



UNIVERSITY COURT

3 October 2024, online meeting, by MS Teams

Minutes

- Members Present:** Janet Legrand, Senior Lay Member  
Simon Fanshawe, Rector  
Rushad Abadan, Co-opted Member (items 1-10.2)  
Dora Herndon, Students' Association President  
Shereen Benjamin, Senatus Assessor  
Richard Blythe, Senatus Assessor  
Ruth Elliott, Students' Association Vice-President Community  
Alastair Dunlop, Chancellor's Assessor  
Ruth Girardet, Co-opted Member  
Tobias Kelly, Academic Staff Member (items 1-10.2)  
Peter Mathieson, Principal & Vice-Chancellor  
Sarah McAllister, Professional Services Staff Member  
Douglas Millican, Co-opted Member  
Kathryn Nash, Trade Union Academic Staff Member  
Mark Patrizio, Trade Union Professional Services Staff Member  
Sarah Wolffe, General Council Assessor
- Member Apologies:** Robert Aldridge, City of Edinburgh Council Assessor  
Frank Armstrong, Co-opted Member  
Jock Millican, General Council Assessor  
Hugh Mitchell, Co-opted Member  
Alistair Smith, Co-opted Member  
Kavi Thakrar, Co-opted Member
- In Attendance:** Leigh Chalmers, Vice-Principal & University Secretary  
**Presenters & Observers:** Lewis Allan, Senior Governance Advisor to the Vice-Principal & University Secretary  
Lucy Evans, Deputy Secretary Students  
Dave Gorman, Director of Social Responsibility and Sustainability  
Kim Graham, Provost  
Lee Hamill, Director of Finance  
Colm Harmon, Vice-Principal Students  
Louise Kelso, General Counsel & Director of Legal Services  
Alastair Laing, Convener of Investment Committee  
Theresa Merrick, Director of Communications & Marketing  
Rona Smith, Deputy Secretary Governance & Strategic Planning  
Daniel Wedgwood, Head of Court Services

## **Investments Update**

The Rector formally opened the meeting and invited the Senior Lay Member to chair the single item of business.

The Senior Lay Member thanked the members of Investment Committee, the two Short Life Working Groups and the authors of the paper for this meeting, recognising the significant work that had been carried out to date to provide Court with valuable information and advice.

Court received a summary of the recommendations in the paper, along with contextual information, including the nature of Court members' responsibilities in relation to the University's investments, as charity Trustees.

It was noted that the work carried out to date, through the Short Life Working Groups, had been conducted at considerable pace and it was suggested that future developments of this work would require a more considered approach, in order to address the significant complexity of the matters under consideration and to take into account the wide diversity of views that had been expressed.

It was noted that the University was highly rated in external assessments of responsible investment. Nonetheless, concerns had been raised within the staff and student communities regarding the adequacy of current policies and practices around investment, relating to transparency, clarity in how investments relate to the University's values and the possibility of investment in producers of controversial weapons systems, with specific reference to the application of new technologies in Lethal Autonomous Weapons Systems (LAWS). Court was reminded that the University's Responsible Investment Policy was currently under review, including extensive consultation.

The Convener of Investment Committee outlined the nature of the University's investment activity, including noting the following:

- The majority of the University's funds for investment were channelled through pooled funds, a standard mechanism for managing the costs and risks of investment. When investing in such funds, the University's control was limited mainly to the selection of fund managers, at which level principles of responsible investment could be applied. The University could not dictate the particular securities to be held within such funds.
- Withdrawing from such funds would incur a significant transactional cost and could have further, on-going detrimental financial impacts, through higher future investment costs or reduced levels of return.
- Detailed judgments regarding ethical investment, such as some of those currently before Court, would typically be left to expert external bodies, given that such work demanded both specialist knowledge and significant commitment of time and effort.
- However, the creation of a new internal body would be welcome, as a counterpart to Investment Committee that could have oversight of the Responsible Investment Policy and its application, in addition to other roles such as advising on improvements to process and transparency. The regular, considered input of

such a group could promote good decision-making, in contrast to addressing a series of specific issues in an unconnected way and under time pressure.

