

Treasury, Investment and Ethical Banking Policy

This document can only be considered valid when viewed via the university website. If this document is printed into hard copy or saved to another location, you must check that the version number on your copy matches that of the one on the university website. Approved documents are valid for use after their approval date and remain in force beyond any expiry of their review date until a new version is available.

Contents:

1.	Introduction	2
2.	Responsibilities	2
3.	Treasury Management Practices	5
4.	Investment Policies and Procedures	10
5.	ESG Principles and Ethical Banking.....	14
6.	Monitoring Review.....	16
7.	Equality, Diversity and Inclusion	16
8.	Appendices	17
9.	Document and version control information:.....	22

1. Introduction

- 1.1 This Policy provides the framework for the University's treasury management, investment activity and ethical banking arrangements. It is intended to guide staff involved in treasury and investment activities and support oversight by the Finance and Performance Committee (FPC).
- 1.2 The University adopts the key principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and will manage its financial activities in accordance with applicable legislation, the University's Financial Regulations, and prudent financial management standards.
- 1.3 For the purposes of this Policy, treasury management includes the management of the University's cash flows, investments, banking arrangements, liquidity, borrowing and associated financial risks. The primary objective of treasury management is the effective identification, monitoring and control of risk, while supporting the University's strategic and operational objectives.
- 1.4 The objectives of this Policy are to:
- ensure the security of the University's funds and minimise financial risk;
 - maintain sufficient liquidity to meet operational requirements;
 - achieve appropriate returns within approved risk parameters;
 - provide a framework for the management and oversight of investments, banking relationships and borrowing arrangements;
 - define responsibilities and controls relating to treasury and investment activities; and
 - ensure investments and banking arrangements align with the University's ethical principles, values and strategic objectives.
- 1.5 The University may appoint external investment managers to manage designated investment funds in accordance with this Policy and approved mandates.
- 1.6 This Policy applies solely to the DMU Leicester entity. It does not apply to any subsidiaries (DMEL or IEPL) or to the Dubai operations.

2. Responsibilities

- 2.1 The University recognises the importance of maintaining effective oversight and control of its treasury management activities to minimise the risk of fraud or error and support effective financial performance. Treasury management activities will therefore be managed through an integrated framework with clearly defined roles and responsibilities. A clear separation will be maintained between those responsible for establishing treasury management policies and those responsible for implementing, administering and monitoring those policies. This includes appropriate segregation of duties relating to the execution and transfer of funds, record keeping and administration of treasury decisions, and the audit and review of treasury management activities.

- 2.2 The Executive Director of Finance and Procurement will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 2.3 The Executive Director of Finance and Procurement will also always ensure that those engaged in treasury management will follow the policies and procedures set out.
- 2.4 The Executive Director of Finance and Procurement will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 2.5 The university will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function. As a minimum, FPC will receive:
- an update on treasury activity to each of its regular meetings during the year
 - an annual review on the strategy and plan to be pursued in the coming year by investment managers
 - an annual report on the performance of investment manager
 - an annual statement on compliance with Loan Covenants, also including compliance with any sanction requirements imposed by Bond Trustees
- 2.6 Investments will be monitored on an ongoing basis to determine:
- Ratings of counterparties
 - Liquidity requirements based on detailed cash flow over a rolling twelve months and an outline for the following two years. Decisions on the term of any investment must ensure that there will be sufficient liquidity
 - A mix of deposits should be used to provide a rolling balance of terms to maximise income and secure liquidity
 - Maturity dates of existing investments
 - Current Interest rates
- 2.7 The university is committed to the pursuit of appropriate corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the activities will be undertaken with openness, transparency, honesty, integrity and accountability.
- 2.8 Through the university Scheme of Delegation, the Finance and Performance Committee is responsible for the following for investment decisions:
- Approval of the Treasury Management Policy including the establishment of borrowing limits and facilities
 - Management of endowments and other investments

