

AZERBAIJAN STATE OIL AND
INDUSTRY UNIVERSITY



SUSTAINABLE INVESTMENT POLICY





Azerbaijan State Oil and Industry University

Those charged with governance

Sustainability Committee

Sustainable Investment Policy

October 2025

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1. POLICY STATEMENT AND PURPOSE

Azerbaijan State Oil and Industry University (hereinafter “ASOIU”) is committed to managing all investment activities in a manner that is transparent, ethical, accountable, and consistent with principles of sustainability and prudent financial stewardship. This Sustainable Investment Policy (hereinafter the “Policy”) establishes a unified governance framework for allocating and managing institutional funds to support ASOIU’s academic, research, administrative, and operational functions.

ASOIU recognises that responsible investment is not limited to maximising short-term returns. It requires informed decisions that consider financial resilience, social responsibility, and environmental impact. Investment decisions must demonstrate integrity, fairness, and professionalism while protecting the ASOIU’s reputation and long-term value.

The purpose of this Policy is to ensure that all investment undertaken by ASOIU:

- complies with the legislation of the Republic of Azerbaijan and applicable financial regulations¹;
- aligns with international good practice in responsible investment and the Sustainable Development Goals²;
- integrates environmental, social, and governance (ESG) considerations into analysis, selection, and monitoring;
- guarantees transparency, clear roles, and accountability throughout the investment lifecycle;
- safeguards institutional integrity through robust risk management and ethical screening;
- contributes to ASOIU’s long-term institutional resilience and sustainable development objectives.

2. KEY TERMS AND DEFINITIONS

Defining key terms ensures clarity, consistency, and shared understanding across all ASOIU units and partners engaged in investment activities. Clear definitions support effective communication, governance, and reporting under this Policy:

- **Investment:** Allocation of ASOIU funds to generate income, preserve capital, or achieve strategic benefits.

¹ Law of the Republic of Azerbaijan on Accounting and Financial Reporting (2018, No. 1251-VQ), Articles 4 and 5 on transparency and responsible management of public financial resources.

² UN Principles for Responsible Investment (PRI), 2021 Update — Principles 1 and 2: Incorporate ESG issues into investment analysis and decision-making, and align investment activities with the UN Sustainable Development Goals.

- **Sustainable Investment:** An approach that integrates ESG criteria across planning, due diligence, and monitoring.
- **ESG Criteria:** Standards assessing environmental performance, social responsibility, and governance integrity.
- **Portfolio:** The total mix of ASOIU's invested assets including deposits, securities, endowments, and partnership interests.
- **Fiduciary Duty:** Obligation of decision-makers to act prudently and in the best interests of ASOIU with integrity and transparency.
- **Ethical Screening:** Process of excluding or restricting investments that conflict with ASOIU values and policies.
- **Operational Control:** Circumstances where ASOIU retains decision-making authority even when management is delegated to third parties.
- **Threshold:** Financial limit determining approval level and method, as set out in Investment SOP or appendices.
- **Associated Persons:** Individuals or entities acting for or on behalf of ASOIU in investment-related activities.

3. SCOPE AND APPLICABILITY

This Policy applies to all ASOIU faculties, departments, administrative divisions, research centres, and affiliated entities that plan, propose, approve, or execute investment activities regardless of the source of funds. It extends to activities financed through state budget allocations, tuition-derived reserves, grants, donations, endowments, or third-party contributions.

The Policy governs the full investment lifecycle, including:

- planning and budgeting for investment needs;
- development of proposals and approval documentation;
- due diligence, risk analysis, and ESG assessment;
- allocation, contracting, and ongoing performance monitoring;
- reporting, disclosure, and audit.

All employees, students, consultants, advisers, and associated persons acting on behalf of ASOIU are required to comply with this Policy and related procedures. External managers or intermediaries appointed by ASOIU must operate under contractual terms that reflect this Policy and enable oversight.

