Treasury and Investment Services Information Sheet

Statement	
Purpose	This Information Sheet describes the procedures UNSW applies to manage its investments prudently.
Scope	This information applies to all investable donated funds and funds not immediately required to meet the liquidity and transactional needs of UNSW.

1. Roles and Responsibilities

1.1. Investment Sub-committee

The Investment Sub-Committee of Finance Committee (ISC) is responsible for monitoring and implementing the *Investment Policy*.

The ISC establishes and reviews the investment objectives and strategic asset allocations of the Investment Pools.

The ISC reports the performance of investments governed by *Investment Policy* quarterly to Finance Committee and reports on the application of and compliance with the *Investment Policy* annually to the University Council.

1.2. Treasury and Investment Services

Treasury and Investment Services are responsible for managing UNSW investable funds within the parameters described in the *Investment Policy*.

Treasury and Investment Services manage investments in cash. Other asset classes are managed by external investment managers selected by the ISC.

1.3. Master Custodian

Investments in each fund are held by the master custodian as the owner of record.

1.4. Specialist Asset Advisor

The Specialist Asset Advisor appointed by UNSW supports the ISC and Director of Treasury and Investment Services meet their responsibilities under the *Investment Policy*. This includes support with:

- setting and reviewing the investment objectives;
- setting investment strategy including strategic asset allocation and asset allocation ranges;
- reviewing existing and considering new investment managers and strategies;
- assessing UNSW’s investment performance against its objectives and against peer funds
- assisting with any additional scope of activities determined by Investment Sub-committee

Frontier Advisors is the currently appointed Specialist Asset Advisor. Frontier’s Responsible Investment Policy is available here.

2. External Investment Manager Selection & Review

The ISC is responsible for selecting appropriate single sector unit trust investments managed by external investment managers and reporting on those selections to the Finance Committee. External investment managers are monitored for compliance with *Investment Policy* with results reported annually to the University Council.

When appointing or reviewing external Investment Managers UNSW will review the manager's policies and procedures for Responsible Investment (RI) to determine whether the manager:

- has a Responsible *Investment Policy* (also known as a Sustainable Investment or ESG policy) outlining how environmental, social and governance (ESG) factors are integrated into the investment process
- is a signatory to the Principles for Responsible Investment (PRI), and has completed its PRI reporting requirements as of the last reporting cycle
- has policies and procedures for monitoring investments for irresponsible operating practices that could jeopardise the reputation of UNSW
- has policies, procedures and resources for engaging with its investments on material ESG or reputational risk issues
- has policies and procedures for considering investment risks and opportunities associated with climate change
- has policies and procedures for proxy voting and vote reporting
- has any current or potential investments involved in manufacturing cluster munitions or tobacco products

UNSW will meet at least annually with investment managers to review performance and compliance.

3. Performance Monitoring

The ISC is responsible for establishing performance objectives and benchmarks for each of the Investment Pools, and performance benchmarks appropriate to each asset class.

Performance monitoring is undertaken on a quarterly basis to determine:

- how each fund has performed compared to its specific objectives and benchmarks
- the factors that contributed to variations between portfolio returns and benchmark returns

Detailed investment reports are reviewed quarterly by the ISC, and a summary of investment performance provided to Finance Committee.

3.1. ESG Performance Monitoring

UNSW will monitor Responsible Investment performance by conducting an annual ESG assessment including:

- A review of the listed equity portfolios for any investments in manufacturers of cluster munitions or tobacco products
- A review of appointed investment managers' capabilities in responsible investment and ESG integration, assessed by the ESG rating assigned to each strategy by the Specialist Asset Advisor and any change to the rating year-on-year
- A review of UNSW listed equity portfolios for any evidence of ongoing and severe irresponsible practices which would contravene the *Investment Policy*. Where any such practices are identified, the assessment will include any engagement activities undertaken by the manager to try to understand and remedy these practices and the likelihood of improvement over the next 12 months.
- A calculation of the carbon footprint of UNSW's listed equity investments as a whole, by sub-asset class and by investment manager

- A comparison of the carbon footprint with the associated performance benchmark and prior year's footprints, identifying key components of the carbon footprint
- A review of investments in fossil fuels in the listed equity and commodities asset classes, as a whole, by sub-asset class, by dollars invested and by investment manager. Fossil fuel investments are defined as any organisation directly owning fossil fuel reserves, unless otherwise agreed by UNSW and the Specialist Asset Advisor
- A review of investments in solutions to climate change, as a whole, by asset class, by dollars invested and by Investment Manager. Solutions to climate change are defined as any organisation deriving 20% or more of its revenues from products or services that reduce greenhouse gas emissions, improve energy efficiency, or support climate change adaptation, unless otherwise agreed by UNSW and the Specialist Asset Advisor.
- A review of investments to ensure they reflect the commitments made under the Paris Agreement
- A review of progress over the prior year including positioning against peers
- Recommendations for UNSW to establish maintain a leadership position amongst its peers

Where investments are identified that are inconsistent with *Investment Policy* the Director of Treasury and Investment Services is responsible for reporting these investments to the Investment Sub-committee, and for engaging with the investment manager(s) and/or the Specialist Asset Advisor to seek a remedy.

Where engagement with the external investment manager(s) is determined to be ineffective UNSW will divest and engage alternative complying investment managers.

Definitions and Acronyms	
Finance Committee	The UNSW Finance Committee
Responsible Investment (RI)	Responsible investment (RI) is a process that takes into account environmental, social, governance (ESG) and ethical issues into the process of monitoring investments.
Principles for Responsible Investment (PRI)	The United Nations-supported Principles for Responsible Investment are a set of six voluntary investment principles that offer guidance for incorporating ESG issues into investment practice. In signing the Principles, investors publicly commit to adopt and implement them where consistent with their fiduciary responsibilities.
The Paris Agreement	An agreement negotiated by representatives of 195 countries at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) in Paris and adopted by consensus on 12 December 2015 dealing with greenhouse gases emissions mitigation, adaptation and finance starting in the year 2020 with the aim to enhance the implementation of the UNFCCC through: a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.