

Ethical investments review of the University's basis for current investment restrictions relating to armaments

Ethical Investment Representations Review Sub-Committee (EIRRS)

June 2025

1. Background

Following questions at a meeting of Congregation on 28 May 2024, Council asked the Ethical Investment Representations Review Subcommittee (EIRRS) at its 14 October 2024 meeting to lead an accelerated University-wide review of the restrictions relating to investments in entities related to armaments, and to consider continued appropriateness of the restrictions or whether they should be extended. The current policy is: **prohibition on direct investments in companies manufacturing arms that are illegal under UK law (introduced in 2010) as well as investment in funds which invest primarily in such companies (introduced in 2021).**

The Investment Committee is responsible for supervising the management of the University of Oxford's investment assets. There are two sub-committees of the Investment Committee: the Valuation Committee and the Ethical Investment Representations Review Subcommittee (EIRRS). EIRRS was established in 2021 to consider representations concerning ethical or socially responsible investment relating to the Investment Policy Statement. The membership and terms of reference are given in Appendix 1.

EIRRS undertook the Review in three sequential and overlapping phases: (i) research, (ii) engagement, and (iii) debate and emergence of the recommendations.

1.1 Research

The research phase comprised two principal components: (i) understanding of the University's current policy regarding armaments and how it is implemented by the University Investment Committee and Oxford University Endowment Management (OUEM), and (ii) understanding the investment practices of other organisations, the ethical issues and pressures they face, and how they are being addressed.

1.2 Engagement

The engagement phase involved the development of a standard briefing presentation on the University's investments, their nature and purpose, the current University policy operated by OUEM and how it was developed, the policy of other similar organisations, and questions for consideration (Appendix 2). The briefing, Q&A and receipt of feedback was presented in person to major University committees (Appendix 3) and through three open invitation webinars, one of which was specifically aimed at students. A website of the review materials was established. Engagement with students and staff was also facilitated through an invitation for anonymised written submissions direct to EIRRS, either individual or collective, through a web portal that was open from 1 November 2024 to 24 February 2025. The Oxford Students' Union also undertook their own student consultation process which included a student-focussed webinar (noted above) and the receipt of student submissions, which informed a paper submitted by the SU to EIRRS.

1.3 Developing the recommendations

The written submissions were divided between Committee members for reading and ensuring significant overlap; a number of members read all the submissions. The in-person feedback received from University Committees was also relayed to members. As described subsequently, students and staff opinions covered a broad range of ethical and other concerns relating to armaments, and EIRRS tried to consider all viewpoints, and to identify areas of consensus. EIRRS discussions aimed to consider the ethical aspects of the current policy and proposed changes based on input received, before then turning to some consideration of the practicalities of implementation although the Committee recognised that this responsibility lies with the Investment Committee. The final recommendations resulted from significant debate between members and testing of ideas over a series of meetings.

EIRRS members disclosed potential conflicts of interest, including specifically whether they had certain advisory, business, financial or professional relationships that could influence their ability to deliberate fairly, and whether they had taken a prior public position or otherwise had strong pre-existing views on the particular set of issues relating to the Review. This was especially important as some University members had raised conflict of interest concerns. Consistent with the University's Conflict of Interest Policy, all potential conflicts were reviewed. None were found to interfere with the fair process of the Committee.

2. Investment and armaments

2.1 The Endowment

The University has a variety of investments that support its financial objective to provide long term resources to ensure it is a place of outstanding learning, teaching, and research. Investments are overseen by the University's Investment Committee but managed day-to-day by OUEM, an investment manager regulated by the Financial Conduct Authority. The relevant investments comprise:

- The Capital Account: monies set aside by the University for medium term capital projects (£614m at 31 July 2024)
- Units in the Oxford Endowment Fund (OEF): houses the long term, permanent capital of the University, which are charitable gifts often donated to fund a specific activity (£3.9bn at 31 July 2024)

The University's endowment is a crucial source of funding to the University with dividends distributed to the University of £150m in 2025, underpinning the financial viability and sustainability of teaching, research, student support and innovation. The endowment is managed for the benefit of students and staff in perpetuity.

The University chooses to invest its long-term endowment in units in the Oxford Endowment Fund (OEF) alongside several other investors, including colleges and collegiate trusts. OEF is an investment vehicle authorised under the Alternative Investment Fund Management Directive of the Financial Conduct Authority (FCA). It is managed by OUEM to satisfy UK financial regulation law, generate long term performance, and ensure the confidence of investors and donors.

While the University invests alongside other investors in the OEF, this review relates to the University's Investment Policy Statement, which is overseen by the University's Investment

Committee. This has been designed to enable the University to invest in a vehicle such as the OEF, alongside other investors, each of whom may have their own investment policies and additional investments. The Capital Account is solely managed for the University by OUEM.

It is important to recognise that **direct** and **indirect** investments differ in legal structure, how they can be managed, the information available, costs and their potential risk and reward. It should be noted that the majority of the University's investments are managed indirectly through funds.

Direct investments are when an investor is the legal owner of an investment or interest in a company i.e. the University owns the equity shareholding in the company.

Indirect investments are where an investor or entity owns an interest in a fund or intermediary that then owns the interest in a company i.e. the University is the legal owner of a fund, and is not the legal owner of the company.

2.2 Investment restrictions and compliance

The University's investments are governed by the University [Investment Policy Statement](#), agreed by Council.

The University has chosen at various instances to place restrictions on sectors in which it will not hold investments on ethical grounds. These restrictions are:

- Direct investment in companies which manufacture arms that are illegal under the Munitions (Prohibitions) Act 2010 or the Landmines Act 1998.
- Direct investments in tobacco companies (as defined by UK Cancer Research).
- Direct investment in any fossil fuel exploration and extraction companies, including: coal, oil and gas exploration and extraction; in addition to a ban on thermal coal and oil sands.
- Investment in funds which invest primarily in the above listed categories of company.

The University's Investment Committee is responsible for ensuring compliance with the restrictions and prohibitions and, working with OUEM, submits an annual report to Council that is available on the University's website.

The University's Capital Account is a global equity index tracker fund of 1,300 companies and a short-term corporate bond account. There is a legal agreement between the University and OUEM and investment restrictions are contained within this agreement. Both components are screened to ensure that there is **no direct or indirect** exposure to any prohibited investments and consequently the Capital Account is fully compliant with all current restrictions. Because the screened, indirect equity index tracker fund used by the Capital Account represents only 2% of the University's investments and there are a large number of companies, the University's financial stake in any single company would be minimal (often less than £5,000 per company).

The bulk of the University's endowment is invested in units in the Oxford Endowment Fund (OEF). All investors, including the University, invest in the OEF under terms outlined in a Prospectus. The OEF is prohibited from owning **direct** investments in companies, or funds that primarily invest in companies, manufacturing arms illegal under UK law and is fully compliant with all current armament restrictions.