Investments made under joint ventures or collaborative projects follow this Policy where ASOIU retains decision-making authority or material influence. Where external frameworks

are mandatory, ASOIU will ensure that ethical, legal, and transparency standards are equivalent to or stronger than those set by this Policy.

This Policy does not apply to personal investments of staff or to transactional bank accounts held solely for operational liquidity.

4. GOVERNANCE AND RESPONSIBILITIES

Effective governance ensures that investment at ASOIU is transparent, well controlled, and aligned with institutional strategy. Roles and responsibilities are defined to maintain separation of duties and oversight across all stages:

RECTOR

Provides overall strategic leadership and accountability for investment governance. Approves this Policy, the annual investment plan, and major allocations above the established threshold. Ensures adequate resources for effective implementation.

INVESTMENT COMMITTEE

Oversees proposals above specified thresholds, validates exceptions, reviews performance and risk, and ensures compliance with ethical, financial, and sustainability standards. Chaired by the Vice-Rector for General Affairs. Membership includes the Finance Department, Sustainability Committee, Audit and Compliance Office, and Legal Adviser. Reports quarterly to the Rectorate.

FINANCE DEPARTMENT

Acts as the central operational unit. **Designated Investment Officers** analyse proposals, conduct financial and ESG due diligence, prepare risk statements, maintain the Investment Register, and coordinate quarterly reporting.

SUSTAINABILITY COMMITTEE

Oversees integration of sustainability principles into investment decisions. Verifies ESG assessments and alignment with the Climate Action Plan and SDG commitments.

AUDIT AND COMPLIANCE OFFICE

Conducts periodic and ad hoc audits of the investment process, verifies compliance with controls and legislation, and investigates integrity concerns.

HEADS OF INSTITUTIONS (DEANS, DIRECTORS, DEPARTMENT HEADS)

Integrate investment planning into budgets, ensure staff awareness of this Policy, and confirm that proposals meet institutional needs and documentary requirements before submission.

STAFF, STUDENTS, AND ASSOCIATED PERSONS

Must comply with this Policy, declare conflicts of interest, maintain confidentiality, and report suspected irregularities through approved channels.

EXTERNAL MANAGERS AND COUNTERPARTIES

Are expected to comply with the ethical and sustainability requirements of this Policy and related documents. Non-compliance may result in contract termination or legal action.

5. INVESTMENT PRINCIPLES AND STANDARDS

This section sets the principles and standards that guide ASOIU's investment activities. It ensures that every decision reflects fairness, accountability, sustainability, and prudent financial judgment:

INVESTMENT PLANNING AND APPROVALS

Investment begins with sound planning and clearly defined objectives. Each unit aligns proposals with institutional priorities, risk appetite, and sustainability commitments. All planned allocations are consolidated into the annual investment plan coordinated by the Finance Department.

Key requirements include:

- early identification of investment opportunities with clear rationale and expected outcomes
- submission of proposals with financial analysis, ESG review, and budget verification
- approval of allocations by the responsible authority prior to commitment, in line with thresholds

FAIR AND TRANSPARENT DECISION-MAKING

ASOIU makes investment decisions through fair, open, and traceable processes. Each decision must withstand internal and external scrutiny.

The following principles apply:

- decision criteria and documentation are set in advance and applied consistently
- segregation of duties is maintained between proposers, reviewers, and approvers
- sensitive information is protected and disclosures are controlled
- decisions and rationales are recorded and retained for audit

SUSTAINABLE AND ETHICAL INVESTMENT CRITERIA

ASOIU integrates sustainability and ethics into all stages of the investment cycle. Choices balance financial performance with environmental stewardship and social responsibility. Investments are prioritised when they advance clean energy, resource efficiency, innovation, education, or inclusive development and demonstrate strong governance and anti-corruption controls.

A minimum of 70% of the active portfolio shall be ESG-screened through certified providers or internal verification. Results are incorporated into management reporting and continuous improvement.

PORTFOLIO COMPOSITION AND DIVERSIFICATION

The portfolio is managed to achieve long-term stability and prudent risk exposure. Diversification is required across asset classes, sectors, and counterparties.

