UNIVERSITY OF WESTMINSTER

Investment Management Policy 2023

(for long term investment >24 months, of strategic cash resources)

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* - this Policy is subject to continuous review

Contents

1. Introduction

a) This policy covers investment of University's strategic cash resources over long periods of time covering investments over 24 months.

b) This Policy should be read in conjunction with the University's Treasury Management Policy.

c) This Policy covers the following asset groups:

   i. University Strategic Cash balances, as defined in Schedule A of the Treasury Management Policy. Such balances can be invested for a longer time horizon that that covered by the Treasury Management Policy.

   i. Endowment assets created by funds being donated to the University, which are held by the University as trustee

   ii. Endowment assets created by funds being donated to the Westminster Prize and Scholarship Fund, which are held by the University as trustee of the Fund.

d) The University's Memorandum of Association allows funds to be invested in investments, securities and property which are considered to be appropriate. No class of asset is specifically excluded.

e) Decisions about investments are made by the Resources Committee, which has delegated authority from the Court. This Committee usually meets 5 times each academic year.

2. Investment Objectives

a) The University seeks to produce the best financial return within an acceptable level of risk.

b) The investment objective is to balance income and capital returns:

   i. Assets should be managed to protect capital values against inflation

   ii. A sustainable level of investment income should be generated to support the University's objectives

   iii. The target total return is inflation plus at least 2.5% per annum over a five year time horizon, net of expenses.

c) The University's accounting policies do not include the application of a total return approach for permanent endowments. Consequently, all expenditure charged to permanent endowment funds must be met by income returns generated by endowment assets.

3. Risk

a) The University's approach to the management of key treasury risks is outlined in Schedule A of the Treasury Management Policy. This approach will be applied to assets covered by the Investment Policy, but in the case of endowment assets the requirements of individual donors will also be taken into account.

b) In addition to the approved instruments detailed in Schedule D of the Treasury Management Policy, asset classes which are considered to be appropriate under the Investment Policy include:

   i. UK equities
   ii. Overseas equities
   iii. Corporate bonds (UK and overseas)
   iv. Pooled debt investment vehicles
   v. Property
   vi. Private equity

vii. Infrastructure investment vehicles

c) In addition to the approved countries of domicile for investment counterparties listed in Schedule D of the Treasury Management Policy, approved investment managers are permitted to invest with counterparties domiciled in other countries which are considered to be appropriate.

d) The use of assets with price volatility exposes the University to market risk and introduces the possibility of capital losses. This risk will be managed by the diversification of the investment portfolio into numerous asset classes, and when the investment manager considers it appropriate, by the use of benchmark asset allocations

e) The base currency of the investment portfolios is GBP.

f) Currency hedging is permitted within the investment portfolio

g) A matrix detailing the approved investment instruments for each asset group covered by this policy is shown at Appendix B.

4. Liquidity Requirements

a) For endowment assets, liquidity requirements to fund expenditure are initially met from the receipt of fresh endowment sums in cash, or from existing balances held in cash. Regular reporting of endowment receipts and expenditure during the financial year will identify any potential liquidity shortfall which would need to be met from fund invested in other asset classes.

b) For University assets, the preparation of cashflow forecasts will identify the liquidity needs of the portfolio.

5. Time Horizon

a) The University is expected to exist in perpetuity

b) The time horizon applicable to endowment assets will depend on the requirements of the donor but will vary from medium term (2 to 5 years), to perpetuity.

c) University assets will have a medium to long term time horizon (2 to 15 years)

6. Ethical and Sustainable Investment

Principles

a) The University's approach to ethical and sustainable investment considers the principles established in the University's Corporate Social Responsibility (CSR) Strategy and the University's Equality, Diversity and Inclusion (EDI) Strategy.

b) The University will invest in a manner which is aligned to the delivery of the United Nations 2030 Agenda for Sustainable Development, the Sustainable Development Goals (SDG) and our EDI objectives. This includes, but is not limited to, investing in organisations and countries demonstrating the following attributes:

i. Demonstration of a positive approach to individuals, communities and environmental performance

ii. Development of environmental technologies to reduce the impacts of polluting/ destructive industries and climate change

c) The University will not invest in a particular business in the following circumstances:

i. Where the investment might conflict, or be inconsistent, with the aims, objects or activities of the University.
ii. Where such an investment might hamper the work the University either by alienating current or potential financial supporters, or by having a material impact on applications from potential students.
iii. Where an investment is not excluded by (i) or (ii) above but is considered by the University to be unethical.

