Building Trust Through Transparency: A Guide to Investment Disclosure for Universities

Reasons for Transparency

Transparency from a university regarding its investment processes and decisions can **build trust with educational stakeholders** and facilitate more constructive conversation. As public institutions, universities have a responsibility to act for the benefit of their members and wider society. Greater transparency creates an opportunity to proactively demonstrate a university's value-driven approach towards investment.

Charity Commission guidance (CC-14) states that 'trustees have overall responsibility for investment of a charity's funds' and that 'trustees must review investments (and their investment managers) from time to time, changing them if necessary'. Therefore, **full disclosure of investments and managers at reasonable intervals** to all trustees represents a **minimum level of transparency.**

A number of leading UK universities have adopted greater investment transparency as a pillar of fostering openness and accountability. The University of Edinburgh biannually publishes all shares held directly in its c.£800m endowment and the asset managers and funds used for all investments held indirectly. The University of Manchester, with an endowment of c.£250m, also discloses all companies in which it holds public equity, however disclosure of holdings in other securities and real assets would be a further improvement on current practice. Beyond the education sector, fund managers in the US are legally required to publicly disclose their full holdings each quarter, and while no such law exists in the UK, some funds such as the West Yorkshire Pension Fund, which has c.£14bn of assets under management, do so voluntarily. These examples of robust disclosure, whether voluntary or legally mandated, demonstrate that **significant progress on transparency is possible** even for universities with considerable holdings.

Steps Towards Transparency

Transparency can be ensured to different extents, depending on the **content** disclosed, and the **accessibility** of this information. The figures below illustrate three examples: full transparency, a university which is close to best practice (University of Edinburgh) and a university with a lower level of transparency (University of Cambridge).

Content

The content disclosure suggestions below were compiled to be broadly aligned with widely recognised Task Force on Climate-related Disclosures (TCFD) recommendations.

0. **None**: no disclosure of investment holdings, processes or decision-making.
1. **Governance**: information on governance structure relating to investment activities, including the role of relevant committees and asset managers in investment decision-making, the members of relevant committees and the diversity of those committees.
2. **Strategy**: investment strategy, such as the investment policy document and, if existing, any ethical investment criteria and requirements.
3. **Asset classes and engagement**: high-level information of portfolio holdings and shareholder engagement strategy. This can include a sectoral summary of investments, a list of largest portfolio holdings held directly, and a summary of shareholder engagement activities.
4. **Asset managers and funds**: for indirectly held investments, a breakdown of asset managers used and the funds invested in.
5. **Portfolio risk assessment**: a formal assessment of the portfolio's systemic risk. This can include portfolio alignment to the commitments of the Paris Agreement and/or a measure of portfolio's Value-at-Risk from climate change or other threats.
6. **Full holdings and engagement**: detailed asset-level information, including all investee companies, relevant instrument type, and shareholder voting record on ESG resolutions, either by the institution itself or asset manager as appropriate, including the rationale behind any which are voted against.

Accessibility

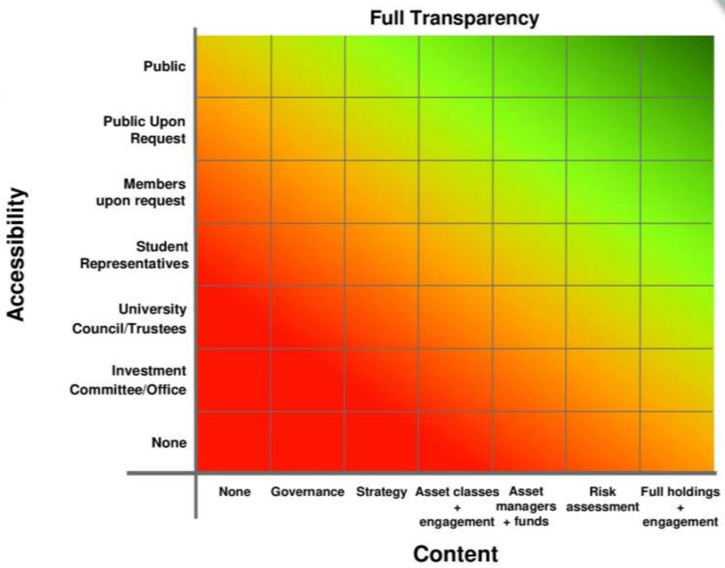
This category refers to who the disclosed investment information is accessible to.