Core controls include:

- no single counterparty or asset class exceeding **20 %** of total portfolio value without Rectorate approval
- formal risk statements for proposals above thresholds, validated by Finance and the Investment Committee
- periodic rebalancing and liquidity management to meet operational needs and risk limits

CONFLICT OF INTEREST AND GIFTS HANDLING

Individuals involved in investment must act solely in ASOIU's best interests and disclose any potential or actual conflict before taking part in analysis, review, or approval. Gifts, hospitality, or benefits that could influence, or appear to influence, investment decisions are strictly prohibited and are governed by the Anti-Corruption and Anti-Bribery Policy.

Key controls include:

- completion of Conflict of Interest Declarations by reviewers and decision-makers
- prohibition of accepting or offering gifts or hospitality above the approved threshold
- immediate reporting of integrity concerns to the Audit and Compliance Office

DOCUMENTATION AND RECORD RETENTION

Complete documentation is essential for transparency and compliance. The Finance Department maintains a secure Investment Register covering proposals, approvals, contracts, performance data, ESG assessments, and correspondence.

Each investment file must include proposal documents, due diligence and risk statements, approvals, contractual instruments, monitoring records, and financial outcomes. Records are retained for at least five years or longer where required by law or contract.

EXCLUSIONS AND EXCEPTIONAL INVESTMENTS

ASOIU excludes investment in activities that conflict with institutional values, including weapons manufacture, gambling, tobacco, severe environmental harm, and human-rights abuse. Entities with more than **5 %** of revenue from excluded activities are ineligible.

Exceptional cases such as legacy holdings, strategic national initiatives, or urgent protective actions require written justification, documented risk mitigation, and approval by the Investment Committee or Rectorate depending on value. All exceptions are reported to the Rectorate for oversight.

6. MONITORING, REPORTING AND KPIS

Effective monitoring and reporting ensure that ASOIU's investment activities remain transparent, efficient, and continuously improved. This section defines how performance is tracked, reviewed, and reported across the University.

MONITORING RESPONSIBILITIES

The Finance Department oversees ongoing monitoring of performance, risk, and ESG compliance. The Investment Committee provides independent oversight and challenge. The Sustainability Committee verifies integration of sustainability criteria. The Audit and Compliance Office monitors integrity indicators and may conduct spot checks.

Monitoring responsibilities include:

- verification of compliance with thresholds, approvals, and documentation
- review of portfolio composition, diversification, and liquidity metrics
- validation of ESG screenings and risk statements
- consolidation of findings into quarterly and annual reports for the Rectorate

REPORTING FRAMEWORK

Information flows from operational units to the Finance Department, which consolidates and submits quarterly summaries to the Investment Committee. The Committee reviews outcomes, identifies risks, and presents a consolidated report to the Rectorate for decision-making.

The Sustainability Committee conducts an annual review of sustainability-related indicators and submits its observations to the Rectorate in coordination with Finance. External managers provide standardised reports under contract to enable ASOIU oversight and audit.

KEY PERFORMANCE INDICATORS (KPIs)

The following KPIs are used to measure the effectiveness of investment management and ensure accountability. Targets are reviewed annually and approved by the Rectorate.

- % of portfolio subject to ESG screening
- % of assets allocated to green and social-impact sectors
- risk-adjusted return ratio vs benchmark
- number of new sustainability-aligned projects funded per year
- \$ value of investments independently audited
- timeliness and completeness of quarterly and annual reports
- number of non-compliances identified and resolution rate
- stakeholder satisfaction index from annual feedback

IMPLEMENTATION REVIEW AND CORRECTIVE ACTION

Where monitoring identifies non-compliance, risk concentration, or performance gaps, the Finance Department prepares a corrective action plan with responsible units and timelines. The Investment Committee monitors implementation and reports unresolved issues to the Rectorate. Lessons learned inform updates to procedures and training.

7. REVIEW AND CONTINUOUS IMPROVEMENT

This Policy is subject to biennial review, or earlier when significant regulatory, institutional, or market changes occur. The Finance Department initiates the review in consultation with the Investment Committee, Sustainability Committee, and Audit and Compliance Office.