Practices

d) On the basis of the principles above the University uses negative screening to exclude investments in the following:

   i. Companies engaged in landmine or cluster bomb manufacture.
   ii. Companies/Organisations that violate international and/or industry norms in relation to the following:
      - Public health in the UK (alcohol and food)
      - Human rights, employment standards and climate change disclosure (relevant companies in developed markets).
      - that breach the Modern Slavery Act 2015' and where the University has information on the breach.
      - Organisations that do not have policies to control and reduce the risk of serious negative environmental impacts' and where the university has knowledge of this.
   iii. Companies which derive income directly or indirectly from any of the following activities:
      - Coal or tar sands extraction
      - Oil, gas or other fossil fuel extraction/production
      - Tobacco
      - Pornography production
      - Online gaming
      - Animal testing of cosmetics
      - High interest rate lending
   iv. Companies demonstrating a lack of commitment to environmental sustainability, defined by the absence of a published, monitored climate change plan.

e) Investments are defined to include equity and bond instruments, whether held directly or indirectly through pooled investment funds.

f) The University will actively vote on issues put to shareholders, or request that approved external fund manages adopt such a strategy.

g) The University requires any approved external fund manager:

- To take a positive approach to stewardship as defined in the 2020 UK Stewardship Code for Institutional Investors by being a Tier 1 signatory to that Code.
- To be a signatory to the UN Principles of Responsible Investment (UNPRI) and the Net Zero Asset Managers Initiative.
- To take account of environmental, social and governance (ESG) considerations in the selection, retention and realisation of investments

h) Wherever possible the University will seek to invest in the following, either directly or via an external fund manager:

- Green deposit accounts in which the ESG impact of the investment can be identified.
- Green bonds which are listed on the MSCI Green Bond Index

7. Management

a) The University will appoint investment managers to manage investment assets covered by this Policy when appropriate to do so. Factors to be considered include

   i. The availability of in-house expertise
   ii. The feasibility of obtaining custodial facilities for assets

b) Approved investment managers will be authorised and regulated by the Financial Conduct Authority in the conduct of investment business.

c) The mandate agreed with an appointed investment manager will consist only of asset types included in **schedule D** of the Treasury Management Policy and paragraph 3 of the Investment Management Policy.

d) An appointed investment management will be required to have in place custodial arrangement for investment assets.

e) Investment manager fees will be reviewed at regular intervals and opportunities taken to improve value for money whenever possible

f) Current approved investment managers are detailed in **Appendix A** to this Policy.

g) Cash instructions to invest or redeem funds from an externally managed portfolio shall be authorised in accordance with the University's bank mandate.

8. Reporting and Monitoring

a) The Resources Committee shall receive a report on the investment assets covered by this Policy at regular intervals, at least annually.

b) The investment report will include performance monitoring against the following benchmarks, with appropriate commentary

   i. Internally managed cash – Sterling Overnight Index Average (SONIA)
   ii. Externally managed funds – comparator benchmark index

c) Where appropriate, external fund managers will be invited to attend Resources Committee meetings to discuss the portfolios under their management.

9. Appendix A: Approved Investment Managers

Manager Name	Investment Asset Group	Mandate
CCLA Fund Managers Ltd*	Endowment	Management of assets within the COIF Charities Investment Fund, in accordance with investment objectives of that Fund.

* Approval in force until appointment of the investment manager of a fund which can meet the requirements of Policy Section 6 (Ethical and Sustainable Investment).

10. Appendix B: University of Westminster: Treasury & Investment Management Options Matrix

Cash Segment	Liquidity Period	Relevant Policy/ Management Approach	Approved Instruments								
			Instant Access Bank A/C	Money Market Funds - CNAV	Money Market Funds - VNAV	Notice Bank A/C & Time Deposits	Fixed Interest: Financials & Public Sector[2]	Fixed Interest: Other[3]	Equities	Property	Private Equity/ Infrastructure Vehicles/Debt Vehicles
Operational Cash	immediate	Treasury Management/ Internally Managed	X	X							
Liquidity Cash[1]	Up to 24 months	Treasury Management/ Internally Managed			X	X >= 25%	X				
Strategic Cash	More than 2 years	Investment Management/ Externally Managed				X	X	X	X	X	X
Endowment Assets[4]	All	Investment Management/ Externally Managed	X	X	X	X	X	X	X	X	X

<u>Notes:</u>

1. A maximum of 80% of Liquidity Cash can be invested in instruments with tenor in excess of 12 months
2. “Fixed interest: Financials and Public Sector” covers tradeable fixed interest instruments issued by financial institutions (banks, building societies etc) and by public sector bodies (e.g. European Investment Bank).
3. “Fixed interest: Other” covers tradeable fixed interest instruments issued by non-financial corporates.
4. A minimum of 20% of endowment assets must be maintained in instant access bank accounts or CNAV Money Market Fund