AZERBAIJAN TECHNICAL UNIVERSITY

Sustainable Investment Policy

Document type	Policy
Scope (applies to)	All staff and students
Issued	2023
Last revision date	2026
Review Cycle	Every 2 years
Version	v4.0
Approval Authority	University Council
Document owner	Sustainability Office
Status	Approved and Published

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1. CONTEXT AND PURPOSE

Sustainable investment is an integral component of responsible financial stewardship for public higher-education institutions. Azerbaijan Technical University (hereinafter "AzTU") recognises that investment decisions have long-term implications for financial stability, institutional reputation, and broader societal and environmental outcomes.

As a public technical university, AzTU approaches investment activity with a dual responsibility: to safeguard and enhance institutional assets over the long term, and to ensure that investment practices are consistent with principles of sustainability, ethical conduct, and public accountability.

The purpose of this Sustainable Investment Policy (hereinafter the "Policy") is to define the principles and governance framework guiding how sustainability considerations are integrated into AzTU's investment-related decision-making. It includes:

- complying with the legislation of the Republic of Azerbaijan and applicable financial regulations[1];
- alignment with international good practice in responsible investment and the Sustainable Development Goals[2];
- integration of environmental, social, and governance (ESG) considerations into analysis, selection, and monitoring;
- contributing to AzTU's long-term institutional resilience and sustainable development objectives.

In particular, the Policy aims to:

- affirm the primacy of fiduciary responsibility and long-term value creation;
- establish expectations for incorporating environmental, social, and governance considerations into investment decisions where relevant;
- ensure alignment between investment practices and AzTU's institutional values and public responsibilities; and
- promote transparency and accountability in investment oversight.

This Policy is principle-based and does not prescribe detailed investment strategies or asset-allocation rules. Operational decisions, mandates, and contractual arrangements are governed by separate instruments and delegated authorities operating in alignment with this Policy.

2. KEY TERMS AND DEFINITIONS

For the purposes of this Policy, the following terms are used to ensure a consistent understanding of sustainable investment concepts at AzTU:

Sustainable Investment: An investment approach that integrates long-term financial objectives with consideration of environmental, social, and governance factors relevant to risk management, resilience, and value preservation.

[1] Legislation of the Republic of Azerbaijan on accounting and financial reporting, including the Law of the Republic of Azerbaijan "On Accounting".

[2] UN-supported Principles for Responsible Investment (PRI), launched in 2006 — Principle 1: "We will incorporate ESG issues into investment analysis and decision-making processes"; Principle 2: "We will be active owners and incorporate ESG issues into our ownership policies and practices."

Fiduciary Responsibility: The obligation to manage institutional assets prudently, in good faith, and in the best long-term interests of AzTU, with due regard to risk, return, and sustainability considerations.

Environmental, Social, and Governance (ESG) Factors: Non-financial factors that may influence investment risk and long-term value, including environmental impact, social responsibility, and governance practices of investee entities.

Long-Term Value: The sustainable preservation and enhancement of institutional assets over time, taking into account financial performance, risk exposure, and broader systemic factors.

Investment Activities: All actions related to the management, allocation, or oversight of AzTU's financial assets, including treasury operations, investment decisions, and engagement with external asset managers.

Responsible Ownership: The consideration of sustainability, ethical conduct, and governance practices in the oversight of investments, including engagement with investment partners where appropriate.

3. APPLICABILITY

This Policy applies to all investment-related activities undertaken by or on behalf of AzTU and establishes principles governing how sustainability considerations are incorporated into investment oversight and decision-making.

The Policy applies to:

- **institutional investment activities**, including management of financial assets, reserves, and other investment-related funds;
- **governance and oversight bodies** involved in approving, supervising, or reviewing investment decisions;
- **financial and treasury functions** responsible for investment planning, execution, or monitoring;
- **external asset managers, advisors, or partners** acting on behalf of AzTU in relation to investment activities.

The Policy applies irrespective of investment vehicle or asset class, to the extent that AzTU exercises ownership, control, or oversight.

This Policy does not replace contractual obligations, statutory requirements, or delegated financial authorities. Such instruments operate alongside and in alignment with this Policy to ensure responsible stewardship of institutional assets.

