

As part of our on-going commitment to sustainability, and in line with Goal 6 of our [Sustainability Strategy](#), the University has undertaken an initial audit of the fossil fuel exposure within its investment portfolio¹.

As at 31 December 2020, 0.8% of our portfolio was held within direct fossil fuel companies, and a further 0.8% within indirect fossil fuel companies. This represented a small proportion of our holdings at this date. Nevertheless, we remain committed to reviewing and refreshing our investment policy, to ensure our investments represent the values of the University.

This is the first year we have undertaken this work, and we will be reviewing in future years how best to analyse and report on the compatibility of our portfolios with our sustainability goals. Our aim is to develop a sustainable and ethical investment policy which is fully aligned to our Sustainability Strategy and that outlines how we will use our investments to achieve positive influence in these areas.

Additional information

- **Definitions**

Direct Fossil Fuel companies - those with material exposure to the extraction or production of fossil fuels including oil, gas or coal.

Indirect Fossil Fuel companies - those that make material use of extracted or refined fossil fuels as part of their business operations. For example, utilities with material generation portfolios powered by fossil fuels, such as coal, gas or oil fired power stations.

'Material' is generally defined as being at least 10% of revenues.

- **How our investment portfolio currently operates:**

The University holds current assets in cash deposits, investments in shares and cash. As at the 31st July 2020 the combined total was £521m (more details on this can be found in our 2019/20 financial statements).

Just under half of our combined total is held with fund managers:

Fund Manager	Purpose/Aim
Royal London Asset Management (RLAM)	<p><u>A fixed income and cash portfolio</u></p> <ul style="list-style-type: none"> • Funds invested across 5 of RLAM's funds, 3 onshore and 2 offshore. • The aim is to manage a significant proportion of the Bond² proceeds allowing a slightly increased risk profile that improves potential return.
Ruffer LLP	<p><u>A diversified growth fund which covers a range of asset classes</u></p> <ul style="list-style-type: none"> • Funds invested in the Ruffer Charity Asset Fund. Income earned is reinvested in the fund and combined with capital growth, with the purpose of generating sufficient funds to settle the Bond on maturity in 2057 (£300m).
Aegon	<p><u>Multi -asset fund which invests across equities and fixed income</u></p>

¹ Excluding pension fund assets

² In April 2017, the University issued a £300m public bond with a fixed interest rate of 2.25%, which will mature in 2057. The bond proceeds are primarily intended for investment in the University's physical estate and IT infrastructure.

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| | <ul style="list-style-type: none">• Funds invested in the Aegon Cautious Ethical Managed Fund. The total investment comprises the University's pooled endowment capital funds. The aim of the investment is to generate annual income to support endowment purposes and to provide long-term capital growth. |
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Targets and indicators of Goal 6

- By February 2021, we will have completed an initial audit of fossil fuel exposure in our portfolio.
- By 2022, we will have put in place our sustainable and ethical investment policy.
- By 2025, our portfolio will be fully compliant with our sustainable and ethical investment policy.

We intend that our investment policy should evolve as new investment opportunities emerge and best practise on ESG³ investment evolves so that by 2025, at the latest, our policy will help the University to support positive action that will address the climate crisis.

As always, we welcome feedback from our staff and student community in this and all other areas related to sustainability. You can get in touch by emailing sustainability@soton.ac.uk

³ ESG – Environmental, Social and Corporate Governance refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.