The review includes:

- assessment of relevance and alignment with legal and institutional changes

- analysis of performance trends and KPI results
- evaluation of feedback from internal and external stakeholders
- recommendations to improve governance, efficiency, and sustainability

Revised versions are submitted to the Rectorate for approval. Once approved, updates are communicated to all ASOIU units and published on official platforms. Related SOPs and training materials are updated to reflect changes.

APPENDIX A — THRESHOLDS AND RISK CATEGORIES

This appendix defines the indicative financial thresholds, approval levels, and associated documentation required under the Sustainable Investment Policy. It also outlines the risk categories and calculation methods used to assess financial and sustainability exposure.

Financial Thresholds and Approval Levels

Category	Investment Value (₺)	Approval Authority	Minimum Documentation Required	Expected Risk Level
Low Value	Up to ₺ 250 000	Head of Finance Department	Investment summary and internal risk note	Low
Medium Value	₺ 250 001 – ₺ 1 000 000	Investment Committee	Financial analysis, ESG screening report	Moderate
High Value	₺ 1 000 001 – ₺ 5 000 000	Rector	Detailed business case, full risk and due-diligence statement	High
Strategic or Exceptional	Above ₺ 5 000 000	Rectorate	Comprehensive feasibility study and Sustainability Impact Assessment	Very High

TECHNICAL REQUIREMENTS

- Investments \geq ₺ 250 000 must include quantified risk scores for liquidity, volatility, and counterparty credit.
- All proposals must identify expected internal rate of return (IRR %), net present value (NPV ₺), and sustainability alignment rating (A–D).
- Diversification target: no more than 20 % of total portfolio in a single asset class or counterparty without Rectoral approval.

- ESG compliance threshold: minimum ESG rating “B” or above for inclusion in the core portfolio.

RISK SCORING METHOD

Each investment is rated across three dimensions:

Dimension	Indicators	Scoring Scale (1–4)
Financial Risk	Volatility, credit exposure, liquidity, currency sensitivity	1 = Low 4 = Very High
ESG Risk	Carbon intensity, labour rights, governance transparency	1 = Low 4 = Very High
Operational Risk	Contracting risk, legal compliance, management capacity	1 = Low 4 = Very High

Composite Risk Score = (Financial + ESG + Operational) / 3

Scores above 3.0 require additional justification and mitigation before approval.

APPENDIX B — CORE CONTROL FORMS AND MONITORING TEMPLATES

This appendix presents the mandatory control and monitoring templates that support consistent implementation of the Policy. Templates may be digitised in ASOIU's investment management system but their structure must remain unchanged.

Form B-1 — Investment Proposal Summary

Records essential parameters of each proposed investment: objective, funding source, total value, expected IRR %, payback period, ESG rating, and responsible unit. Prepared by the originating department and submitted to the Finance Department.

Form B-2 — Due-Diligence and ESG Checklist

Captures verification of partner identity, financial health, and ESG standing. Includes mandatory fields for legal registration, tax compliance, anti-corruption certification, and environmental-impact alignment. Signed by the responsible Investment Officer and endorsed by a Sustainability Committee representative.

Form B-3 — Approval and Authorisation Record

Documents decision route, approval level, and date of authorisation. Confirms that all procedural and documentation requirements were met. Maintained electronically in the Investment Register.

Form B-4 — Quarterly Monitoring Report

Summarises actual vs. projected returns, liquidity position, risk ratings, and ESG performance. Provides a traffic-light summary (green = on track, amber = monitor, red = action required) for each major holding.

Form B-5 — Annual Performance Dashboard

Consolidates KPIs for institutional reporting, including:

- % of portfolio ESG-screened
- % green/impact assets
- Portfolio return vs. benchmark (%)
- Average composite risk score
- Number of corrective actions implemented
- Total investments reviewed by Audit Office

All forms are maintained for a minimum of five years in both electronic and paper format.