Responsible Investment Guidelines

Section 1 - Purpose

(1) Charles Sturt University’s Investment Policy provides as part of its objectives to "adhere to Responsible Investment Guidelines" (Section 3, Part A) and within this, that "investment decisions should reflect the character and values the University upholds for itself."

(2) The Responsible Investment Guidelines has therefore been developed, which will allow Charles Sturt University (the University) to pursue an ethical and socially responsible investment approach informed by the values of the University, whilst minimising any negative impact on its investment returns.

(3) The values of the University are best expressed by the University motto of being "for the public good" and within the University Strategy with the Wiradjuri phrase, "Yindyamarra Winhanga-nha", translated as "the wisdom of respectfully knowing how to live well in a world worth living in".

Section 2 - Glossary

(4) For the purpose of these Guidelines:

a. The University - means Charles Sturt University.
b. ESG – means environment, social and governance, a term used to describe a group of factors that are integrated into investment research and decision making that are outside traditional areas of the analysis of risk and return.
c. Responsible Investment - means an umbrella term used to describe an investment process which takes environmental, social, governance (ESG) or ethical considerations into account, with a view of gaining financially from choices that reflect the University’s values.

Section 3 - Policy

(5) Refer to the Investment Policy.

Section 4 - Procedures

(6) Nil.

Section 5 - Guidelines

Responsible Investment

(7) Responsible Investment is incorporated into the fundamental investment selection and management process, and integrates ESG principles into the investment methodology in such a manner that ESG is simply part of good

investment practise.

(8) While the University has a fiduciary responsibility to maximise returns under its control, to diversify risk and to ensure the funds are efficiently managed, the Responsible Investment Guidelines also incorporate the need to assess and consider any social harm or benefit that might arise through these investment activities.

(9) Responsible Investment methodologies may take the following forms:

a. Negative Screening Avoiding - investment in organisation or industries which have a negative impact on society and the environment, or which may be against the values of the University;
b. Positive Screening Proactive - search for investments that contribute positively to society and the environment, or which may be consistent with the values of the University; and
c. Corporate Engagement Dialogue - with companies invested in for the purpose of seeking ethical outcomes including raising issues of concern and advocating positive change to company practices.

(10) Recognising the University's relative investment size and influence in the financial market, the University seeks to take a balanced view of broad ESG investment issues and risks that may impact long-term returns, as opposed to adopting a primary screening approach.

(11) The University operates a diversified investment portfolio involving a mix of fixed income securities, equities, and a blend of individually managed mandates and managed funds.

(12) Whilst the Responsible Investment Guidelines should apply to all funds under management, the University will in particular endeavour to apply the Guidelines to equity investments managed under individually managed mandates.

Methodology

(13) It is acknowledged that investment selection incorporating ESG makes the process immensely more complex. The University engages an Investment Advisor to provide expertise in the recommendation and selection of investment opportunities, with consideration to the Responsible Investment Guidelines.

(14) Investments may be included or excluded based on how well an investment manages its environmental, social and corporate governance processes. The approach should fairly weight the various aspects of ESG, to encompass attributes of the company itself, materiality (i.e. scale) as well as the industry in which it may operate.

(15) With individual stock selections, a reputable, comprehensive and balanced index such as Macquarie Bank's ESG ratings index or the Morgan Stanley Capital International (MSCI) Australian ESG Index may be consulted to avoid stocks that rank low with regards to ESG and to rank higher those that are well regarded against the appropriate index.

(16) In addition, specific screening strategies may be applied based on industry or products as outlined below.

Negative Screening

(17) The following industries are areas that the University sees as being in conflict with its values:

a. manufacture of tobacco;
b. gambling;
c. pornography and prostitution;
d. manufacture and distribution of armaments; and
e. coal seam gas.

(18) Where any of the above activities constitute a material proportion of the business activity or supporting activities and it is known to the University, then investment in these industries is to be avoided.

Positive Screening

(19) University investment decisions should respect the rights and interests of indigenous peoples, including Aboriginal and Torres Strait Islander peoples.

(20) The following industries are areas that the University sees as being consistent with its values:

a. renewable energy;
b. carbon emission reduction;
c. agriculture, biodiversity and forestry sustainability;
d. water technology; and
e. recycling and pollution control.

(21) Where any of the above activities constitute a material proportion of the business activity or supporting activities and it is known to the University, then investment in these industries may be specifically sought after to support achievement of the University’s values.

Monitoring, Transition and Reporting

(22) Guidelines are not mandatory, however, where the University is consciously aware that an investment may not comply, then it should exercise judgement and have a clear rationale for why it continues with the investment.

(23) These Guidelines should be provided in conjunction with the Investment Policy to fund managers, advisors and individually managed mandate managers as part of any engagement and selection process.

(24) The Investment Committee should assess stocks held and appraise their alignment with the Guidelines. Following each financial year, a report will be prepared for the Investment Committee advising adherence to the Responsible Investment Guidelines and any proposed actions in respect to stocks that may not satisfy the Guidelines. This will include analysis against an appropriate ESG ratings index (refer clause 15).

(25) Where the University determines to reduce its investment in an existing stock due to ESG appraisal, then the liquidation of that asset should be managed taking into account the financial and reputational aspects associated with the decision and may as a result hold temporarily or phase out over a period of time.

Status and Details

Status	Historic
Effective Date	8th October 2018
Review Date	23rd October 2021
Approval Authority	Investment Committee
Approval Date	5th October 2018
Expiry Date	14th June 2022
Unit Head	Michelle Moore Chief Financial Officer
Author	Paul Dowler
Enquiries Contact	Division of Finance