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	Head of Treasury, 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	1
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Applicable statutory, legal or best practice requirements	N/A
Keywords	Capital Growth, Endowment, ESG, Ethical Investment Criteria, Expenditure, Investment Decisions, Investment Funds, Investment Portfolio, Risk Appetite
Related information	Bristol University Endowment Fund Management, UN Sustainable Development Goals

Contents

1. Updates to this policy

1.1. This version presents the policy in the new format developed by Governance. There have been no substantive changes to the policy since the version approved by the Board of Trustees in November 2021.

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**: At the University of Bristol, an endowment is a fund made up of donated capital, invested to generate income. The principal is maintained, while the income supports University activities, such as scholarships and research, according to the endowment's terms.

4.2. **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.

4.3. **Permanent endowment**: A type of endowment where only the income may be spent; the capital must be preserved in order to generate income.

4.4. **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 & Alumni Relations Office (DARO)**: 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. New endowments received by the University are used to purchase units in the fund at a price equal to the current value of a fund unit; that is the total market value of the fund divided by the number of units. Income shall then be added to each fund in proportion to its holding of fund units.

6.2. Where an endowment is a permanent endowment, only the income generated by the capital may be expended; the capital itself may not be spent. Where an endowment is an expendable endowment, the capital may be spent in accordance with the terms of the endowment. Where the capital portion of an expendable endowment is spent then the number of units held by that endowment fund should be decreased proportionately.

6.3. If any part of the capital portion of a permanent endowment is expended, notwithstanding the requirement that only the current portion of such an endowment may be spent, then expenditure on that fund should be held in abeyance until the accumulating income received by the fund is sufficient to make good the deficit.

7. Investment management

7.1. The Director of Procurement owns the Procurement Policy and manages the change control. Any changes to the policy shall be authorised in writing by the Director of Procurement.

7.2. 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.

7.3. 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.

7.4. 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 in companies, trusts, governments or other institutions must also take into account ethical criteria that align with the University's ethos and purpose.

8. Ethical investment criteria

8.1. The University, or its agents, will not invest in endowment funds in entities that:

a. Generate, in aggregate, more than 10% of turnover from the following activities:

- The production of cigarettes or tobacco products
- The production of pornographic material
- The manufacture of anti-personnel weapons that may incapacitate or kill civilians, such as land mines and cluster bombs

b. Operate thermal coal mines or oil and/or gas fields or in companies where significantly all of their business activity is the extraction of thermal coal, oil or gas.

c. Are directly involved in the operation of betting or gambling operations.

d. Have a record of 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.

8.2. When making endowment investment decisions, the University or its agents will take into consideration environmental, social, and governance (ESG) criteria. A proportion of endowment funds (to be determined and publicised by the Finance and Investments Committee) will be invested in assets which have positive ESG characteristics.

8.3. The University, or its agents, should employ any power as may apply as a holder of investments to influence corporate behaviour in the investee towards alignment with the ethical provisions of this policy. 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 Investments Committee.

8.4. A proportion of endowment funds (to be determined and publicised by the Finance and Investments Committee) shall be invested in themes or assets specifically contributing to sustainable solutions. Any such theme should be aligned with one or more of the UN Sustainable Development Goals, as may be selected from time to time by the Committee.

8.5. A proportion of endowment funds (to be determined and publicised by the Finance and Investments Committee) shall be invested specifically to achieve a positive, demonstrable and measurable social and environmental impact. In selecting targets for investment under this category, regard should be given for (but not necessarily limited to) enterprises local or connected to the Bristol area.

8.6. The ESG balance of the portfolio will be monitored and reported in the annual endowment update or at the request of the University's Finance and Investments Committee.

8.7. Amendments that are required to the portfolio of Endowment investments as a consequence of approving this policy will be implemented within 12 months of the policy approval date, subject to market conditions.

8.8. Where the University currently holds endowment investments in entities which do not comply with the ethical criteria set out in sections 8.2 and 8.3 above, the investment will be sold and reinvested in a compliant investment vehicle within 1 year of the approval of this policy, subject to market conditions.

8.9. Where the University holds an endowment investment in an entity which falls outside of the ethical investment criteria outlined above 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 vehicle.

9. Fund manager

9.1. The University should ensure that its fund managers, or any other of its agents, are aware of this policy and have the expertise and capacity to implement it.

9.2. The University’s fund managers should be 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.

9.3. If it becomes apparent that an alternative provider may be better placed to provide the fund management services in accordance with the University’s investment objectives, as defined in this policy, then a retendering exercise should be conducted with a view to replacing the provider.

10. Monitoring and review

10.1. The policy shall be subject to annual review by the Finance and Investments 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.

10.2. Student and staff representatives, subject to confidentiality requirements, shall be able, by arrangement with the University, to review internal reports concerning the investment portfolio.

11. Policy implementation

11.1. 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.