Minutes of a meeting held on 4 February 2010

Ref: FIN/114/SRI

Present: Warden of Nuffield (in the chair), Pro-Vice-Chancellor (Education), Professor Clark,
Ms Lean (OUSU), Professor Savulescu, Ms Tennant, Dr Wilkins.

In attendance: Mrs Hudspith (Secretary); Ms Guyatt (Mercer).

1. Minutes (SRIRC(10)01)

The unconfirmed minutes of the meeting held on 26 November 2009 were approved.

2. Matters arising

All matters arising were covered elsewhere in the agenda.

3. Presentation by Danyelle Guyatt of Mercer’s Responsible Investment Team

Danyelle Guyatt made a presentation on the range of tools available for organisations wishing
to implement responsible investment policies. It was noted that Mercer had purposely dropped
the ‘Socially’ from ‘Responsible Investment’. Their overall aim, driven by the momentum
behind the United Nations Principles for Responsible Investment (UNPRI), was “enhancing
returns and meeting stakeholder needs.”

The key areas covered by the presentation and subsequent discussion were as set out below.

- **Screening.** This might be positive or negative in approach. Negative screening was often
  the tool of choice for faith and health organisations. A decision to screen would provide
  complete clarity of intention for stakeholders and thereby reduces the risk of adverse
  publicity. However, in a complex organisation like the University, there were difficulties
  associated with determining the ethics of the organisation as a whole. There was also
  potential for an adverse effect on returns if the range of companies to be screened out
  represented a large proportion of the existing portfolio. Negative screen might be
  absolute, or a more selective approach could be taken in which, for instance, an
  organisation might cease investing in companies for whom arms manufacturing
  accounted for more than 20 percent of their revenue.

  Positive screening involved taking a research-based approach to the selection of the
  companies in which investment was made. There was also an increasing interest in
  thematic investment and a growing number of specialist funds and services in this area.

- **Voting and engagement.** The purpose of this tool was to stay invested but seek to
  change the organisation. The work involved in this method could be carried out
  internally, delegated to fund managers or contracted out to a specialist provider. An
  in-house approach was likely to be resource intensive, but would bring the benefits of a
  deeper understanding of the organisation’s core values, stakeholder views and investment
  practices. Delegation to fund managers was becoming a more standard practice with
  many investors seeking to incorporate engagement responsibilities into IMAs. The
  benefit of using a specialist provider was the automatic creation of an audit trail on action
  taken. Specialist providers would generally charge a basis point fee based on the value of
  assets under management.

The Committee noted that, should it wish to recommend engagement as a result of any
request made under the SRI policy, it might begin by recommending that all fund
managers be asked to report on the way in which they exercise the voting rights arising
from the University’s investment, if at all, and on the extent to which their investment
decisions were based on factors other than anticipated financial performance.
4. **University investment in companies engaging in arms manufacturing**

The Committee returned to its consideration of the request that the University should not invest in companies engaging in arms manufacturing. The Committee noted information on certain UN conventions and international treaties.

The Committee agreed the key points to be made in its response to Council as set out below.

- In light of the Investment Committee’s advice that a decision to divest from companies engaging in arms manufacturing would have an adverse effect on financial return, the question to be addressed by the Committee was whether investment in such companies was inconsistent with the educational/research objectives of the University.

- Total divestment from companies engaging in arms manufacturers should not be recommended. The Committee did not consider the argument that weapons could be used by illegal regimes to be sufficiently compelling to justify such a recommendation. Nor did it consider that the manufacture of arms was inconsistent with the objectives of the University.

- However, the Committee should recommend divestment from any company engaged in the manufacturer of arms that were banned by UN conventions (e.g. landmines, cluster bombs). The Committee considered this approach to be in line with that taken by the Committee to Review Donations, under whose guidelines donations were not accepted from companies who were considered to be acting illegally.

- The information needed to implement such a decision, i.e. comprehensive listings of (i) weapons banned under UN conventions and (ii) companies engaged in the manufacture of such weapons, should be available from EIRIS (Experts in Responsible Investment Solutions).

It was agreed that the Chairman would draft a report on these lines for consideration by the Committee on 4 March 2010. The Committee agreed that information about the University’s mission statement should be brought to its next meeting to assist this consideration.

5. **Guidelines for the operation of the Committee (SRIRC(10)02)**

The Committee agreed that its report to Council should also highlight its intention to develop a framework within which it would consider future requests made under the provisions of the Socially Responsible Investment Policy. The key purpose of this framework was to ensure consistency of approach in considering such requests.

The Committee received paper SRIRC(10)02 which provide information on the approach taken to SRI in Sweden.

6. **Date of next meeting**

Thursday 4 March, 12 noon, Room 1/2.

ERH
19 February 2010