- Policies on investment of endowments and other assets
 - Appointment of investment advisers
- 2.9 Delegated officers of the University participate in:
- the formulation and execution of investment policies, objectives, and guidelines;
 - setting asset allocation targets and recommending rebalancing where necessary;
 - evaluating investment managers;
 - reviewing such managers over time;
 - measuring and reporting investment performance and other tasks as deemed appropriate, to FPC.
 - execute day to day financial transactions within delegations and consistent with the provisions of this Policy.
- 2.10 Investment Manager(s) are designated external entities with discretion to purchase or sell, in the University's name, the specific securities that will be used to meet investment objectives. Arrangements with any external party must be in writing, comply with the provisions of this policy and be signed on behalf of the university by persons with delegated authority.
- 2.11 The Executive Director of Finance & Procurement is responsible for investment of university funds in accordance with Treasury Management Policy, Investment Policy and the agreed Annual Investment Strategy.
- 2.12 Before the start of each financial year (or as soon as possible thereafter), an Annual Investment Strategy shall be drawn up for the following financial year in conjunction with the investment manager. The Investment Strategy and any variations are to be approved by FPC.
- 2.13 In exercising these responsibilities, the Executive Director of Finance & Procurement will:
- i. Determine the funds available for investment in line with the agreed strategy, risk profile and allocation policy
 - ii. Recommend the appointment of external investment professionals specifically including Investment Manager(s).
 - iii. Monitor the performance of the Investment Manager(s) to ensure adherence to policy guidelines and to monitor investment performance.
 - iv. Monitor control procedures: For example, ensuring that the Investment Manager(s) comply with the provisions of this policy and its stated investment management process.
- 2.14 Each Investment Manager appointed by the University must acknowledge, in writing, its acceptance of responsibility for investing University funds and agree to comply with the requirements of this Policy. Alternatively, the University must be satisfied that any Investment Management Agreement between the University and the Fund Manager ensures that the Fund Manager has the specific responsibilities listed below. These terms of appointment of each Investment Manager will allow the investment manager discretion to make investment decisions for the assets placed under its

jurisdiction, while observing and operating within this Policy. Specific responsibilities of the Investment Manager(s) include:

- a. Discretionary investment management including decisions to buy or sell individual securities, either directly and/or via specialist investment managers, and to alter asset allocation within the limitations set out in this policy.
 - b. Reporting, on a timely basis, monthly investment performance results.
 - c. Where appropriate provide monthly valuation of the investment portfolio based on the previous month's closing prices.
 - d. Communicating any major changes to economic outlook, investment strategy, or any other factors that may affect investments, or investment objectives.
 - e. Informing the University regarding any qualitative change in the investment management organisation: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- 2.15 The FPC has delegated authority from the Board of Governors to approve this policy. The Board of Governors has a Student Governor present to represent the views of the student body. This policy is also presented and agreed by the Board of Governors including support from the Student Governor.

3. Treasury Management Practices

3.1 Risk Management

The Executive Director of Finance and Procurement will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report to FPC the circumstances of any actual or likely difficulty in achieving the institution's objectives in this respect. The following seek to ensure compliance with these objectives:

Credit Risk Management

The university regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparties and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in this document.

Liquidity Risk Management

The university will ensure it has adequate cash resources, borrowing arrangements, overdraft or standby facilities to always enable it to have the level of funds available to it which are necessary for the achievement of its business objectives. Cash flow forecast will be maintained to ensure working capital is available when needed.

The OfS uses liquidity (a measure of a provider's ability to continue to pay its bills) as an indicator of the risk of a provider failing. The OfS does not apply rigid targets, but it normally engages with providers if their liquidity falls below 30 days' expenditure.

The University will only borrow in advance of need where there is a clear business case for doing so. The Executive Director of Finance and Procurement is authorised to arrange short-term overdraft facilities with the University's bankers.

Exchange Rate Risk Management

The University's policy is to minimise exposure to exchange rate fluctuations.

The university will normally retain funds in currencies only to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be transferred into sterling at the best rate achievable but always retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of exchange rates. Forward purchase of currency may be considered for a future, high demand for such currency where the amount and timing of the need is known. This must be authorised by the Executive Director of Finance and Procurement.

The University has currency accounts in USD, Euro and AED to support day to day receipts/payments in the UK and abroad.

The University's standard policy is not to speculate in currencies and to minimise accounting losses by paying foreign currency creditors promptly, translating foreign currency receipts promptly and by banking them regularly in the sterling account except for Euro received as pre-financing for EU funded contracts.

Requests to enter arrangements to hedge or fix exchange rates must be submitted to the Executive Director of Finance and Procurement for initial consideration. Approval of all derivative transactions, including interest rate swaps, fixed-rate agreements and other hedging instruments, rests with the Executive Director of Finance and Procurement.

Refinancing Risk Management

The university will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the institution as can reasonably be achieved in the light of the market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

The approval of FPC and Board is required before any borrowing or financing is entered. Specific regard must be taken for the requirements of the Terms and Conditions of Funding with Office for Students, covenants on existing borrowings and the interest rate risks.