OUEM also use their best endeavours to avoid any **indirect** University exposure to funds that invest in weapons illegal under UK law in the OEF through third party managers, and compliance with

policies is regularly reported to the University's Investment Committee. These best endeavours include a large amount of due diligence, to find the right fund managers to use and when choosing which funds to invest in. This includes: when making an investment, OUEM notifies third party managers of the OEF's investment restrictions and requests they avoid these areas, and then reminds groups of these annually. OUEM also monitors its third-party fund managers' indirect holdings. To support this, OUEM subscribes to research provided by a widely-used ethical investment research organisation that provides information quarterly on companies globally that are involved in the production of weapons illegal under UK law. OUEM monitors the holdings of its third-party managers and cross-references against this ethical investment research data.

It is theoretically possible that an indirect investment made by a third-party manager engaged by OUEM could contain an element of a prohibited investment. When a fund manager informs OUEM that an investment is at odds with Oxford's restricted list, OUEM reports this to the Investment Committee, and takes steps to resolve the situation. For instance, OUEM would seek to be excluded from that part of the investment or request that the fund manager engages with the company in question on the specific area of concern. Where unsuccessful in getting the company to divest from that area, OUEM could then take steps to discontinue using that fund manager.

Overall, the Committee heard that in practice there has never been University indirect exposure to companies prohibited under the current armament restrictions. Given the preponderance of aerospace companies in the defence sector, the Committee also learnt that in the OEF there is low indirect exposure to aircraft engine and aircraft parts manufacturers and this is to companies that derive the majority of their revenues from commercial aviation.

2.3 Basis for current investment restrictions related to armaments

The issue of investments in arms manufacturing companies was originally raised by students and, at the request of Council, was considered at the inaugural meeting of the Socially Responsible Investment Review Committee (SRIRC) on 26 May 2009. SRIRC was tasked with reviewing aspects of Socially Responsible Investment for Council. SRIRC considered this from May 2009 to Feb 2010 and produced [its report](#) for consideration at Council.

SRIRC's recommendations were framed by four ethical areas of consideration:

1. Right of defence: "we were not persuaded by the argument that investment in arms manufacturers should be banned because individuals, groups or governments use arms for bad purposes. Arms are also used by individuals, groups or governments to defend themselves against those who use arms for bad purposes."
2. Research objectives: "some existing University research is undertaken in cooperation with some companies which manufacture arms. In the light of this behaviour, it is hard to argue that investing in such companies is inconsistent with the current research objectives of the University"
3. UK law: "in the light of the wide variety of views within the University on the ethics of this matter, we felt that the only option was to fall back on the broad issue of legality. That is, the University should not invest in arms manufacturing companies which are behaving illegally in the broadest sense of the word"
4. Duties of a trustee: "legal obligations of all charitable bodies within which the terms of the University's Policy on Socially Responsible Investment are set, banning investment in arms"

manufacturing companies can only be undertaken if the activities of the companies are, on ethical grounds, inconsistent with the education and/or research objectives of the University.”

SRIRC’s recommendation to Council was “that the University of Oxford should not invest, directly or indirectly, in companies that manufacture weapons or munitions which are prohibited under Arms Control Treaties to which the UK is a signatory”.

Council deliberated over Hilary and Trinity terms 2010 and took additional views from Investment Committee and Research Committee, and legal advice. On receipt of this advice, Council did not fully endorse SRIRC’s recommendation, noting “the extent to which, as Trustees, it could take policy decisions that might have a detrimental effect on the investment return of the trust, and coupling this with the robust advice of the Investment Committee that, for pooled vehicles, the implementation of such a policy would have ‘serious ... financial ramifications’, Council was clear that, in applying the policy, it would have to distinguish between direct investments and investments in pooled vehicles.” Furthermore, “during discussion, it was emphasised that investment in such companies was actually very difficult to achieve as such a tiny minority of companies manufactured such weapons or munitions and most were state-owned.”

The subsequent decision of Council was:

To prohibit direct investment in companies which manufacture arms that are illegal under the Cluster Munitions (Prohibitions) Act 2010 or the Landmines Act 1998.

In relation to pooled vehicles, Council agreed to implement a policy of monitoring investment in such companies. The difficulties of obtaining reliable information were acknowledged and OUEM was asked to use its best endeavours to obtain such information.

The specific weapons covered by the Cluster Munitions (Prohibitions) Act 2010 or the Landmines Act 1998 can be described as **controversial weapons**. However, it should be noted that individuals, investors, governments, pan-governmental organisations, trackers, indices, etc may have different definitions of “controversial”, which are mentioned later.

3. Benchmarking

The Committee heard about the approach of other universities to armaments and their investments.

Cambridge University is the only UK peer with an endowment of a similar scale and a significant in-house investment team. At the time of writing, Cambridge has no restrictions relating to armaments but this is under current review. Imperial College (£595m) excludes controversial weapons on a similar basis to Oxford. Kings College London (£325m) recently added a restriction on controversial weapons bringing it in line with Oxford’s current approach. York University (£7m) restricted all investments in armaments but with no definition of an armament. Most UK university endowments are comparatively small and the majority exclude controversial weapons, although the definition of controversial might vary.

King’s College, Cambridge adopted a new responsible investment policy in May 2025. It decided to exclude nuclear and other weapons, aligning itself with an approach similar to the Church of England, with whom the College is closely affiliated.

Of US universities with large investments, only a tiny minority have controversial weapons restrictions. Some US institutions have recently re-examined their policies in light of student protests.

- Yale’s Advisory Committee on Investor Responsibility (ACIR) updated its divestment policy earlier this year. It “concluded that military weapons manufacturing for authorized sales did not meet the threshold of grave social injury, a prerequisite for divestment because this manufacturing supports socially necessary uses, such as law enforcement and national security.” Yale did choose to expand its investment prohibition “to cover assault weapons manufacturers that engage in retail activities to the general public”.
- Brown University voted against divestment, supporting a recommendation from its Advisory Committee on University Resources Management: “If the Corporation were to divest, it would signal to our students and scholars that there are ‘approved’ points of view to which members of the community are expected to conform. This would be wholly inconsistent with the principles of academic freedom and free inquiry, and would undermine our mission of serving the community, the nation and the world.”
- Others which have rejected calls to divest this year include Wesleyan University, Oberlin College, Chapman University, Occidental College, Williams College and the University of Minnesota.
- San Francisco State (\$175m) introduced a ban on direct investments in companies manufacturing weapons.

Australian National University recently introduced a ban on controversial weapons which are illegal under Australian law.

The Committee received feedback that the relatively small selection of university benchmarking examples focused on peer institutions in the UK and US might not reflect some of the more radical changes and thinking on investments that are taking place internationally, and some of these approaches were highlighted in written submissions that the Committee received subsequently.

The Committee also learned about the policies of some larger European asset owners. The Wellcome Trust does not invest in anything illegal under UK law, and thus has de facto the same weapons exclusion as the University. Similarly, the Universities Superannuation Scheme excludes controversial weapons. In general, most European asset owners adopt exclusions based on the law of the country in which the pension fund or asset owner resides. Some institutions had previously added additional screens for nuclear weapons and several other areas, but since the Ukrainian war some institutions have reviewed their policies and have or are in the process of reducing the scope of exclusions, back to those only stipulated by the law of the host country.

