

AZERBAIJAN STATE OIL AND
INDUSTRY UNIVERSITY



SUSTAINABLE INVESTMENT POLICY





Azerbaijan State Oil and Industry University

Those charged with governance

Sustainability Committee

Sustainable Investment Policy

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An official copy of this policy can be obtained upon request.

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SECTION 1

Purpose

This policy reflects ASOIU's commitment to sustainable investing. It outlines how the university integrates environmental, social, and governance (ESG) factors into its investment decisions. The policy encourages investments in companies and funds that align with ASOIU's values as a socially responsible institution. It applies to all university investments and aims to balance financial return with responsible risk management.

SECTION 2

Scope

The policy is applied to all investments made by the university, whether they involve monetary funds, capital expenditures, revenue expenditures or any other resources.

SECTION 3

Objectives

Our sustainable investment objectives are delineated as follows:

- **Environmental Impact:** Integrate ESG factors into investment decisions to support companies and projects that advance sustainable environmental practices, diminish carbon emissions, and encourage the development of eco-friendly technologies;
- **Social Responsibility:** Direct investments towards entities that uphold ethical labor standards, foster diversity and inclusivity, safeguard human rights, and contribute positively to local communities;
- **Governance and Ethics:** Back organizations with transparent governance frameworks, robust ethical guidelines, and effective risk management protocols;
- **Long-term Financial Performance:** Strive for competitive financial returns while conscientiously assessing the long-term sustainability implications of investments.

SECTION 4

Sustainable Investment Principles

- **ESG Integration:** Incorporate ESG factors into investment decision-making processes to identify companies and projects that adhere to sustainable principles;
- **Exclusionary Criteria:** Refrain from investing in entities engaged in activities detrimental to the environment, society, or those with questionable ethical practices, such as fossil fuel production, tobacco, or human rights abuses;
- **Positive Screening:** Proactively search for investment opportunities in companies and projects that exhibit outstanding environmental and social performance;

- Engagement and Advocacy: Interact with companies and organizations within the investment portfolio to advocate for sustainable practices and foster enhancements in ESG performance.

SECTION 5

Environmental, Social and Corporate Governance (ESG) Integration

The University recognizes that environmental, social, and corporate governance (ESG) factors serve as indicators of a company's long-term success, impacting investment returns and risk. It believes that purposefully integrating ESG considerations into investment management processes and ownership practices can positively influence financial performance.

The University has adopted the following definitions, among others, of the fundamental components of ESG, as outlined in the United Nations Principles for Responsible Investment Reporting Framework:

- Environmental: Includes aspects such as biodiversity loss, greenhouse gas emissions, climate change, renewable energy adoption, energy efficiency, air and water quality, resource depletion, pollution management, waste disposal, ozone layer depletion, land use changes, ocean acidification, and alterations to nitrogen and phosphorus cycles.
- Social: Encompasses human rights protection, adherence to labor standards, prevention of child labor, slave labor, and bonded labor, ensuring workplace health and safety, upholding freedom of association and expression, effective human capital management, promoting diversity, fostering positive relations with local communities, activities in conflict zones, improving health access and medicine availability, ensuring consumer protection, and avoiding involvement with controversial weapons.
- Governance: Pertains to the governance of companies and other investment vehicles. For publicly traded equities, this includes aspects like board structure, diversity, skills, and independence, executive compensation, gender pay equality, shareholder rights, stakeholder engagement, transparency in disclosure, ethical business practices, anti-bribery and anti-corruption measures, internal controls, risk management, and the relationship between management, the board, shareholders, and other stakeholders. Additionally, it covers strategic business matters, including the alignment of business strategies with environmental and social concerns, and the implementation of such strategies. For unlisted asset classes, governance issues extend to fund governance, such as the authority of advisory committees, valuation procedures, and fee structures.

SECTION 6

Investment Management

- Sustainable Investment Advisors: Work closely with proficient advisors or asset managers with expertise in sustainable investments to enhance the integration of ESG principles within the portfolio;
- Diversification: Ensure the portfolio remains diversified by including a variety of asset classes and sectors, while also factoring in ESG considerations during the selection process.