Covenant Breach Risk Management

The university will monitor and report on loan covenant compliance on a regular basis appropriate to the risk and will seek to minimise the security requirements of new debt and maximise the opportunity of the existing debt portfolio.

A schedule of compliance will be produced at the Annual Accounts date for review by the Executive Director of Finance and Procurement.

The latest schedule, along with existing loan agreements, will be included in the data used in decision making for future loans.

3.2 Performance Management

The university is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy.

Accordingly, the treasury management function will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements.

The adoption of a performance measure should not be interpreted as undue pressure on the university to attain certain rates; the aim remains to balance the pursuit of optimum attainment with the need for both flexibility and risk management. A Treasury update including investment performance is reported to FPC at each of its meetings. The benchmark for interest earned on internally managed investment of surplus funds is the month-end Bank of England base rate.

3.3 Decision Making and Analysis

We will maintain full records of treasury management decisions, and of the processes and practices applied in reaching those decisions.

3.4 Approved Instruments, Methods and Techniques

The university will undertake its treasury management activities by employing only those instruments, methods and techniques detailed below and within the limits approved by FPC.

The investment of surplus funds is primarily to ensure the security of the principal sums invested whilst also aiming to achieve optimum returns. Surplus cash balances may be invested in line with policy limits as defined under **Appendix A** - Counterparty Credit Ratings and Credit Limits in any of the following categories:

- Deposits with approved Banks and Building Societies
- Deposits with approved AAA Money Market Funds
- Certificates of Deposit issued by approved Banks
- Corporate Bonds (purchased by external fund managers only)
- Fixed income (government issued bonds and gilts) to provide a high degree of security and a return more than agreed benchmark return with maturities up to 2042 when the university's bond also matures

- For permanent endowments, investment in fixed income (government issued bonds and gilts) to provide a high degree of security and a return in accordance with donor objectives and terms of donation
- Equity and other fixed instruments in line with this Policy

The university will seek to ensure that no more than 25% of its liquid funds are invested with any single counterparty.

The university does not in its normal course of events engage in the use of derivatives (potentially volatile tradable financial instruments whose values may be determined by the movement of an underlying asset or exchange rate). Examples of these may be forward contracts, options, swap agreements or any other arrangement structured to hedge against forex or interest rate movement.

3.5 **Banking Arrangements**

The university recognises the importance of ensuring effective control over its bank accounts. All Bank Accounts will be reviewed daily and fully reconciled at the end of each of the twelve accounting periods of the financial year.

No bank accounts or funds associated with or maintained for the purposes of the university can be open or closed except with the authorisation of the Executive Director of Finance and Procurement.

Banking arrangements will be subject to review with the Bank's Relationship manager on a regular basis including as assessment of value for money and quality of services provided. Where concerns are identified, this will be reported to the Executive Director of Finance and Procurement.

3.6 **Debt Management**

The provision of any external borrowings for short term or longer-term needs, must be on a cost-effective basis, and clearly support the University's strategy and financial sustainability framework.

The Executive Director of Finance and Procurement must seek FPC approval to drawdown; repay and re-borrow funds under the terms of existing approved facilities.

Where it is the intention of the institution to raise capital for new institutional projects, the Executive Director of Finance and Procurement will have regard to:

- The restrictions under the Bond Trust Deed on the level of security that may be requested for the project
- the value of assets already held as security on existing capital projects
- requirements of the financial memorandum with the funding council
- statutory restrictions and the institution's own powers and rules
- restrictions on the institution's use of its property assets required by covenants
- the maximum level of assets that should be provided as security without risking the overall stability of the institution and keeping in mind the requirements of the Bond Trust Deed
- The financial covenants of existing loans

- The effect of future movements in interest rates

The overall level of external borrowings should not exceed the maximum level set out in the University's Annual Accountability Return to OfS, as approved by FPC.

3.7 Cash and Cashflow Management

The university will manage liquidity through effective working capital management and cash flow forecasting.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Executive Director of Finance and Procurement and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and Executive Director of Finance and Procurement ensure that these are adequate for the purposes of managing liquidity risk.

3.8 Money Laundering

The university is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved are properly trained.

3.9 Training and Qualifications

The university recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Executive Director of Finance and Procurement will recommend and implement the necessary arrangements.

3.10 Use of external service providers

The university always recognises that whilst responsibility for treasury management decisions remains with the organisation, there is the potential value of employing external providers of treasury management services, to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. Further, it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements will be through the Executive Director of Finance and Procurement.