4. Engagement, feedback and submissions

The engagement undertaken by EIRRS through presentations, webinars and written submissions was principally framed around the four previously described SRIRC 2010 pillars and two specific questions:

1. Which of the principles set out in the previous debate no longer apply and why? What else should be considered for the next 15+ years?

2. What should be considered a "controversial weapon" beyond those already banned under UK law? Do you think the UK government should expand the type of weapons that are illegal. If so, what would you add to this list and why?

The process involved engagement with > 500 individuals. 81 unique written submissions were received by the University, with the Oxford SU's consultation receiving 86 submissions. Overall, as well as some limited, detailed engagement with the specific questions posed, most respondents offered broader views on investment, armaments and defence, beyond the initial scope. The Committee recognised the breadth and strength of feeling that armament investments had generated more generally, and engaged with all the submissions whether addressing the specific questions or not.

The broad areas of comments from the submissions and engagement meetings are described below, reflecting what the Committee heard. The Committee's own deliberations are in a following section.

4.1 A general prohibition on armaments investments

Many submissions, and a clear majority of those from students or student organisations, argued for a general prohibition on any armament investments, in some cases also arguing that such a prohibition should be extended to dual-use technology companies and/or to companies involved, other than via the provision of arms, in certain forms of occupation or oppression. Other submissions argued against a blanket provision.

In favour of a blanket provision, it was argued that global conflict and associated suffering and human rights abuses are on the rise, that it is difficult even for "good actors" within the defence sector to prevent their armaments falling into the wrong hands, that it would in any case be difficult for the University to draw a distinction between "good" and "bad" actors.

Against a blanket provision, it was argued that defence investments are required for the defence of liberal democratic societies, which selective disarmament by good actors may exacerbate rather than mitigate human rights violations, and that such a provision would too adversely affect investment returns.

4.2 Expansion of the class of prohibited weapon types

As mentioned above, relatively few submissions engaged with the possibility of expanding the class of prohibited weapons types. Some submissions did raise objections to deferring to UK law on this matter, noting, for example, that UK law may have been unduly influenced by the interests of the UK defence sector. Some submissions also pointed to white phosphorus weapons as an example of a weapon-type that should be included within the class of prohibited weapons. Several submissions highlighted that the nature of a weapon type is in general not strongly predictive of whether it will be misused and that the clearest recent examples of serious misuse of weapons have involved conventional weapons.

4.3 A conduct-based provision

Some submissions raised the possibility that the University might prohibit or recommend against investments in specific listed armaments companies, perhaps on the basis of specific evidence that they are substantially contributing to serious human rights violations. This is the approach currently employed by one of the Government Pension Fund of Norway that the Committee investigated in the course of its deliberations. Such an approach was termed the "bad actor list" and some

suggestions were made as to who might decide who is a “bad actor”, including the University, governments, organisations, etc.

In favour of such an approach, some submissions noted that it could be consistent with the approach of deferring to UK laws and regulations (which include, for example, export controls in addition to prohibitions on certain classes of weapons), or could be informed by one or more of various international lists of “bad actors”. It was also noted that this approach would appear to be consistent with the University’s approach to screening potential new donors and research funders for reputational risk.

Against such an approach, some submissions argued that it would be unworkable or too costly to administer, that it would be frustrated by lack of transparency on the part of armaments companies, or that the University’s decisions about which entities to include on the list would be too ideological or political or otherwise not sufficiently objective.

4.4 The status quo

Some of the submissions and some of the in-person Committee feedback expressed support for the current policy, arguing that the investment policy had served the University well and/or that the basic underlying ethical arguments that led to the 2010 policy remained sound and relevant. Furthermore, some argued that the trustees of the University have a fiduciary duty to secure maximum financial returns and that further ethical restrictions on armaments investments would not be compatible with fulfilling that duty.

5. Recommendations and rationale

The Committee considered three ways in which the University’s armaments provision might be altered, each suggested by broad areas of feedback made in the submissions, as outlined above.

- I. Introducing a general prohibition on investments in armaments companies,
- II. Expanding the range of weapons classed as prohibited beyond those prohibited under UK law, and
- III. Introducing a conduct-based provision prohibiting or recommending against investments in particular armaments companies based on their conduct.

The Committee’s thinking was informed by two main considerations: whether a potential change would better enable the University to realise its charitable objectives, and whether the change conforms to UK law, with the crucial test being that contained in The Law Commission’s “Fiduciary Duties of Investment Intermediaries” (2014) (Law Com No 350) [6.34]: “In general, non-financial factors may only be taken into account if two tests are met: (1) trustees should have good reason to think that scheme members would share the concern; and (2) the decision should not involve a risk of significant financial detriment to the fund.”

In addition, the Committee was mindful of the Law Commission’s observations in its 2014 report entitled “Fiduciary Duties of Investment Intermediaries” at 6.67 which states that: “in cases where the issue is clearly controversial, the courts may well expect trustees to focus on financial factors rather than becoming embroiled in disagreements between the members.”

Regarding (I), a majority of members of the Committee were of the view that the effects of defence investments are difficult to predict and it had not been sufficiently clearly established by the submissions or by other evidence that a general prohibition on armaments investments would

overall reduce human rights violations or better realise the University’s objectives than the current policy. Moreover, a majority of members of the Committee took the view that the submissions and engagement meetings demonstrated insufficiently widespread support for this option among University members to meet (1) of the Law Commission’s test set out above.

Regarding option (II), the Committee discussed and a majority of members favoured interpreting this principle more broadly than in the current policy, such that weapons prohibited by international treaties to which the UK is a signatory would be classified as prohibited by the University.

Regarding option (III), the Committee robustly debated the merits of a conduct-based provision. It was recognised that there was an in-principle case for this, bearing in mind in particular that the most serious current ethical concerns regarding weapons use pertain to the misuse of conventional weapons, that different armaments companies differ significantly in their level of complicity in such misuse, and that this approach would be broadly in line with the University's approach to receipt of funding. However, it was also recognised that there would be difficulties in implementation regarding cost, the legal risk of naming specific companies who might take legal action against the University as a result, and loss of access to some pooled vehicles (where the University invests in pooled funds, not individual companies).

The Committee was evenly divided on the question of whether the University should explore the “bad actor” approach further. Ultimately the Committee concluded, albeit with some disagreement, that this should not be pursued. Some members noted that the briefings which the Committee received from expert witness highlighted the potential loss of access of pooled funds, additional costs, legal risk and challenges on availability of suitable data. The Committee felt that the University via OUEM should use its influence to engage with MSCI on its regular reviews of its screens where those concerns were thematic, as opposed to single companies.

Taking the deliberations together, the Committee recommendations are:

Recommendation 1: The prohibition that the University should not invest in companies manufacturing arms that are illegal under UK law should remain the foundation of the investment policy. The Committee notes that since the policy was set in 2010 the UK has now ratified Protocol V of the “UN Convention on Certain Conventional Weapons (CCW)” 13 May 2024. The Committee recommends extending the prohibition to weapons which are illegal under the CCW, and any other relevant international treaties to which the UK is a signatory, and that the Investment Committee should explore implications and feasibility for Council. This definition is referred to in subsequent recommendations as the “updated restriction list”.