The Senior Lay Member thanked the Convener of Investment Committee for his generous input and for that of committee members in the course of recent discussions.

In discussion, the following points were raised:

- It was clarified that the University's current suspension of any new purchases of certain stocks applied to those investments held directly by the University in a segregated account. It could not be applied to pooled funds, short of withdrawal from those funds, for the reasons that had been outlined by the Convener of Investment Committee.
- It was noted that one theoretical option would be to limit investment to selected organisations that were judged to have positive ethical impacts. However, this would not eliminate controversy and would be likely to result in higher investment costs, reduced financial returns and a high concentration of risk. There might be scope to make some additional values-driven and/or strategically-aligned investments as part of the University's overall investment portfolio.
- Given that the University reported to and was assessed by external organisations, including the United Nations (UN), in relation to responsible investment, these assessments might be used as transparent measure of progress in this area. It was noted that the most effective ways for the University to further boost its current scores in such assessments would be to institute an oversight body focused on responsible investment and to review the Responsible Investment Policy on a more regular basis.
- The UN had recently agreed a 'Pact for the Future', which included "steps to avoid the weaponization and misuse of new technologies, such as lethal autonomous weapons, and affirmation that the laws of war should apply to many of these new technologies". While Court members were keen that the University should continue to be a leader in Responsible Investment, in doing so it might be helpful to align with the evolving wider work in these areas. This should prevent the need to adopt idiosyncratic definitions of key concepts, which, it was noted, would incur costs and risk, and would be likely to impact financial returns.
- A principled approach to investment issues would be important, with a focus on substantive impact. The implications of any given ethical stance for wider University activity should be borne in mind.

A broad consensus was noted in favour of adopting the recommendation of the second Short Life Working Group to create an 'ethical review and due diligence' group. The following points were made in relation to this:

- The precise nature of the group remained to be established. Its remit and terms of reference should be considered carefully and a proposal presented to Court for consideration at a future meeting.
- Key considerations would include the relationship of the new group to existing committees, including Investment Committee, Policy & Resources Committee and Court.

- Within this, the primacy of Court should be maintained and care should be taken to avoid any ambiguity in the University's overall decision-making processes. With an appropriate remit, the new group could complement the work of Investment Committee and, in so doing, relieve Investment Committee of inappropriate demands. The group should not be a source of continuous new demands on Investment Committee. However, the group might contribute to greater understanding within the community if it were to have a responsive role to some extent.
- The existence of an additional group could also help in raising the profile of work on responsible investment carried out by the University and Investment Committee.
- A number of models for such a group existed within and beyond the university sector. These should be examined carefully, while formulating a group suited to the requirements of the University.
- Transparency in the operation of this group would help increase confidence in the University's responsible investment practices across the University community.
- When considering the composition of the group, relevant expertise should be the primary consideration. This might be within or from outside the University.

Court discussed the importance of clear communications in relation to Court's consideration of these matters and next steps. Points made in connection with this included the following:

- The nature of the University's existing policies in this area, and their positive external recognition, should be highlighted, along with a clear statement of intent to continue to remain at the forefront of responsible investment policy.
- The extent and seriousness of Court's engagement with these issues should be conveyed, for the reassurance of the University community.
- Communications should counter the misconception that student fees contribute to the University's endowment fund.
- Court members' responsibilities as charity Trustees should also be conveyed.

The Senior Lay Member noted that a number of comments had been received from those Court members who had been unable to attend the meeting and that these were consistent with the emerging consensus.

Court agreed that:

- in line with the recommendation of the second Short Life Working Group, a new group should be established to provide oversight and advice in relation to responsible investment;

and that, in advance of doing so:

- the precise remit of this group should be formulated carefully, drawing on existing models as appropriate;
- the group's composition and relationship to other governance bodies should be considered in the light of this remit; and

- a well-formed proposal should, in due course, be presented to Court for consideration.

Court further agreed that the current pause in certain new direct stock investments should continue, to allow the new group to consider this if its remit so allowed.