4. Investment Policies and Procedures

4.1 General Investment Principles

Investments shall be made solely in the interests of the university.

Investments shall be made to obtain the best financial return for the University, consistent with prudence and the need to ensure adequate spread and diversification of assets. Due consideration must also be taken for environmental, social and governance requirements, as set out in this Policy.

The University may employ one or more investment managers to attain its investment objectives.

For endowments, the University will ensure that each investment has an investment objective and that an appropriate selection process is undertaken which considers the University's investment principles and terms of the donation.

Cash is to be always utilised productively, by investment in short term cash equivalents to provide safety, liquidity, and return, in accordance with this Policy.

4.2 Investment Objectives

Other than surplus cash funds required for short-term needs, all other funds invested in a portfolio of different asset classes with investment managers should be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of the university. Investment Funds should be invested in such a way as to help in meeting the future capital and other investment needs of the university.

The long-term objective is to achieve a rate of return that delivers capital growth through a diversified investment strategy, currently based on an indicative allocation of 60% equities and 40% fixed income in relation to the £3m invested annually towards bond redemption due in 2042. The asset allocation may be adjusted over time to include alternative investments, such as gold or other investment funds, where considered appropriate to support the University's investment objectives and risk profile.

The discretionary portfolio will also be managed in accordance with the University's ESG criteria and will seek to invest in companies that contribute to the United Nations Sustainable Development Goals (SDGs). These criteria and investment parameters will be agreed annually between the university's investment managers and the FPC.

It is not expected that the investment objectives will be achievable in every year and, as a result, will normally measure investment performance over rolling three and five-year periods. The performance will be benchmarked against:

- 60% MSCI World Net GBP Index for equity investments
- 40% Bloomberg Capital Corporate 1-10 years GBP index for fixed income investments
- Peer group benchmark for similar non-profit/charity portfolios
- Appropriately comparable indices for global sustainable equity funds, recognising the ethical position for the university's investments

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted in accordance with the long-term policy targets.

It is recognised that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of the university. In developing and implementing the university's investment program, FPC and investment staff will consider the risks associated with each investment strategy and asset class.

The University will invest in high quality assets including equities, alternatives and property. Equity investments to exceed the target real rate of return over a suitable period. Alternatives to enable portfolio diversification and contribute towards exceeding the target real rate of return. Property to either advance the university in the achievement of its strategic aims or achieve a return commensurate with investments within this asset class. More specifically:

- Rate of Return - The rate of return should be agreed with each fund manager using the best matching and readily available benchmark index or composite benchmark.
- Income and Growth – To achieve a balanced return of current income and growth of principal.
- Long-Term Growth of Capital – To emphasise long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Investment return is to be measured on the basis of total return; the aggregate return from capital appreciation, dividend and interest income, and fees.

4.3 Volatility of Returns

To achieve its objectives, it is understood that investment returns will experience volatility and fluctuations in market value. The university will tolerate volatility as measured against the volatility of a comparable market index in each asset class and a composite index based on the strategic allocation to each asset. The indices used as a measure of an investment manager's performance will also be used to benchmark what is allowable volatility (risk).

4.4 Liquidity and Cash Management

Liquidity is a key consideration for credit rating agencies when setting a university's formal credit rating. The Executive Director of Finance & Procurement will ensure that any investment portfolio agreed with investment managers is highly liquid and, where required, can be cashed within 30 days. Notwithstanding this requirement, the University may invest a proportion of funds in alternative investments where this supports the approved investment strategy and risk profile, subject to prior approval by the Finance and Performance Committee (FPC).

To minimise the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Executive Director of Finance & Procurement will, when required, provide investment manager(s) with an estimate of expected net cash flow, to allow sufficient time to build up necessary liquid reserves.

The Executive Director of Finance & Procurement will determine broad targets for the level of available investment funds that are to be held in cash or cash equivalent forms.

4.5 Asset Allocation

The responsibility for establishing the strategic asset allocation for the university rests with the Executive Director of Finance & Procurement. In making asset allocation judgments, the university must invest in a portfolio of assets that will generate a return sufficient to meet the stated objectives. This asset allocation will be agreed annually with FPC when the Annual Investment Strategy is approved.

The general policy is that through significant allocations to asset classes that have different risk and return characteristics, the university maintains a highly diversified portfolio that is expected to generate strong returns and reduce volatility over the long term.