The Committee also noted that the investment policy is already implemented in the Capital Account via a broader MSCI controversial weapons screen which includes the CCW.

In relation to the University’s **direct** investments:

Recommendation 2: The existing prohibition should continue with the exception of the adoption of the updated restriction list: there should be a prohibition on direct investment in companies manufacturing arms classified as prohibited under the updated restriction list, as well as investment in funds which invest primarily in such companies.

In relation to the University’s **indirect** investments:

Some members of the Committee were of the view that there was an ethical case that any absolute prohibition applying to directly invested funds should apply equally to indirectly invested funds. It was also noted that there had been no direct nor indirect exposure to weapons illegal under UK law at any time since the policy was created in 2010, and that OUEM already applies broader screening criteria in practice than those formally set out in the University's Investment Policy Statement, effectively excluding additional controversial weapons.

To weigh against this, the Committee noted the rationale behind Council's 2010 decision and recognised the significant practical hurdles in ensuring an absolute ban because of the pooled nature of indirect investments, and that these are invested in by third party managers on behalf of the University. There is theoretical risk that such pooled investment vehicles might inadvertently lead to a small exposure of the University to prohibited companies, and contractually specifying a "hard" zero exposure would exclude the University from many investment opportunities. Nonetheless, the Committee recognised that University members should have transparency on any exposure to prohibited companies through indirect investments. Many institutions use a threshold to help with implementation of their policies. Therefore, the Committee's recommendation is:

Recommendation 3: In relation to the University's indirectly held portfolio, that Investment Committee and Council consider adopting (i) a prohibition on the University initiating or renewing an investment in a fund where it is known or reasonably expected that the fund holds or will hold material investments in companies caught by the updated restriction list, (ii) a requirement for Investment Committee to enact appropriate remediation if and when indirect holdings breach an agreed threshold, where appropriate remediation can be achieved at reasonable cost, and (iii) an enhancement to the procedures such that any remedial actions should also be reported to Council, in addition to the Investment Committee.

The Committee noted that amongst peer institutions, the threshold is often set in the range of 0.5% – 1.5%, and the Committee would expect the University to adopt a threshold within this range in accepting the recommendation. The Committee recognised that even in its indirect holdings, the University's exposure to prohibited armaments companies, since the inception of the policy, had been zero, and that therefore this recommendation is essentially to formalise into policy – for the benefit of transparency and reassurance – current practice, save for a small, practical tolerance.

The Chair dissents from the formulation of recommendation 3, noting that Council had already rejected a similar idea in 2010 after taking legal and investment advice noting it may have "serious ... financial ramifications", and that OUEM has shown that direct and indirect holdings of weapons illegal under UK law have been zero since the policy was put in place.

During the course of its deliberations, the Committee recognised the desirability to strive for consistency of investment decisions with other areas of University business where its reputation might be harmed, notably in accepting new research funding or donations, and welcomed the cross-membership between EIRRS and the Committee to Review Donations and Research Funding (CRDRF). The Committee also reflected on its relatively small membership that made securing a diversity of members and views more difficult, alongside the benefits the Committee derived from additional members who attended the Committee during the review. Consequently, the Committee recommends that:

Recommendation 4: (i) There should be a formal annual joint meeting between EIRRS and CRDRF to facilitate the exchange of perspectives on current and emerging ethical issues, (ii) that Investment Committee approves and recommends to Council that EIRRS's membership should include representatives from each of the four academic divisions and GLAM, plus a Head of

House, to better reflect the diversity of views within the University, and (iii) that Investment Committee approves and recommends to Council that, where additional expertise is required, EIRRS should have the ability to co-opt members, or ask University members to join their deliberations on specific representations on a time-limited basis, such as human rights, or gambling addiction.

The Committee consulted extensively across the University during the course of the review, engaging with those who had detailed understanding of university finances, as well as those with less awareness. The Committee heard about a desire to enhance disclosure within the University regarding the management of investments in any areas relating to its policy on prohibitions. The Committee also considered that the University could do more to raise awareness internally of the University's investments and how they support and enable the activities of the University.

The Committee also noted that its own existence and remit was initially unknown to the majority of those whom the Committee interacted with throughout the Review. While the process of the Review will have raised the Committee's profile, it was felt that this could be raised further, for example through enhancements to the EIRRS website with clear guidance on how to make a representation to the Committee.

Recommendation 5: (i) that Investment Committee works with OUEM and the University to enhance disclosure regarding the University's investments, their management (including the restrictions outlined in the University's Investment Policy Statement) and the role that the endowment plays in supporting the University's work, and (ii) EIRRS will seek to raise awareness of its role, and the possibility for University members to submit representations.

EIRRS was created to provide a forum to review ethical investment representations from across the University. Recognising that this was the first time this new Committee has received a representation, the Committee will reflect at the end of this process on lessons learned and how processes could be improved, and will submit feedback to Investment Committee for consideration.

Appendix 1: EIRRS Terms of Reference and Membership

Council Regulations 15 of 2002

[Part 26: Ethical Investment Representations Review Subcommittee | Governance and Planning.](#)

1.1. The Ethical Investment Representations Review Subcommittee shall consist of:

- (1) a Chair who shall be the member of Investment Committee with expertise in socially responsible investment appointed under Council Regulations 15 of 2002 Section 23.1(9), or another Chair with appropriate expertise appointed by Council;
- (2) the Pro-Vice-Chancellor (Research) or another Pro-Vice-Chancellor as shall be determined by Council from time to time;
- (3) a member of the Committee for Review of Donations and Research Funding, appointed by Council;
- (4) a member of Congregation elected by Congregation from members of the faculties in the Divisions of Mathematical, Physical and Life Sciences and of Medical Sciences;
- (5) a member of Congregation elected by Congregation from members of the faculties in the Divisions of Humanities and of Social Sciences; and
- (6) one sabbatical trustee of Oxford University Student Union.

1.2. The subcommittee shall consider representations concerning ethical or socially responsible investment relating to the Investment Policy Statement. Representations shall be submitted to it as set out in 29.3(1)–(3) below, and the subcommittee will make recommendations to Investment Committee, which Investment Committee shall take into account in proposing any amendments to the Investment Policy Statement or making other recommendations to Council as appropriate.

1.3. Representations concerning the Policy, and proposals related to the implementation of the Policy, may be submitted to the subcommittee as follows:

- (1) by Council, the Investment Committee or any other committee reporting directly to Council;
- (2) by ten or more members of Congregation;
- (3) by a majority resolution of the Council of the Oxford University Student Union.