4. GOVERNANCE

Governance of sustainable investment at AzTU is embedded within existing financial oversight and institutional decision-making structures to ensure prudent stewardship of assets, accountability, and alignment with long-term institutional interests:

Rectorate: Provides strategic oversight of institutional investment principles, approves this Policy and its revisions, and ensures that investment practices align with AzTU's public mandate and long-term sustainability objectives.

Governing Financial or Investment Committee: Exercises oversight of investment-related decisions within delegated authority, ensuring that fiduciary responsibilities are met and that sustainability considerations are appropriately reflected in investment oversight.

Finance and Treasury Function: Responsible for managing day-to-day investment activities within approved mandates, ensuring that sustainability considerations relevant to risk and long-term value are taken into account in investment decisions.

External Asset Managers and Advisors: Where engaged, are expected to act in accordance with AzTU's fiduciary expectations and the principles set out in this Policy, as reflected in contractual arrangements and mandates.

Governance under this Policy focuses on oversight, accountability, and alignment with long-term institutional interests. Detailed investment strategies, asset allocation decisions, and operational controls are addressed through separate instruments and delegated authorities.

5. SUSTAINABLE INVESTMENT PRINCIPLES AND STANDARDS

This section sets out the principles and standards that guide how AzTU integrates sustainability considerations into investment oversight and decision-making. These principles are applied in a manner consistent with fiduciary responsibility and the long-term interests of the institution.

5.1. Fiduciary Responsibility and Long-Term Value Preservation

AzTU's primary investment obligation is the prudent stewardship of institutional assets. Sustainability considerations are integrated where they are relevant to long-term financial performance, risk management, and institutional resilience. Sustainable investment is approached as a means of strengthening, rather than diluting, fiduciary responsibility.

Investment decisions are assessed with a long-term horizon, recognising that environmental, social, and governance factors may affect asset value, volatility, and institutional exposure over time.

5.2. Integration of Environmental, Social, and Governance Considerations

Where relevant and practicable, AzTU considers ESG factors as part of investment analysis and oversight. These considerations support informed risk assessment and contribute to a more comprehensive understanding of long-term investment performance.

ESG integration may include consideration of:

- environmental risks and resource-related exposures;
- social practices affecting workforce, safety, or community impact; and
- governance structures influencing transparency, accountability, and ethical conduct.

The depth and method of ESG consideration may vary depending on the nature of the investment and the degree of control or influence exercised by AzTU.

5.3. Investment Risk Management and Responsible Exclusions

AzTU recognises that certain activities or practices may present heightened sustainability, reputational, or long-term financial risks. Investment oversight therefore considers whether exposure to such risks is consistent with the University's fiduciary obligations and public responsibilities.

Where appropriate, investment decisions may avoid or limit exposure to activities that present material sustainability risks or are fundamentally incompatible with AzTU's institutional values and public role. Such considerations are applied cautiously and proportionately, with due regard to financial impact and legal constraints.

5.4. Responsible Ownership and Engagement

Where AzTU exercises ownership, oversight, or influence through its investments, it promotes responsible governance and sustainable practices consistent with long-term value creation. Engagement with investment partners or asset managers may be used to encourage sound governance, transparency, and risk awareness.

Responsible ownership is understood as an element of oversight rather than active management and is exercised in a manner consistent with AzTU's scale, capacity, and delegated authorities.

5.5. Transparency and Accountability in Investment Oversight

AzTU is committed to transparency and accountability in the governance of its investment activities. Decision-making processes are expected to be documented, reasoned, and capable of withstanding internal and external scrutiny.

Transparency supports institutional trust and ensures that sustainability considerations are applied consistently and responsibly within the bounds of fiduciary duty.

6. MONITORING AND OVERSIGHT

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

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

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 (AZN)
- timeliness and completeness of quarterly and annual reports
- number of non-compliances identified and resolution rate
- stakeholder satisfaction index from annual feedback

7. POLICY EVOLUTION

This Policy is reviewed periodically to ensure it remains relevant, effective, and aligned with evolving best practices in sustainable finance and public-sector governance.

The Policy is reviewed every two years, or earlier where material changes in institutional strategy, financial context, or regulatory expectations occur. Any revisions are approved by the Rectorate. Operational or procedural adjustments are addressed through separate instruments and delegated authorities rather than through this Policy.

AZTU

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SUSTAINABLE DEVELOPMENT GOALS