The university is committed to reinvesting in opportunities that support renewable energy.

4.6 Financing and Operating Activities

The amount of funds available for investment is determined by the demand for funds for financing and operating activities of the University, including financing the annual coupon and for £3m to be invested annually in a long-term portfolio towards redemption of the £90m bond in 2042.

Financing and operating decisions along with market conditions may therefore significantly increase or decrease the investment returns to the University

Financing decisions involving raising external finance must be considered within the context of the Terms and Conditions of the university's listed bond.

Management decisions with significant impact on operating cash flows should be evaluated to determine if alternative financing arrangements can be entered into to maximise investment income.

All major cash flows arising from financing or operating decisions which impact on available funds for investment are to be reported via Treasury updates provided to FPC at each of its meetings.

4.7 Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Manager(s) shall be compiled quarterly. The investment performance of total portfolios, as well as asset class components, will be measured against the market index asset class benchmarks agreed with the investment manager(s). Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this policy. The level of fees charged will also be considered within this context and to assess value for money.

The University intends to evaluate the portfolio(s) over at least a three- year period, but reserves the right to terminate a manager for any reason including the following:

- a. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- b. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
- c. Significant qualitative changes to the investment management organisation.

4.8 Reporting and Oversight

An Investment Report will be obtained from the investment managers and submitted to FPC at each of its meetings. The Investment Report will contain 3 basic elements:

- i. Asset Allocation Information - Asset values and asset class percentages versus target allocation and ranges.
- ii. Investment Performance - Investment returns versus performance benchmarks.
- iii. Guideline Compliance - A statement confirming that each portfolio complies with the investment guidelines set out in this policy, including adherence to the policy's Environmental, Social and Governance (ESG) principles and requirements, or identifying and explaining any variances or instances of non-compliance.

The university is committed to publishing, on its website, a list of the companies/funds in which it invests, together with the market value of its holdings, at the end of each financial year ending on 31 July.

4.9 Conflicts of Interest

Note that this section of the Policy supplements but does not replace the university's Conflict of Interest Policy with respect to conflicts related to matters under consideration by FPC.

This Section of the Policy is intended to provide FPC with a policy and procedure for addressing conflicts of interest that may arise in connection with the FPC's discharging of its duties and responsibilities. Refer to **Appendix B** to this policy for details.

For example, and without limitation, a conflict of interest could arise when;

- i. a member of FPC has a material ownership interest in, or is directly employed by, a potential Investment Advisor or Investment Manager;
- ii. a member of the FPC is a client of a potential or existing Investment Advisor or Investment Manager (e.g., the FPC member is also an investor with the Investment Manager); and
- iii. a member of the Board or an officer who is not a member of the FPC has a material ownership interest in, or is directly employed by, a potential Investment Advisor or Investment Manager

On an annual basis each governor, FPC member, staff members involved with treasury activity, and Investment Advisor should indicate on the university's Fit and Proper Person and Related Party Transactions Form provided if, to the best of his or her knowledge, he, she and/or a family member or related entity as defined in Appendix B (i) has a material ownership interest in, or is directly employed by, an Investment Advisor engaged by the University or an Investment Manager with which the University invests, (ii) is a client of an Investment Advisor engaged by the University, or (iii) has a material investment (as defined on the Fit and Proper Person form) in (a) any of the funds in which the University is invested, or in any fund managed by the same Investment Managers, or (b) any separate investment account with any of the Investment Managers with which the University invests.

4.10 Confidentiality

Members of FPC, university staff and Investment Managers involved with investments are expected to maintain the confidentiality of information obtained by virtue of their positions. Information obtained solely by virtue of one's position on FPC, as a member of the investment staff, or as an Investment Manager (and not from other sources or relationships) is not to be used for personal financial purposes.

5. Environmental Social and Governance (ESG) Principles and Ethical Banking

5.1 ESG Principles

The university is committed to ensuring that it makes investment decisions responsibly and with integrity. The university adheres to Charity Commission guidance on ethical investments, noting that governors have a duty to maximise returns on investment for charitable benefit, but also recognising that there are specific situations where governors may properly allow their investment strategy to be governed by considerations other than the level of investment return. The university's investment policy is designed to enable a sustainable investment approach, whilst minimising any potential negative impact on its investment returns. The university will seek to be open and transparent about its policy and practice.