1.4. The subcommittee shall:

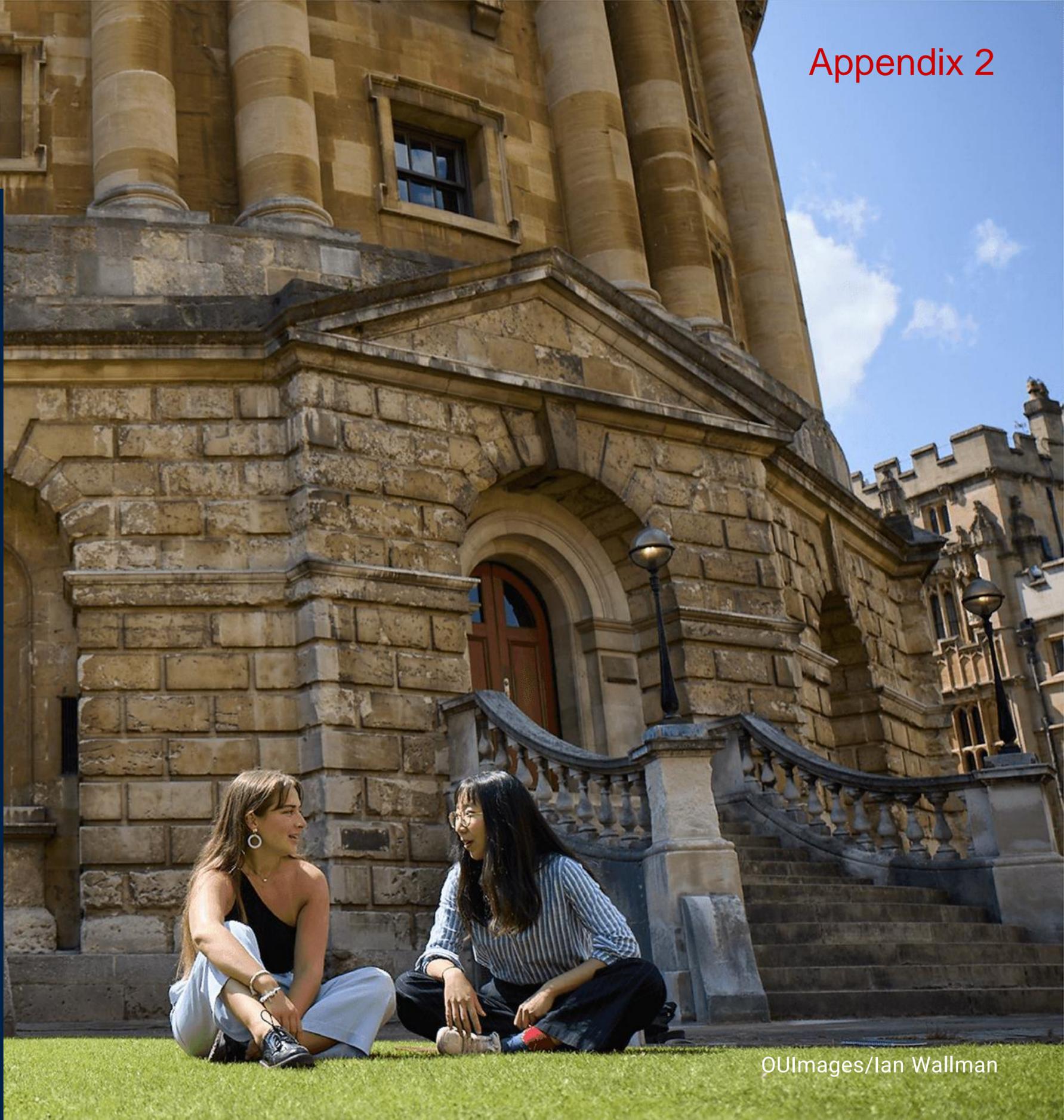
- (1) invite to attend its meetings such external or internal experts as it considers may possess expertise relevant to the Representations before the subcommittee;
- (2) investigate what, if any, alterations to the Investment Policy Statement ought to be recommended to Investment Committee in light of such representations and report to Investment Committee; and
- (3) report annually to Council via Investment Committee on its activities.

The current membership can be found at: [Ethical Investment Representations Review Subcommittee | Governance and Planning.](#)



EIRRS Review

2025





UNIVERSITY OF
OXFORD

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CHAIR OF ETHICAL INVESTMENT REPRESENTATIONS
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Antonia Coad

HEAD OF SUSTAINABILITY AND CORPORATE AFFAIRS
OXFORD UNIVERSITY ENDOWMENT MANAGEMENT (OUEM)



Terms of Reference

- *“Council has asked EIRRS to lead an accelerated University wide review of the current prohibition on direct investments in companies manufacturing arms that are illegal under UK law (introduced in 2010) as well as investment in funds which invest primarily in such companies (introduced in 2021), and to consider continued appropriateness of the restrictions or whether it should be extended.*
- *“EIRRS will seek expertise and evidence from various representative groups across the University to hear diverse student and staff voices, including but not limited to: Education Committee, Research and Innovation Committee, Committee to Review Donations and Research Funding, Divisional Boards, major beneficiary trusts of the University endowment, Conference of Colleges and OU Endowment Management, as well as reviewing approaches of similar institutions globally. EIRRS will report its findings regarding the University Investment Policy Statement to Investment Committee, prior to further consideration by Council.”*



The Review

- The University has set out its investment policy in its Investment Policy Statement.
- The Policy includes a restriction on direct investments in armaments illegal under UK law since 2010.
- Council has asked EIRRS to lead a University wide review of the current policy in relation to this restriction.
- EIRRS will seek expertise and evidence from representative groups across the University and international experts, and will report its findings to Investment Committee, prior to further consideration by Council.

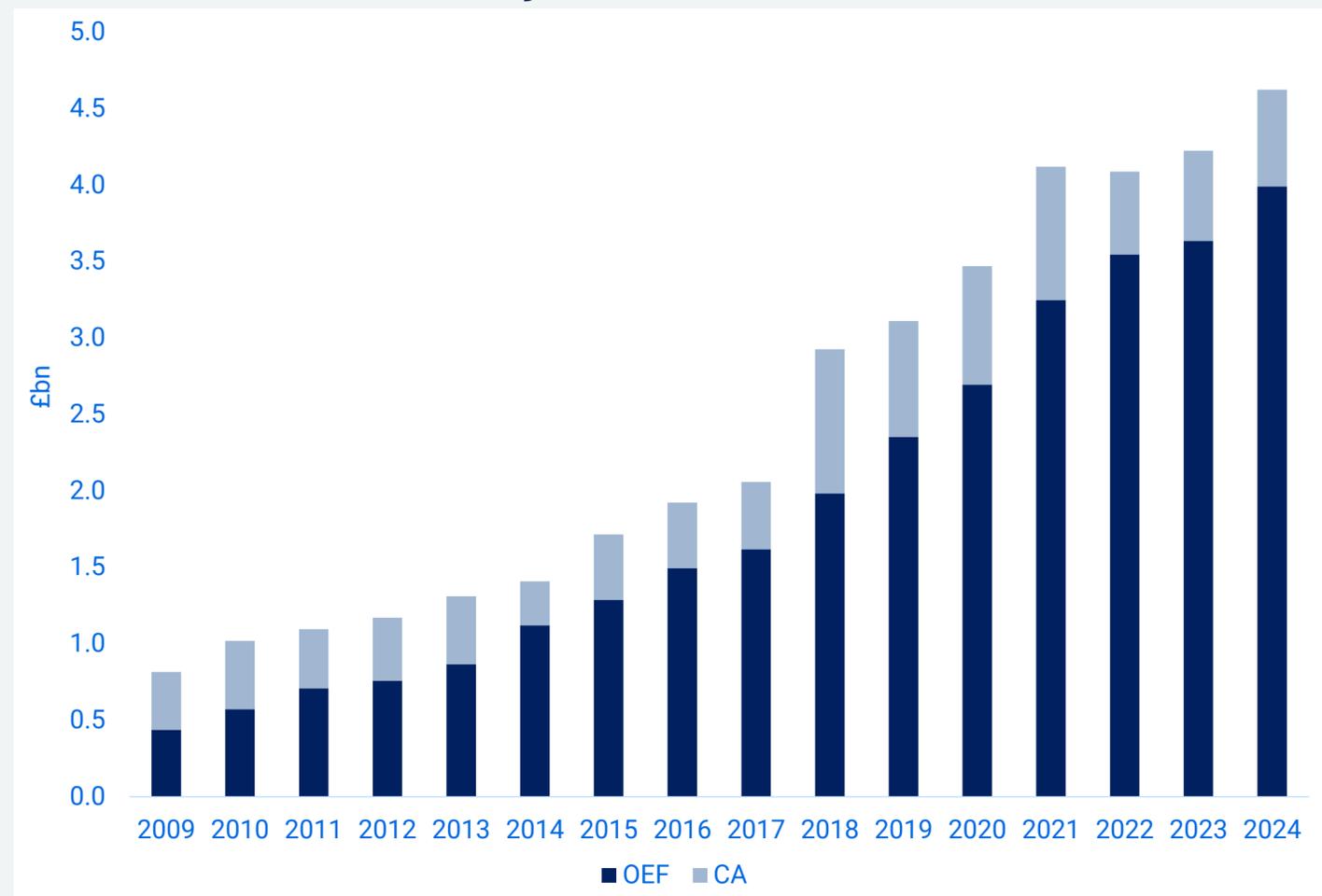
Note: [Oxford University Investment Policy Statement | University of Oxford](#)



