Policy: Socially responsible investment

Purpose
This policy has been developed to provide guidance on what assets should be held in the University's investment portfolios. Definitions of specific assets are given below.

Overview
This policy seeks to ensure socially responsible investing behaviours are maintained in the execution of ANU investment policies and strategy. The ANU Council will contribute to the ongoing implementation of this policy and may from time to time approve specific provisions which are set out below. Council will provide input to the debate on substantive issues as they arise.

Scope
This policy applies to those with responsibility for investing on behalf of ANU, and those with oversight of ANU investing activities.

Policy statement

1. The University directly manages a large investment portfolio. The aim of the portfolio is to deliver a balance of risk and return within parameters determined by the University. Investment returns from the University's investment portfolio support operational revenues, provide for payments on liabilities and underpin endowment mandates. In making these investment decisions, the University also considers its wider responsibilities as an investor.

2. To this end the University has developed a Socially Responsible Investment policy to provide guidance on what assets should be held in its investment portfolios. While the University has a fiduciary responsibility to maximise returns under its control, to diversify risk and to ensure the funds are efficiently managed, this policy also incorporates the need to assess and consider any social harm or benefit that might arise through these investment activities.

3. In making investment decisions, the University will aim to:
   • avoid investment opportunities considered to be likely to cause substantial social injury
• positively promote investment in securities, companies, trusts and other entities that support socially beneficial outcomes

• achieve a significant reduction in the overall carbon intensity of the investment portfolio relative to industry benchmarks (see Appendix B)

• acknowledge the existence of competing social goods and choose to invest where the greatest return is achievable for the greatest social good

4. It is acknowledged that many large companies have diverse activities and that assessing a company’s involvement in either ‘avoid’ or ‘promote’ activities requires the exercise of some professional analysis and judgement.

5. Market volatility and valuation may impact a company’s ‘avoid’ or ‘promote’ activities and may be of short duration. Policy decisions should not be based on short duration issues.

6. It is acknowledged that divestment of assets can have negative unintended consequences for the long term returns achievable by the investment portfolio.

Compliance and reporting

7. Finance Committee will monitor investments held in the University investment portfolio through reports provided by the Investment Office.

8. Each year, the Investment Office will report to Council through Finance Committee the University’s compliance with this policy. This report will detail any deviation from the policy and actions taken to address non-compliance. This report will list any assets held which are in contradiction of this policy and the approved timeframe for reducing these investments.

9. While undertaking due diligence on new and existing assets held within the University investment portfolios, the Investment Office will ensure compliance with the principles provided for in this policy. Should there be any uncertainties regarding the compliance of specific investments, the Investment Director will discuss the matter with University Executive.

Transitional Arrangements

10. Where the University determines, pursuant to this policy, that an investment asset has become inconsistent with this policy, the University may implement a transition plan for the asset, as quickly as possible, but over a period of no more than three years. During this period, the asset held may return to conformity with the policy or the University may reduce its investment in the asset, timing any action to avoid any adverse impact on the
University’s overall investment position. The progress on the transition plan will be monitored and periodically reported to Finance Committee.

**APPENDIX A**

*Definitions*

**Divestment** - The reduction of investment of assets which can serve financial, ethical or political objectives.

**Metallurgical Coal** - Black coal that is suitable for making coke, which is used in the production of pig (crude) iron. These coals must also have low sulphur and phosphorus contents, and are relatively scarce.

**Coke** - Is a porous solid composed mainly of carbon and ash and is used in blast furnaces that produce iron. (Geoscience Australia)

**Thermal Coal** - Black or brown coal that is used mainly for generating electricity in power stations where it is pulverised and burnt to heat steam generating boilers. (Geoscience Australia)

**APPENDIX B**

*Implementation of SRI Policy*

**24 July 2015** - 20% revenue threshold on revenue directly derived from coal, gambling, pornography and tobacco.

**18 September 2015** - 25% carbon intensity reduction target against the domestic equity benchmark.

**23 November 2018** - Trial of 30% carbon intensity reduction target against the domestic equity benchmark.

**10 February 2022** - by Council resolution, a target of 75% less carbon intensity in the overseas equities portfolio relative to the benchmark in support of the University’s net zero emission goal.