The university believes that, when investing its funds, a high priority must be placed on promoting good standards environmental, social, and governance ('ESG') behaviour. Accordingly, it expects its appointed investment manager, when making investment decisions, to consider the following areas (this list should not be considered as exhaustive);

- Protection of the global environment, its climate and its biodiversity including the reduction and future elimination of fossil fuel exploration and production;
- Promotion of human rights, including but not limited to the equality of gender, race and sexuality;
- Promotion of good business ethics and good employment practices;

In recognition of conflict with its objectives and these wider principles, the university will not invest directly or indirectly in producers of any fossil fuels including thermal coal, oil sands, shale oil and shale gas, manufacturers of weapons and will not invest directly and reasonably minimise indirect investments in;

- tobacco manufacturers;
- adult entertainment;
- alcohol;
- gambling;
- companies involved in the border industry; and
- companies found to be in violation of international law

In relation to investments made through third party fund managers using pooled funds or similar vehicles, the university's requirement is that these must recognise the UN Sustainable Development Goals and show their active commitment to the principles through their engagement with invested companies on ESG matters.

The university will require its discretionary investment manager to encourage good behaviour or discourage poor behaviour through screening of public market investments, either positively or negatively or through direct engagement with firms or fund managers. They will be expected to use voting in support of the principles of this policy. The appointed investment manager will be accountable to the university in terms of financial performance and adherence to commitments made on issues of sustainability.

5.2 Ethical Banking

The university is committed to ensuring that its banking relationships and cash deposit arrangements are conducted in a manner consistent with its values, sustainability commitments, and legal obligations.

This section sets out how the university will apply ethical, environmental, social and governance (ESG) considerations when selecting banking providers, managing cash deposits and treasury operations, and engaging with existing banking partners. The policy applies to all banking providers with whom the university holds cash deposits, including current accounts, deposit accounts and short-term liquidity arrangements. It does not apply to pension funds managed independently of the university or third-party banking arrangements over which the university has no control.

Overall responsibility for ethical banking rests with the Board of Governors, with operational oversight delegated to the FPC. Day-to-day implementation is the responsibility of the Executive Director of Finance and Procurement.

When selecting or reviewing banking providers, the university will consider ESG standards, alignment with the Paris Agreement and the UK's net-zero transition, compliance with human rights standards, and transparency on climate-related financial risks. An annual review will be carried out to ensure that all banking providers have set clear Paris-aligned targets and progress against the targets set.

The university will seek to avoid holding cash deposits with banks that actively finance the expansion of fossil fuel extraction and production. Where avoidance is not immediately practicable, the University will prioritise banks with credible transition plans and engage constructively on reducing exposure to fossil fuel expansion.

The university will seek to avoid banking relationships with institutions demonstrably complicit in serious human rights violations or breaches of international law.

Banks used for deposits and money market funds will be assessed against the university's ethical banking and investment criteria. Any exceptions to these criteria will be subject to a defined review, documentation and approval process through the FPC.

The university will engage with banking partners to encourage improved ESG practice and review sector best practice and People & Planet guidance as part of policy reviews. Students and staff may raise concerns through established governance channels.

6. Monitoring Review

- 6.1 The policy will be reviewed annually and updated at least every three years.
- 6.2 The University will publish this policy and relevant governance information on its website, alongside appropriate updates through committee papers.
- 6.3 Any member of staff or student who wishes to raise a question regarding this policy, or the university's current or proposed investments, should submit their enquiry to sustainability@dmu.ac.uk. If appropriate, the matter may be referred to FPC to discuss in further detail and consider any appropriate actions or recommendations.

7. Equality, Diversity and Inclusion

- 7.1 The university is committed to promoting equality, diversity and inclusion in all aspects of its operations and decision-making. Treasury management, investment activity and banking arrangements undertaken under this Policy will be managed in a manner consistent with the university's equality, diversity and inclusion objectives and values.
- 7.2 In selecting banking partners, investment managers and investment opportunities, the university will have regard, where appropriate, to responsible business practices, including environmental, social and governance (ESG) considerations, ethical standards and organisational behaviours that support equality, diversity and inclusion.
- 7.3 The implementation of this Policy will be undertaken fairly, transparently and in accordance with the University's wider policies, legal obligations and commitment to fostering an inclusive and socially responsible institution.

8. Appendices

Appendix A: Counterparty Credit Ratings and Credit Limits

The University's cash and Investment portfolios are managed in house or by external investment managers, recognising that investment in other financial assets primarily for financial return, taken for non-treasury management purposes, requires careful investment management. This will ensure that all the investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Counterparty Credit Ratings

The Executive Director of Finance and Procurement is authorised to deposit surplus funds of the institution with, and purchase Certificates of Deposit issued by any approved Counterparty which has a Long-Term Moody's credit rating of Baa2 or better.