The University's investments

- The University has a variety of investments which support its financial objective to provide long term resources to strengthen and further its pre-eminent position – nationally and internationally – as a place of outstanding learning, teaching, and research; and to enable it to provide additional support to its three core priorities of students, academic posts, and buildings.
- The University's investments include:
 - **The Capital Account:** monies set aside by the University for medium term capital projects
 - **Units in the Oxford Endowment Fund:** houses the long term, permanent capital of the University – generally charitable gifts donated to fund a specific activity
- Investments overseen by OU Investment Committee.
- Managed by OUem, an FCA regulated investment manager.

Growth in the University's investments 2009 - 2024

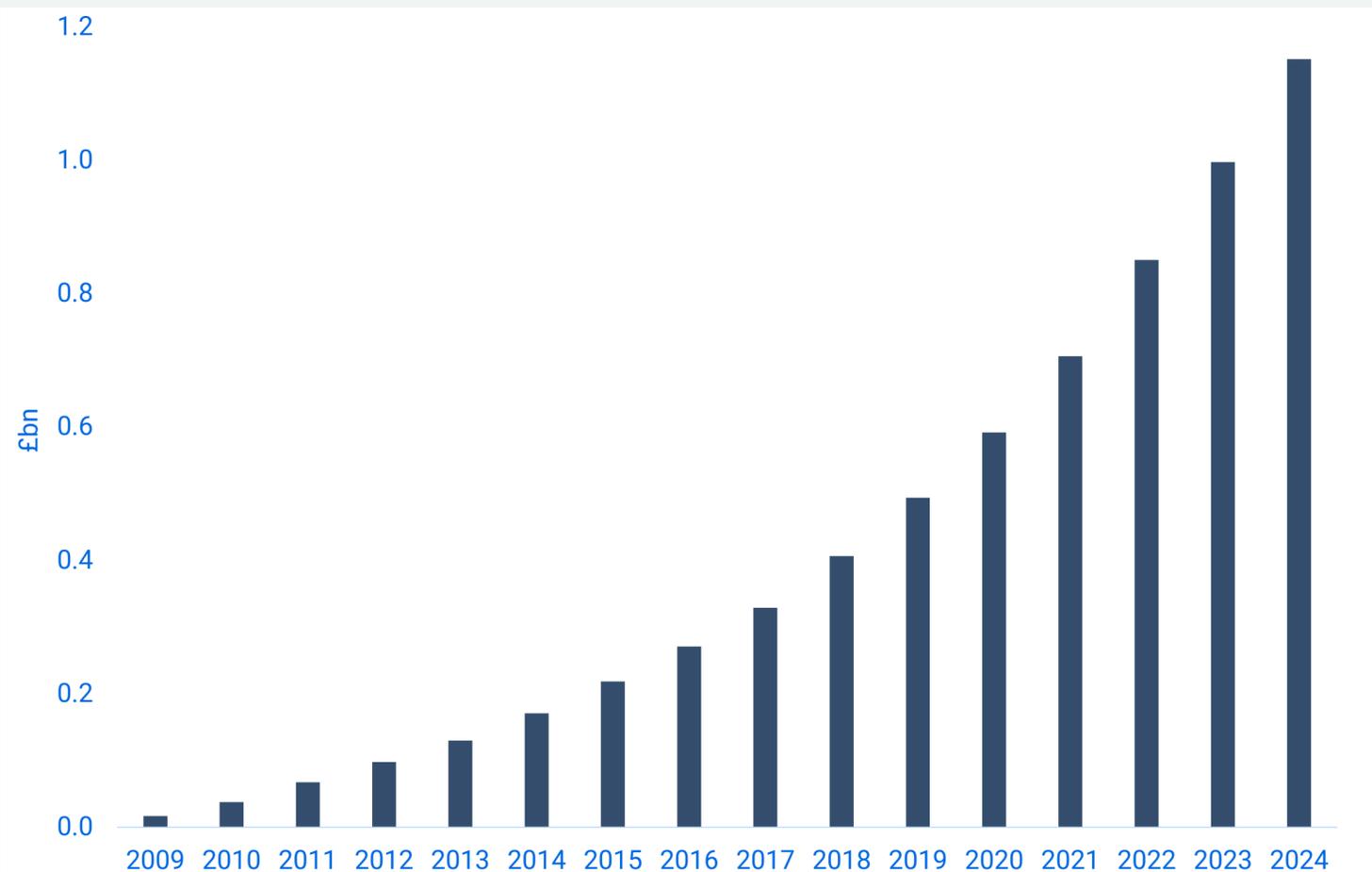




The University's endowment

- The University's endowment has become a crucial source of annual funding increasing from £16.7m in 2009 to ~£150m estimated in 2025.
- To put in context, tuition fees contribute ~£550m pa. Of course, these do not go into the endowment.
- The endowment is managed for intergenerational equity of beneficiaries: students and academics; enabling activities in perpetuity.
- Good stewardship has increased funding and attracted donations.
- Its return is in the top quartile of Endowments & Foundations >\$3bn over 10 years.

