

Alfaisal University (2025)

Policy Code	
Policy Name	Sustainable Investment Policy
Department/Office	Sustainability and Strategic Planning
Approved by	University Council
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Policy Purpose

This policy aims to:

- Align the University's investment strategy with its sustainability commitments.
- Promote responsible investment practices that support social and environmental well-being.
- Mitigate financial risks associated with unsustainable business practices.
- Enhance transparency, accountability, and stakeholder engagement in investment activities.

Policy Scope

This policy applies to all financial assets managed by Alfaisal University, including endowments, reserves, and other investment funds, whether managed directly or through third-party investment firms or investment mandates executed on behalf of the University.

Policy Statement/ Definitions/Procedures

Definitions

For the purposes of this policy, the following definitions apply:

Term	Definition
Environmental, Social, and Governance (ESG)	A set of criteria used to evaluate an Alfaisal University 's environmental impact, social responsibility, and governance practices. ESG factors may include, but are

	not limited to, climate change management, resource efficiency, labor practices, human rights, business ethics, and board transparency.
Sustainable Investment	An investment approach that considers ESG factors alongside financial performance to support long-term value creation while contributing to environmental protection, social well-being, and responsible governance practices.
Responsible Investment	An investment strategy that integrates ESG considerations into investment analysis, decision-making, and ownership practices to better manage risks and generate sustainable, long-term returns.
Impact Investment	Investments made with the intention of generating measurable positive environmental or social outcomes alongside financial returns.
Exclusionary Investment	The practice of excluding investments in sectors, companies, or activities that do not align with the University's ethical standards, sustainability commitments, or responsible investment principles.
Climate-Related Financial Risk	Financial risks associated with climate change, including physical risks (such as extreme weather events) and transition risks (such as regulatory changes, market shifts, and technological changes related to the transition to a low-carbon economy).
Investment Managers	Internal or external entities responsible for managing investment portfolios on behalf of the University, including asset managers, fund managers, or investment advisors.
Stakeholders	Individuals or groups affected by or having an interest in the University's investment activities, including students, faculty, staff, partners, regulators, and the broader community.

Goals

The key objectives of this policy are:

- Integrate Environmental, Social, and Governance (ESG) criteria into investment decision-making processes.
- Support and progressively expand investments that generate measurable positive environmental and social outcomes, where aligned with financial performance and portfolio objectives.
- Enhance financial resilience by mitigating climate-related and ESG-related risks.
- Ensure transparency and accountability through regular reporting on investment performance and sustainability outcomes.
- Engage with investment managers to promote responsible corporate behavior and effective ESG integration.

- Promote awareness and understanding of sustainable investment principles among relevant stakeholders.
- Align investment practices with internationally recognized responsible investment frameworks, including the United Nations Principles for Responsible Investment (UN PRI), where appropriate.

Policy Statement

Alfaisal University is dedicated to:

- Prioritizing investments in companies and funds demonstrate strong ESG performance and responsible business practices.
- Avoiding or limiting investments in industries with significant negative social or environmental impacts.
- Supporting initiatives that promote renewable energy, social equity, and sustainability.
- Encouraging investment managers to adopt responsible investment strategies.
- Striking an appropriate balance between financial returns and long-term sustainability goals.

Key Principles

The University's sustainable investment approach is guided by the following principles:

- **Environmental Stewardship:** Investing in companies that prioritize climate resilience, resource conservation, and sustainable practices.
- **Social Responsibility:** Supporting organizations that uphold human rights, fair labor practices, and community well-being.
- **Strong Governance:** Ensuring investments are made in entities with ethical business practices and transparent governance structures.
- **Risk Management:** Reducing exposure to investments that pose long-term financial and environmental risks.
- **Stakeholder Engagement:** Collaborating with faculty, students, and external experts to uphold responsible investment standards.

Roles and Responsibilities

1.	University Council and Board of Trustees	Provide strategic oversight and ensure alignment with sustainable investment principles.
2.	Investment Committee	Develop and oversee the implementation of sustainable investment strategies.
3.	Finance Office	Monitor, assess, and report on investment performance and ESG alignment.

