Policy on investment, acquisitions and disposals

Introduction

The University of Nottingham is an exempt charity[1] and follows an Investment Policy which provides income for its current purposes and enhances income and capital growth over the longer term, thereby enabling the University's Governing Body to meet its current and future objectives in respect of institutional investment. These are as follows:

- To maximise total return on investments (capital and income) whilst containing risk to an acceptable level and maintaining a suitable profile of investments with regard to the possible need to fund future developments at the University.
- To maintain the value of the general and endowment funds, after taking account of inflation (as a minimum) over the long term.
- To provide an income stream to the University and to the endowment funds.
- To benefit from joint ventures and spin-outs through reputation, impact and both research and commercial income.

In relation to the spin-outs and related companies, the University owns any unfettered intellectual property (IP) arising from the research its academics undertake. The main funders of this research are the Research Councils and a condition of grant is that the University seeks to identify, protect, develop and seek a commercial return from this IP.

The main routes for commercialisation are licensing to an unrelated third party or licensing into a joint venture or spin-out company. The University licenses the IP into the latter vehicles for equity.

Part of the role of the University in supporting such new ventures is to provide such financial investment as may be required, and as the University is able to provide, to help support their future success. Investments are made in exchange for additional equity in the company.

Our Investment Approach

The University of Nottingham is committed to ensuring that it makes investment decisions on a responsible basis. This Investment Policy allows the University to optimise its investment returns whilst recognising its ethical and social responsibilities.

In connection with the spin-out and related companies the University does not look to manage our investments as an institutional investor might, i.e. seeking a specific ROI within a fixed time period. When the opportunity to sell arises we take into account our knowledge of a given company, the sector and the technology in taking a decision to sell some or all of the University's shares.

The University's Investment Policy is based on the premise that the University's choice of where to invest should reflect its ethical values. To this end the University, or its appointed Investment Manager, will not invest in those organisations where the primary part of their business clearly demonstrates the following characteristics:

[1] Exempt from regulation by the Charity Commission but regulated by OfS and meaning that corporation tax does not have to be paid on profits made from research with a social impact.

- explicit environmental damage
- manufacture and sale of armaments to military regimes
- institutional violations of human rights, including modern slavery and the exploitation of the work force
- discrimination against the individual
- the manufacture and sale of tobacco products
- the extraction of thermal coal and tar sands or oil shale
- oil and gas producers

Disposals of shares in Spin-out and Related Companies

The opportunity to dispose of our shares in spin-out and related companies arises in 4 main ways:

(a) Entire shareholding is acquired via trade sale for cash or shares in acquirer
(b) Consideration for acquisition is in the form of a mix of cash and shares in the acquirer
(c) Partial exit opportunity through third party acquiring some shares in non-quoted vehicle
(d) Shares can be traded openly or placed on the market once a company has floated and all lock-ins have expired

For (a) and (b) the decision is made by a majority decision of the shareholders and the University will need to fall in line with the majority decision although we can advise if we feel that the terms of a deal could be improved.

For (c), the opportunity offered should be considered taking into account the future prospects of the company, the cash requirements of the University and the reputational benefit to the University in retaining an equity stake. The University may decide to sell some or all of its shares.

For (d), as a general principle, the University should normally look to dispose of shares in such quoted companies within three to five years of the shares being derestricted, taking into account the factors detailed above.

Divestments in spin-out companies will be made based on advice provided by the Board of Nottingham Technology Ventures Ltd, unless the investment in the spin-out has been listed on a stock market, in which case the Investment Committee will advise. All divestments will be approved in line with limits set out in the Schedule of Delegated Financial Authorities.

Monitoring

The Investment Policy will be reviewed on a regular basis by the University's Investment Committee, with amendments approved by Finance Committee.

Approved at Council – 12 March 2013

Last updated – May 2021