Cumulative distributions from the University's Endowment 2009-2024





The University's investment restrictions

- The University outlines ethical investment restrictions in its Investment Policy Statement.
- The University has chosen at various instances to place restrictions on sectors in which it will not hold investments on ethical grounds:
 - Direct investment in companies which manufacture arms that are illegal under the Cluster Munitions (Prohibitions) Act 2010 or the Landmines Act 1998.
 - Direct investments in tobacco companies (as defined by UK Cancer Research).
 - Direct investment in any fossil fuel exploration and extraction companies, including: coal, oil and gas exploration and extraction; in addition to a ban on thermal coal and oil sands.
 - Investment in funds which invest primarily in the above listed categories of company.
- It is important to understand that significantly greater restrictions is likely to reduce the funds available to the university for teaching and research.

Source: [Oxford University Investment Policy Statement](#) | [University of Oxford](#)



Current armaments policy

- The issue of investments in arms manufacturing companies was originally raised by students and, at the request of Council, was considered at the inaugural meeting of the Socially Responsible Investment Review Committee (SRIRC) on 26 May 2009.
- The SRIRC considered this from May 2009 to Feb 2010. Council deliberated in March 2010.
- Council took additional advice from Investment Committee, OUem and the Research Committee
- In June 2010, a decision was made to prohibit direct investment in companies which manufacture arms that are illegal under:
 - the Cluster Munitions (Prohibitions) Act 2010
 - the Landmines Act 1998.
- There are no direct (or indirect) investments in these area.



Rationale for the current policy

The SRIRC was charged by Council to examine the issue of University investment in companies engaging in arms manufacturing in 2009. In summary, the SRIRC recommended to Council:

Right of defence	“we were not persuaded by the argument that investment in arms manufacturers should be banned because individuals, groups or governments use arms for bad purposes. Arms are also used by individuals, groups or governments to defend themselves against those who use arms for bad purposes.”
Research objectives	“some existing University research is undertaken in cooperation with some companies which manufacture arms. In the light of this behaviour, it is hard to argue that investing in such companies is inconsistent with the current research objectives of the University”
UK law	“in the light of the wide variety of views within the University on the ethics of this matter, we felt that the only option was to fallback on the broad issue of legality. That is, the University should not invest in arms manufacturing companies which are behaving illegally in the broadest sense of the word”
Duties of a trustee	“legal obligations of all charitable bodies within which the terms of the University’s Policy on Socially Responsible Investment are set, banning investment in arms manufacturing companies can only be undertaken if the activities of the companies are, on ethical grounds, inconsistent with the education and/or research objectives of the University.”

How EIRRS is conducting the Review



September-December 2024	October 2024-February 2025	Hilary to Trinity Term 2025
<ul style="list-style-type: none"> • Review OU investments, current exclusion, broader market and comparable institutions; drawing on expertise from leading external industry experts. • Draw on knowledge / experience and approach taken with existing exclusions. • Review definitions of armaments, beyond the current restriction of weapons illegal under UK law. • Produce summary to frame needs of Sentiment Analysis. 	<ul style="list-style-type: none"> • University wide EIRRS-led webinars, groups and Q&A. • Consultation and evidence gathering around implications of any potential change in current practice, seeking expertise and evidence from a wide range of University voices. 	<ul style="list-style-type: none"> • Review of output from Sentiment Analysis. • Recommendation to Investment Committee for consideration based on all the work prepared. • In turn the Investment Committee to make a recommendation to Council, as appropriate.



Process to date

EIRRS has reviewed:

- approaches to defining controversial armaments.
- expert insight received from financial data providers, leading asset managers and global asset owners.
- OUem's approach to investing and sustainability.
- approaches by similar peers globally.



Definitions

- There is no one consistent definition of controversial weapons by investors or index providers.
- What constitutes a controversial weapon varies by region, country and institution.
- MSCI, the market leader in sustainable indices provision, has shaped its policy over 15 years with asset owners.
- It is updated periodically, after consultation, to reflect changes in UN conventions, treaties and national laws.
- These enable exclusions of cluster bombs, landmines, depleted uranium, chemical and biological weapons, blinding laser weapons, non-detectable fragments and incendiary weapons (white phosphorus).
- This webinar is instructive for anyone wishing to dig deeper into this:
<https://www.msci.com/www/webcast/the-controversial-weapons/0190910540>



UK universities' approaches

- Other UK universities:
 - most UK university endowments are very small, traditionally managed and not meaningful contributors to the institutions' overall income.
 - the vast majority exclude controversial weapons.
- Cambridge University:
 - the only comparator of similar scale in UK with an £bn endowment and dedicated investment team.
 - no restrictions; although currently under review.

Recent trends

No meaningful trends to distil from UK universities although many already restrict controversial weapons. However, institutions that have changed approach include:

- Kings College London (£325m) recently added a restriction on controversial weapons ie. bringing it in line with Oxford.
- York University (£7m) chose to restrict all investments in 'armaments'. No further public statement on how this is defined and note small size of endowment.



US peers and other approaches

- Institutions with similar scale of endowments and investment policies are, in the large majority, found in the US.
- Only a small minority of these institutions have controversial weapons restrictions and, in some cases, they concern retail firearms in context of campus/school shootings (eg Yale).
- No endowment of scale has conventional weapons exclusions.

Recent trends

Some international endowments have recently re-examined their policies in light of student protests this year.

- Yale's Advisory Committee on Investor Responsibility (ACIR) updated its divestment policy earlier this year. It "concluded that military weapons manufacturing for authorized sales did not meet the threshold of grave social injury, a prerequisite for divestment because this manufacturing supports socially necessary uses, such as law enforcement and national security." But did choose to expand "to cover assault weapons manufacturers that engage in retail activities to the general public".
- Brown University voted against divestment, supporting a recommendation from its Advisory Committee on University Resources Management: "If the Corporation were to divest, it would signal to our students and scholars that there are 'approved' points of view to which members of the community are expected to conform. This would be wholly inconsistent with the principles of academic freedom and free inquiry, and would undermine our mission of serving the community, the nation and the world."
- Others which have rejected calls to divest this year include Wesleyan University, Oberlin College, Chapman University, Occidental College, Williams College and the University of Minnesota.
- San Francisco State (\$175m) introduced ban on direct investments in companies manufacturing weapons (a rare US exception).
- Australian National University introduced ban on controversial weapons ie. bringing it in line with Oxford.



Other institutional investors

- Wellcome Trust: no specific armaments restriction but restricted from investing in illegal activity so, in effect, similar to Oxford.
- USS excludes controversial weapons ‘such as cluster munitions, white phosphorus, and landmines (largely because they aren’t legal in many jurisdictions).’ But said that the “Russia’s invasion of Ukraine also reinforced the role the defence industry sadly has to play in protecting freedoms and supporting geo-political stability. It is a sector that might not align with some of our members’ views, but (noting the controversial weapon exclusions given above) it is part of the investible universe.”
- Nordic asset owners: All have controversial weapons exclusions.
- European asset owners: A decent proportion of other very large European asset owners, particularly the Dutch pensions, have controversial weapons exclusions but few conventional.

Recent Trends

In the European Union, several institutions which have had degrees of broader weapons exclusions have looked to narrow or adapt them to enable defence financing in a European national security context.