0. **None** (only the fund managers, not the university, have this information)
1. **Investment/Finance Committee/Office**
2. **University Council/Trustees**
3. **Student Representatives**
4. **Members of the university upon request**
5. **Public upon request** (e.g. via Freedom of Information requests)
6. **Public**

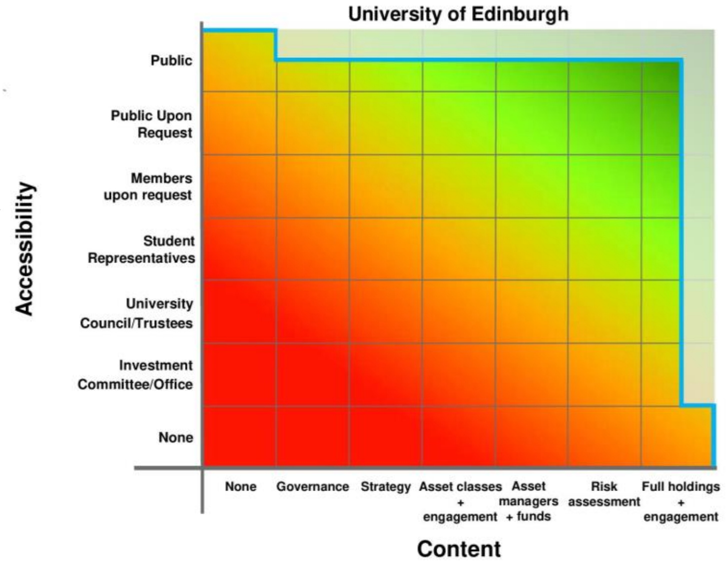
A lack of transparency represents a potential **reputational risk** and thus a danger to the good name of an institution. While transparency may draw attention to a university's investment practices, falling behind other institutions as they commit to more transparent and responsible investment would imply that there is something to hide and **damage the trust of members and the public** in the institution.

Examples of transparency in practice

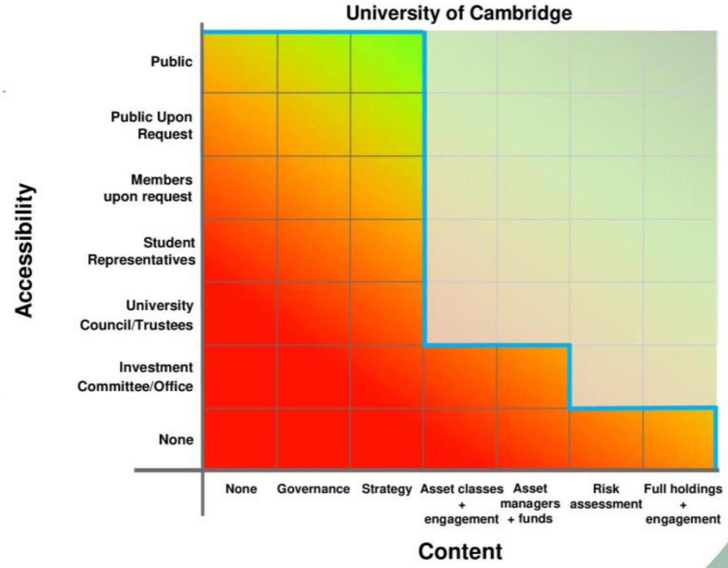
***A) Full transparency**: full, public disclosure of detailed asset-level information, including all investee companies and relevant instrument type. This would include a formal assessment of the portfolio's systemic risk. A shareholder voting record on all ESG resolutions, either by the institution itself or asset manager as appropriate, should also be disclosed, including the rationale behind any which are voted against.*



***B) The University of Edinburgh** is a leading UK university on responsible investment. It is a signatory of the UN Principles for Responsible Investment (PRI) and was recently recognised as part of its 'PRI Leaders Group'. It annually discloses all shares held directly and the funds and asset managers for all shares held indirectly. Practice could be further improved by disclosure of shareholder engagement on ESG resolutions.*



***C) The University of Cambridge** has a lower level of investment transparency. A statement of investment responsibility and governance information is publicly available. The University Council however, representing the charitable trustees, does not receive information regarding the asset managers used or funds invested in. While the investment office does know which asset managers and funds it chooses, it is unclear whether they have knowledge of the holdings in these funds or have conducted an assessment of the endowment's climate-related risk.*



Shaded areas represent information not disclosed

Transparency in Practice

Ultimately, each university should consider the benefits and costs of full investment disclosure and strive towards it in the most pragmatic means possible. The following are examples of tangible actions a university could take towards investment transparency:

1. **Commit to biannually publishing all direct investments and the funds in which indirect investments are held**, including the holdings of these funds where available, as the University of Edinburgh has done since 2013.
2. **Publish a risk assessment of the portfolio's climate-related risk**. Risk assessments for individual funds could be requested from asset managers. Alternatively, a number of research providers, from both the commercial and non-profit sectors, are able to conduct such an assessment. Swiss Sustainable Finance provide a useful guide to this process.
3. **Request and publish the shareholder voting record of asset managers on all ESG resolutions, including the rationale of any which are voted against.** The equivalent information for any shares held directly by the university should also be disclosed. The Church Commissioners, on behalf of the c.£8.3bn Church of England endowment, publish this information in their annual 'Engagement, Screening and Voting Report'.

Conclusion

Universities around the country are stepping up their responsible investment practices in response to both growing stakeholder interest and an increasing awareness that their investments are both affecting, and affected by, the greatest challenges of our age. Alongside this, as part of building trust with their community of stakeholders, it is imperative that they take action to share their advances towards more responsible investment.

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