2.17.1. The Ethical Investment and Banking Policy is subject to an annual review, evaluation and monitoring process undertaken by the Investment Sub-Committee, with any changes approved by the Resources & Planning Committee.