Where a Counterparty does not meet the above criteria, the University must not place funds with that Counterparty.

Management of Counterparties

Where the Executive Director of Finance and Procurement has reason to believe that a Counterparty's credit standing is or may become impaired they should apply lower limits than set out below or cease to use them. The following must also be followed:

- Counterparties which do not meet the criteria described above may only be used following approval of FPC.
- The Treasury Team will review credit rating agencies websites once a month to obtain and record the up-to-date Credit Ratings.
- The rating tests are to apply to all bank and building society deposits, bond and money market investments.
- Current ratings must be checked before the renewal or placement of any new investment.
- If a Counterparty's credit rating is found to have fallen below the minimum criteria while the University has funds on deposit with that Counterparty, the funds are to be recalled in full at the earliest opportunity. For funds that are on fixed term deposit, the earliest opportunity is defined as on maturity of the relevant deal. No further deposits should be made with the Counterparty.
- Triple A rated money market funds will carry their own credit limit in line with the above rating criteria but separate from the issuing entity if issued by a banking group.
- The above limits apply to the principal deposit excluding interest. Although, it is noted that in some cases, interest may be accrued on top of the amount invested. In these cases, we will withdraw the interest amounts as soon as possible.

- The maximum deposit period for any individual cash deposit is one year.
- Corporate bonds may be invested in bonds with a maturity of up to three years.
- Fixed income (government issued bonds and gilts) should have the ability to be liquidated in a managed way within 30 days, to fund cash requirements before maturity. A Moody's credit rating of at least P-1(AAA to A3) is required to be maintained throughout the duration of holding.
- For permanent endowment investments in fixed income (government issued bonds and gilts) the associated coupon should be adequate to fund the annual commitments. A Moody's credit rating of at least P-1(AAA to A3) is required to be maintained throughout the duration of holding.

Counterparty	Credit Limit
Natwest bank Plc	As the University's clearing bank, short-term credit limit of £80m for a maximum time period of one month and longer-term credit limit of £30m
All other Counterparties	
A long term Moody's credit rating of at least Baa2 (investment grade) must be achieved by counterparties. The credit limit is based on a sliding scale (i.e. stronger to weaker whereby a higher credit applies to stronger counterparties) as per the table below.	
For any money market fund, a minimum credit rating of AAA is required.	
Moody's (Long Term rating)	Credit Limit
Aa3 and better	£30m
A1	£25m
A2	£20m
A3	£15m
Baa1	£10m
Baa2	£5m

Long-Term	
Aaa	
Aa1	
Aa2	
Aa3	
A1	
A2	
A3	
Baa1	
Baa2	
Baa3	

Investment Grade

- Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal risk.
-
- Aa** Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
-
- A** Obligations rated A are considered upper-medium-grade and are subject to low credit risk.
-
- Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

The criteria and limits set out above may only be amended with the approval of FPC.

Appendix B: Managing Conflicts of Interest

1. When an FPC Member Owns or is Employed by a Potential Investment Advisor or Investment Manager

It is the general policy of the University not to engage an Investment Advisor and not to invest with an Investment Manager if a member of the FPC has a material ownership interest in, or is directly employed by, the Investment Advisor or Investment Manager. If an FPC member has such a relationship, that relationship must be disclosed to the Chair of the Committee in accordance with the procedures described below.

2. When an FPC Member is a Client of a Potential Investment Advisor or Investment Manager

If an FPC member knows that he or she has engaged a potential or existing Investment Advisor, or has an investment with a potential or existing Investment Manager, whether in the same fund as the University, a different fund, or in a separate investment account with the Investment Manager, such relationship or investment must be disclosed to the Chair of the Committee in accordance with the procedures described below.

3. When a Board Member or Officer who is not an FPC Member Owns or is Employed by a Potential Investment Advisor or Investment Manager

It will be the responsibility of the investment staff, when performing due diligence on a potential Investment Advisor or Investment Manager, to use reasonable efforts to ascertain whether any member of the Board or any officer is a principal, holds a material ownership interest in, or is otherwise directly employed by that Investment Advisor or Investment Manager. If any such relationship exists, the investment staff will disclose the interest to the Chair, who will consult with the investment staff and legal counsel, as appropriate, to determine whether the relationship merits further consideration by the FPC.

