

## **SOCIALLY RESPONSIBLE INVESTMENT POLICY**

---

This Socially Responsible Investment policy (the “SRI Policy”) applies to endowment funds originating from grants or donations and the **long-term** investment of retained surpluses (School endowments). The School’s Investment Policy and Mandate, which is proposed by the Investment Subcommittee and approved by Council annually, states that the Investment Subcommittee will review and reallocate funds to conform with the provisions of the SRI policy if they are found to be invested in funds or activities which are inconsistent with the SRI policy.

### **1. SRI POLICY**

- 1.1. The LSE, cognisant of its fiduciary obligations, has required the Investments Sub-Committee to ensure that all its investment decisions are made in accordance with the School’s Ethics Code, the Ethics Code Guidance and, as far as possible, the UN Principles for Responsible Investment (see 1.3 below).
- 1.2. The School has a legal obligation and fiduciary responsibility to maximise our charitable income and returns in order to further the School’s objectives consistent with our agreed risk appetite established by Council.
- 1.3. The School has adopted the six UN Principles for Responsible Investing, recognising that doing so is an effort to better align it as an investor with broader objectives of society, consistent with the LSE Council’s statutory fiduciary responsibilities as charity trustees.
- 1.4. A key aspect of the School’s approach to responsible investing is for the Finance Committee and Investment Subcommittee to make investment decisions which take into account environmental, social and corporate governance (ESG) issues in managing the endowment funds in accordance with the UN six Principles and LSE’s ethical standards.
- 1.5. The School will not make direct or, as far as possible, indirect investments in equities or bonds issued by companies engaged in tobacco manufacture, indiscriminate arms manufacture or companies which are significantly engaged in the extraction of thermal coal and tar sands, the most polluting of fossil fuels.
- 1.6. The School will, where possible, aim to switch its passively managed equity investments into funds which track indices which more closely meet its SRI objectives, such as the FTSE4Good UK or Global Indices.
- 1.7. The School will seek to progressively reduce its investment in funds which indirectly place its endowment in companies significantly engaged in the extraction of thermal coal and tar sands.

- 1.8. The School will take a pro-active approach in collaborating with other like-minded investors to encourage asset managers to develop new socially responsible investment products.
- 1.9. The Investment Subcommittee, Finance Committee and Council will continue to monitor on-going opportunities to improve socially responsible investing as new opportunities become available.
- 1.10. The School will not invest in “black box” investment vehicles where it is not possible to identify the nature of underlying assets.

## **2. PROCESS AND APPLICATION OF SRI POLICY**

- 2.1. The School maintains an Investment Sub-Committee with expert members to oversee the investment of endowment funds implemented by the Finance Division. The Investment Sub-Committee reports to the Finance Committee.
- 2.2. The School appoints independent professional investment advisors by competitive tender to advise its Investment Sub-Committee and Finance Division.
- 2.3. The Investment Sub-Committee has a student representative and the Finance Committee has two student representatives to enable student participation in the review of investment policies and investment decisions.
- 2.4. The Investment Sub-Committee will recommend that the School’s endowment funds are invested only in pooled investment vehicles managed by external fund managers.
- 2.5. The Investment Sub-Committee will endeavour, as far as possible, to identify those managers who apply environmental, social and governance (ESG) criteria to their investment decisions, have a policy to engage with companies where ESG issues are a concern to financial sustainability, and seek to report to their investors on their engagement activities.
- 2.6. In the event of any investment of the School being found to be invested in funds or activities that are inconsistent with the School’s Ethics Code and this policy, the Investment Sub Committee will review the investment and reallocate funds as appropriate.
- 2.7. In keeping with the School’s commitment to transparency, the School publishes its Socially Responsible Investment Policy on its publicly accessible website and includes a report on its Endowment Investments in its Annual Report. This statement shall, henceforth, indicate clearly what percentage of the School’s endowment and long-term surplus is placed in fossil fuels, distinguishing thermal coal and tar sands, tobacco, and armaments, distinguishing indiscriminate armaments.

### 3. RESPONSIBILITIES FOR THIS POLICY

- 3.1. The ultimate responsibility for approval of this policy lies with Council, advised by the Finance Committee and the relevant School Officers. The School's Ethics Policy Committee may advise Council on compliance of the School's Socially Responsible Investment Policy with the School's Ethics Code.
- 3.2. Students may propose amendments to the policy via their representatives on the Finance Committee. Other members of the School may propose amendments via the Secretary of the Finance Committee. All proposed amendments will be considered annually by the Finance Committee concurrent with its review of investment policy. Any changes to investment policy will be reported to Council.
- 3.3. Any person who has good reason to believe that the policy is not complied with may raise it with the Secretary of the Investment Subcommittee, and in the event that the matter is unresolved, to the Secretary of the Finance Committee. All such queries or concerns shall be reported to the Finance Committee.
- 3.4. Any person having good reason to believe that the School is conducting its investments (or any other activities) other than in accordance with the School's Ethics Code may report their concerns to the School's Ethics Manager, the Chair of the Ethics Policy Committee or the School's Secretary, and may do so in accordance with the LSE Whistleblowing Policy (Public Interest Disclosure Policy), if appropriate.

November 2015

**SRI POLICY ANNEX A: Definitions**

Term	Definition
ESG	An acronym that stands for “environmental, social, and corporate governance”. ESG factors encompass a broad range of issues that some investors consider alongside traditional financial factors when assessing companies for potential investment. No definitive list of ESG issues exists, but examples include: energy and resource management (environmental); labour relations and product safety (social), and executive remuneration (corporate governance).
Responsible Investment (RI)	An investment approach that focuses on the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.
Socially Responsible Investment (SRI)	SRI is an approach that aims to balance an investor’s ethical beliefs with performance considerations, and typically seeks to achieve a trade-off between social and financial objectives.
Sustainability	Sustainability – Although the terms “ESG” and “sustainability” are often used interchangeably by investors, sustainability is more commonly used in reference to how a company is managing ESG issues (e.g. labour relations, waste management, corporate governance, product development) in an operational and strategic context.

<b>Owner</b>	Finance Division
<b>Date created</b>	Statement of Principles on Socially Responsible (Ethical) Investment, Finance Committee June 2012  Socially Responsible Investment Policy, Finance Committee March 2013
<b>Date revised</b>	2015 by the Socially Responsible Investment Review Group
<b>Approval</b>	Council, November 2015.
<b>To be reviewed</b>	To be regularly reviewed.