4.	Sustainability & Strategic Planning Office	Advise on sustainability considerations in investment decision-making.
Monitoring and Reporting Alfaisal University is committed to ensuring that its investment activities are conducted in accordance with this policy and aligned with applicable regulatory requirements, sustainability commitments, and best practices in responsible investment. Monitoring The University will establish appropriate mechanisms to monitor the sustainability performance of its investment portfolio. This includes, but is not limited to: • Periodic review of investment portfolios against ESG criteria • Evaluation of climate-related and sustainability-related financial risks • Monitoring the ESG performance and practices of investment managers and funds • Reviewing exposure to high-risk sectors from environmental, social, and governance perspectives Where applicable, the University may require ESG-related disclosures and performance reports from external investment managers. Reporting The University will ensure transparency and accountability through regular reporting of sustainable investment performance. This may include: • Internal reporting to relevant governance bodies, including the University Council, Board of Trustees, or Investment Committee • Contribution to institutional sustainability reporting, ESG disclosures, or annual reports where applicable • Supporting data and evidence for sustainability benchmarking, global ranking submissions, and external assessments where relevant The Sustainability & Strategic Planning Office, in collaboration with the Finance Office and Investment Committee, will support the development of appropriate reporting mechanisms and performance indicators related to sustainable investment practices. Implementation and ESG Integration Approach Alfaisal University is committed to embedding Environmental, Social, and Governance (ESG) considerations into its investment practices through a structured and		

responsible implementation approach. The University will apply ESG integration across the investment lifecycle to support sustainable financial performance and positive environmental and social outcomes.

ESG Integration in Investment Decision-Making

The University will incorporate ESG considerations into investment evaluation, selection, and monitoring processes. This may include:

- Assessing ESG performance and risk exposure as part of due diligence for new investments.
- Considering long-term sustainability risks, including climate-related financial risks
- Evaluating alignment of potential investments with the University's sustainability values and commitments.
- Encouraging investment managers to demonstrate ESG integration within their investment methodologies.

Screening and Investment Selection

Where appropriate, the University may apply screening approaches to guide investment selection, including:

1. Negative Screening

Limiting or avoiding investments in sectors or activities that conflict with the University's ethical values, sustainability commitments, or responsible investment principles.

2. Positive Screening

Prioritizing investments in companies, funds, or sectors demonstrates strong ESG performance and sustainability leadership.

Active Ownership and Engagement

Where applicable and feasible, the University will encourage responsible investment practices through engagement with investment managers and investment entities. This may include:

- Encouraging adoption of ESG standards and responsible governance practices
- Supporting transparency and disclosure of ESG performance
- Promoting long-term value creation and responsible corporate behavior

Integration of Sustainability Opportunities

The University may seek opportunities to support investments that contribute to sustainable development priorities. This may include where appropriate:

- Renewable energy and climate transition solutions
- Sustainable infrastructure and resource efficiency
- Social impact and community development initiatives

Investment decisions will continue to consider financial performance, risk management, and portfolio diversification requirements.

Continuous Improvement

The University is committed to continuously enhancing its sustainable investment practices by:

- Monitoring emerging ESG standards, regulatory developments, and global best practices
- Strengthening ESG data availability, reporting, and analytics where feasible
- Collaborating with internal stakeholders and external experts to improve responsible investment approaches

Related Policies and frameworks

This policy should be read alongside:

- Climate Action Policy
- Sustainable Procurement Policy
- Corporate Social Responsibility (CSR) Strategy
- University Sustainability Strategy
- Risk Management Policy
- Endowment Policy.

Compliance

The University shall ensure that all investment decisions and activities comply with:

- This Sustainable Investment Policy
- Applicable national and international regulations and standards
- The University's ethical values, sustainability commitments, and governance frameworks

All internal and external investment managers acting on behalf of the University are expected to adhere to the principles outlined in this policy and demonstrate integration of ESG considerations within their investment processes.

Effective date

Review and Amendments

This policy will be reviewed periodically to ensure it remains relevant and aligned with evolving sustainability standards, best investment practices, and regulatory requirements. Adjustments will be made as needed to enhance its effectiveness and impact.