4. Family Members and Related Entities

The policy and procedures described in this section also apply to family members and related entities. For example, if an FPC member knows that his or her family member or related entity has an investment with an Investment Manager under consideration by the University, the FPC member will disclose this information in accordance with the procedures described below. For purposes of this policy, (i) "family members" means:

- a governor's/director's spouse,
- children under 18 years old,
- another company associated with the governor/director,
- a trustee of a trust under which the governor/director, his/her family (his/her partner/spouse and children under 18 years old) or an associated company may benefit, and
- a partner of the governor / director or persons connected as above

and (ii) "related entities" means any entity in which FPC members and/or their family members have a five percent or greater ownership interest.

5. Procedure for Disclosure and Recusal

5.1 When an FPC Member Owns or is Employed by an Investment Advisor or Investment Manager.

If the FPC is considering engaging an Investment Advisor or purchasing an investment with an Investment Manager, an FPC member with a material ownership interest in, or who is directly employed by, that Investment Advisor or Investment Manager must disclose the interest or employment to the Chair. In consultation with legal counsel and investment staff, as appropriate, the Chair will make a recommendation to the Committee, which will determine whether the Investment Advisor should be disqualified from engagement by the University, or the Investment Manager should be disqualified from investment by the University.

5.2 When an FPC Member is a Client of an Investment Advisor or Investment Manager

If the FPC is considering engaging or continuing the engagement of an Investment Advisor, or is considering purchasing or redeeming an investment in a fund or with an Investment Manager, an FPC member who is a client of such Investment Advisor or fund or Investment Manager (e.g., is also invested in the fund or otherwise with the Investment Manager) must disclose the interest to the Chair. In consultation with legal counsel and investment staff, as appropriate, the Chair will make a recommendation to the Committee, which will determine whether the member will be recused from the engagement or purchase or redemption decision. Whether the member will be recused will depend on the facts and circumstances. The relevant inquiry will include, among other factors, whether the University's decision to engage, invest, redeem, or take no action, could have an impact on the FPC member's relationship or investment in any material way.

5.3 This policy also applies to family members and related entities of FPC members.

5.4 If an FPC member is unsure whether his or her relationship with a potential or current Investment Advisor or investment with a potential or current Investment Manager merits disclosure, the FPC member will err on the side of caution and disclose the relationship to the Chair. This policy is not intended to discourage FPC members from bringing investment opportunities to the FPC for consideration, but is meant to provide the FPC and the Board with full transparency.

7. Disclosure, Abstention and Recusal With Respect to Other Potential Conflicts of Interest

Other relationships that are not specifically described in paragraphs 1 to 5, above, may still present a conflict of interest, including where an FPC member's independent judgment regarding the Investment Advisor or Investment Manager *could* be impaired by virtue of the relationship. Potential conflicts of interest must be disclosed to the Chair of the FPC, who will

consult with the investment staff and legal counsel, as appropriate, to determine whether the Committee member must abstain or recuse himself or herself from consideration of the matter.

8. Recusal Process

If it is determined that abstention or recusal is required, then after disclosure of the potential conflict of interest and all material facts to the FPC, and after the member responds to any questions that the FPC may have, the member will be asked to abstain or be recused from the meeting while the appointment of the Investment Advisor or Investment Manager is discussed and voted upon. All such abstentions and recusals will be contemporaneously documented in the minutes of the FPC meeting. While the member may not vote on the issue to which the potential conflict of interest relates, he or she may be counted in determining the presence of a quorum for purposes of the vote.

9. Indirect Relationships

For the sake of clarification and guidance, indirect financial or business relationships ordinarily will not rise to the level of a material conflict of interest. For example, a member of the FPC who is an employee or otherwise affiliated with a brokerage firm or other third-party service provider with whom an Investment Advisor or Investment Manager does business ordinarily would not be considered to have conflict of interest. If an FPC member is uncertain as to whether a business or familial relationship is so material as to give rise to a conflict of interest, the member is encouraged to disclose the relationship to the Chair.

9. Document and version control information:

Version control information heading	Details
Policy number	1
Owner	Akshay Joshi (Head of Financial Accounting)
Author	Akshay Joshi (Head of Financial Accounting)
Approved by	Finance and Performance Committee
Date of approval of this version	15 June 2026
Next review date	June 2029
Version number	1
Applicable statutory, legal, or national best practice requirements	
Equality impact assessment completion date	
Data protection impact assessment completion date	
Coverage	