- Several large Nordic Pension funds have looked to expand defence investment exposure.
- At the request of the EU, the European Investment Bank can now finance some conventional weapons.



Questions for consideration

- Which of the principles set out in the previous debate no longer apply and why? What else should be considered for the next 15+ years?
- What should be considered a "controversial weapon" beyond those already banned under UK law? Do you think the UK government should expand the type of weapons that are illegal. If so, what would you add to this list and why?

Please share your views via the following link: [Ethical investments review | Governance and Planning](#)



Appendices

Where can I find out more about the central University's investments?

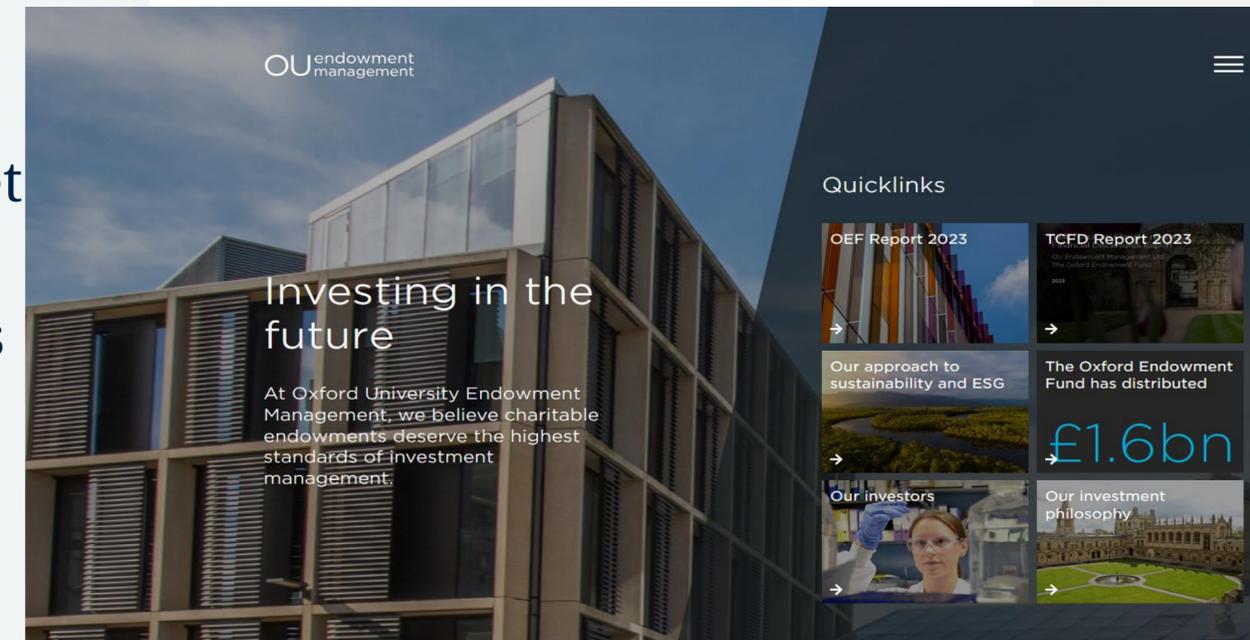
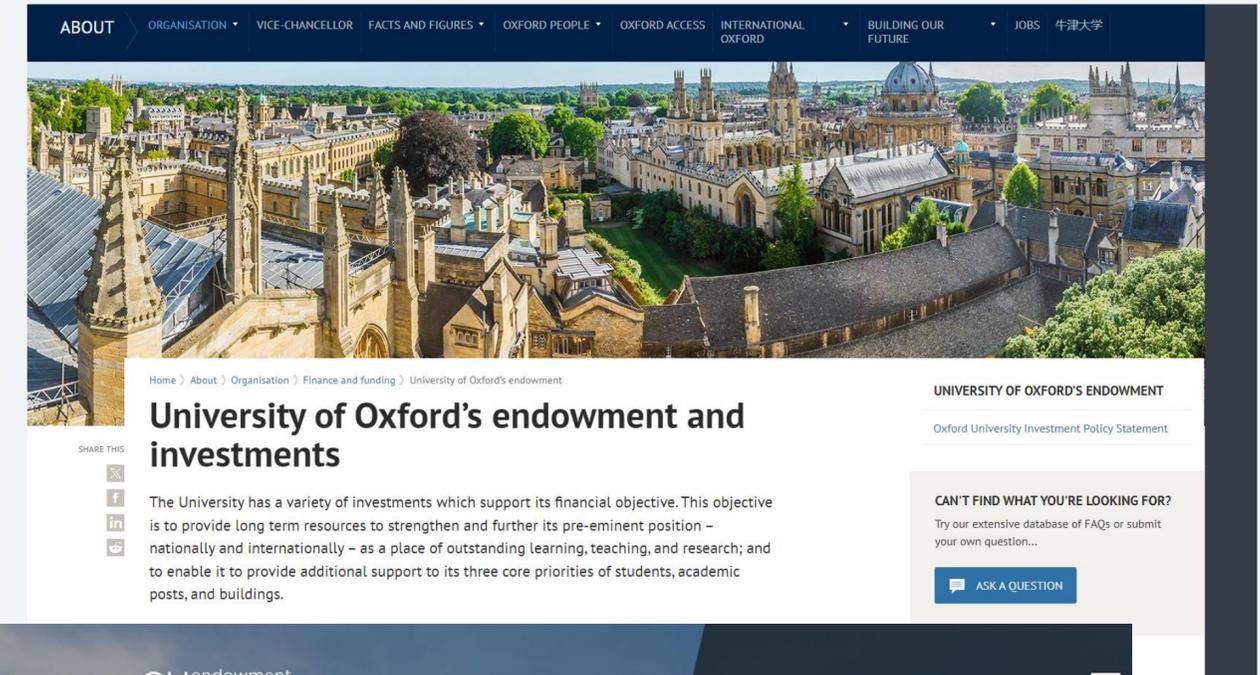


Published by Oxford University:

- Annual Financial Statements
- Investment Committee's Annual Report to Council on ESG and Sustainability
- Oxford University Investment Policy Statement

Published by OUem:

- OEF Report: provides details of performance and asset allocation
- TCFD Report: provides details on OUem and the OEF's climate reporting
- www.ouem.co.uk: provides details of OUem's investment approach, including our approach to sustainability



Appendix 3. Committees where the Review presentation was delivered and feedback received

Committee/Group	Date
Vice-Chancellor's Senior Leadership Team	24 October 2024
Committee to Review Donations and Research Funding	12 November 2024
Conference of Colleges	14 November 2024
Research and Innovation Committee	28 November 2024
Social Sciences Divisional Board	29 November 2024
Mathematical, Physical and Life Sciences Divisional Board	29 November 2024
Medical Sciences Divisional Board	10 December 2024
GLAM Board	11 December 2024
Education Committee	23 January 2025
Humanities Divisional Board	24 January 2025

In addition, EIRRS hosted:

- Two webinars open to university staff and students on 13 November and 18 November. Approximately 80 people registered to attend (excluding EIRRS members)
- A student facing webinar co-led with the Oxford SU on Monday 17 February 2025