SECTION 7

Reporting and Monitoring

To ensure the implementation and ongoing adherence to this Policy, the University will undertake the following measures:

- Publish the Investment Policy on its website for transparency and accessibility;
- Regularly update and publish a list of the University's external investment managers and investment funds on its website, at least annually;
- Distribute copies of the Responsible Investment Policy to its investment managers responsible for managing the University's investments and conduct regular meetings to monitor compliance with the Policy;
- Aim to minimize indirect investment in companies that do not meet the ESG standards and exclusion principles outlined in this Policy, particularly for pooled investments;
- Extend invitations to a Student Representative Officer to attend annual Investment Sub-Committee meetings, including investment manager review sessions;
- Consider input from members of the University community regarding areas in which the University should refrain from investing or consider divesting from.
- If an investment under consideration by the Investment Sub-Committee is deemed inconsistent with this Policy, the Committee will review the situation with its investment managers and explore appropriate reallocation of funds;
- Issue routine reports to stakeholders detailing the university's progress, achievements, and performance in sustainable investments.

SECTION 8

Collaboration and Partnerships

Engage in partnerships with other educational institutions and organizations that have aligned sustainable investment goals to harness collective influence and impact.

SECTION 9

Leadership Commitment

The leadership of Azerbaijan State Oil and Industry University is dedicated to endorsing and advancing the effective execution of this Sustainable Investment Policy, ensuring that the university's financial resources are aligned with its sustainability principles.

SECTION 10

Responsibilities

The University Leadership, consisting of the Vice Chancellor, Pro-Vice Chancellor, and Deans, holds the responsibility to review, revise, and approve the Sustainable Investment Policy, ensuring its enforcement within the university in accordance with the defined boundaries of the University Act. Additionally, they are tasked with monitoring and overseeing sustainable investments.

The Director of Finance is accountable for implementing the Sustainable Investment Policy and associated policies and procedures within the university. Furthermore, the Director of Finance is responsible for managing and reporting on sustainable investments through Key Performance Indicators (KPIs) and financial reports.

The Sustainability Committee has rights to be consulted by the Chief Financing Officer or the Finance Department who holds the responsibility for ensuring the policy's effective implementation through process audits and reviews of the investments. They will also ensure that all employees and associated individuals are informed about the policy.

Similarly, the Auditor is tasked with ensuring the policy's effective implementation through financial audits of the investments.

SECTION 11

Assessing Effectiveness of Academic Freedom Policy

The effectiveness of this Policy will be regularly monitored to ensure its efficiency and alignment with the university's goals. The Directorate of Finance will conduct annual monitoring and publish comprehensive details and statistics regarding the investments. Additionally, they will disclose actions and decisions taken to manage and sustain the investments effectively.

SECTION 12

Sustainable Investment Strategy

As a part of Azerbaijan State Oil and Industry University's 2026 strategy, the university aims to reduce its carbon footprint with the goal of becoming carbon neutral by 2050. In line with this goal, the university invests its portfolios in accordance with the highest standards.

According to the strategy, a responsible approach to sustainability and financial returns are not mutually exclusive, on the contrary, companies that provide a sustainable approach to environmental and social issues are more effective stewards of long-term capital.

ASOIU's Sustainable Investment Strategy is built on:

- UN Principles: Aligning investments with the relevant principles of the United Nations.
- ESG Integration: Considering environmental, social, and governance factors in investment analysis.
- Active Engagement: Engaging with companies and institutions on social and environmental issues, monitoring progress, and reporting regularly to the Investment Committee.

SECTION 13

Review

The Sustainable Investment Policy undergoes an annual review, evaluation, and monitoring process led by the Investment Sub-Committee. This committee collaborates with the University's Sustainability team to assess the Policy thoroughly. Subsequently, they formulate recommendations for consideration by the Sustainability Committee and Finance Function, taken as a whole.