JESUS COLLEGE
CAMBRIDGE

Responsible Investment Policy

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Review interval: Minimum of five yearly intervals.

Owner: Bursar.

Committees with oversight: Bursarial, Council.

Foreword to the Responsible Investment Policy

I am delighted to be able to introduce the College's new Responsible Investment Policy, which is launched alongside our new Sustainability Strategy. Both have at their core a common set of values that regard climate change as the most important challenge facing the global economy and society and identify the role that the College can play in meeting this challenge.

Over many centuries, the College has built up a significant endowment that now provides over 30% of its income. The maintenance of this is vital to the future of the College, but so is addressing the existential threat of climate change. I am therefore proud of the stance that the College has taken in addressing this in a comprehensive and ambitious way.

We will do this by:

- Eliminating any meaningful fossil fuel exposure in our financial investments by the end of 2022
- Targeting net zero carbon in our financial investments by 2038
- Targeting net zero carbon in our property investments by 2050

We have set out the actions we intend to take in the shorter term to achieve these targets. We can only do this by working with our investment managers, our advisors, our tenants and with other like-minded institutions. Ultimately, this is a challenge that everyone must rise to in order to avoid a climate crisis.

The College has been working and consulting on this policy since 2019, which demonstrates that we have taken the time to consider carefully as to how we can have a meaningful impact, both through our actions and encouraging and supporting those of others. I would like to thank Dr Richard Anthony (our Bursar), the members of the Financial and Property Investment Committees (many of whom are alumni), our advisers, and experts from within the College and beyond, who have helped shape our new policy.

Our greatest impact on environmental sustainability will be through the students we educate, who will go on to be the future leaders of our society, and the support we provide to our academics, some of who will develop the technological and policy solutions required to deliver impactful change. Ultimately, though, the College has a role to play, as do we all, to change the way we think and act for the benefit of the world that our future students and academics will live and work in.

Ms Sonita Alleyne OBE, Master of Jesus College, June 2021

Purpose and role of the Endowment

The College's Responsible Investment Policy ('the Policy') should be read in conjunction with the College's Investment Policy Statement (IPS).

The College is a charity whose objects are the advancement of education, learning, research and religion. The primary purpose of the College's endowment, which is invested in a combination of financial and property assets, is to provide long-term, stable investment returns to support its charitable objects. The IPS sets a long-term total return target for the College's endowment in order for the College to meet its long-term spending target and to ensure that the value of its endowment grows in line with inflation. The aspirations, targets and actions cited in this Policy must take account of the primary purpose of the endowment.

In addition to the primary purpose, the College wishes to act as a responsible investor so that:

- Its endowment is invested in a way that mitigates the long-term risks that the College faces.
- Its endowment is invested in a way that reflects the College's purpose and values.
- Its endowment is invested in a way that mitigates any significant reputational risks that may result from its investments.

The College acknowledges that, as well as taking account of the investment risk associated in investing in assets that may be affected by the long-term impact of climate change, the risks associated with climate change are systemic and cannot be mitigated in full through diversifying away from them. Therefore, in considering how to manage its endowment, these risks must also be mitigated through effecting change in the economy and society. As such the College regards itself as a universal owner[1] that should take account of environmental, social and governance (ESG) factors when managing its investments. The College understands that it has a role to play in influencing other investors, agents and actors who are involved in financial and property investments, and seeks to collaborate with others to enable wider sectoral change.

As well as adopting the Policy, the College is also adopting a Sustainability Strategy that focuses on its operations and operational assets. The Sustainability Strategy has been developed in conjunction with the Policy and is built upon the same values as contained in this Policy.

Governance

The Policy is approved by the College Council, whose members are the Charity Trustees and who act as the long-term custodians of the College's endowment, both permanent and expendable, and restricted and unrestricted. The Policy has been written to enable the Council to meets its obligations under charity law, by following the guidance laid down by the Charity Commission, and taking account of the Council duties under the College's Statutes. In order to fulfil its duties, the Council, through the Bursarial Committee, is advised by the Financial Investment Committee (FIC) and the Property Investment Committee (PIC), whose membership is made up primarily of external experts from the financial investment and property investment sectors respectively. Maintaining and reviewing the Policy is the responsibility of the FIC, although advice from the PIC will be sought in relation to the elements that deal with property (buildings and land). Implementation of the Policy is the responsibility of the Bursar.

Climate change and biodiversity

As an academic institution, the College fully accepts that there is an existential crisis in relation to climate change, and in particular the level of greenhouse gas emissions. The science of climate change is clear in that both society and the economy are at threat unless the effects of climate change are controlled. The College also accepts the real threat that global biodiversity faces as a consequence of climate change. The College realises that it has a role to play in its activities and investments, and those of others, towards meeting the target set by the 2015 Paris climate agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels.

[1] A 'universal owner' is a very long-term investor who has an interest in the long-term health of the financial system as a whole and takes accounts of the long-term impact of its investment decisions on the economy and society.

The College's role in addressing these crises covers a number of different areas:

- Its operational activities and assets (to be covered in its Sustainability Strategy)
- The activities of its Fellows, staff and students when working and living at the College (to be covered in its Sustainability Strategy)
- The policies adopted by those it engages with such as the managers of its endowment, its consultants and advisers, its bankers as well as its suppliers and contractors (to be covered in its Sustainability Strategy and in this Policy)
- The types of financial investments that it invests in and how they are managed (to be covered by this Policy)
- The types of investment property that the College owns and how it is managed and developed (to be covered by this Policy)

The College believes it is important that its endowment is managed in a way that encourages decarbonisation in order to meet the goals of the Paris Agreement and to mitigate against the risks associated with climate change. The College is also aware that its endowment should work to enhance biodiversity, especially in its direct landholdings.

The College understands that in adopting this Policy there will be some short-term additional costs, and that the selection of assets may result in an increased volatility of returns. However, in the long term it believes that it can maintain a suitable level of return to meet the primary purpose of the endowment.

The College acknowledges that it is important for it to set out its long-term ambition in relation to decarbonisation. It therefore aims:

- To have no meaningful direct or indirect exposure to fossil fuels in its financial investments by the end of 2022[2].
- To achieve net zero greenhouse gas emissions in its financial investments in line with the University's target of 2038, or earlier if possible.
- To have a target of achieving net zero greenhouse gas emissions in relation to its property investments by 2050, or earlier if possible, reflecting the greater challenges associated with achieving net-zero in directly-held property[3].

In some cases, achieving these targets will require future developments in technology and policy that have not yet been identified, and which will affect the pace at which these targets can be achieved. In addition, the College believes that change should be achieved through not just setting these high level targets, but in

[2] This target will need to be extended for the Cambridge University Endowment Fund and possibly for certain private equity assets.
[3] Particularly in relation to buildings under long leases and rural land. The target for buildings that are under more immediate control will be much earlier than 2050.

identifying specific actions that can be undertaken over the next five years to ensure that these targets are realisable.

Financial investments

- The College has already exited any directly-held fossil fuel investments that it previously held. It commits to not holding such investments in the future, as well as in relation to tobacco companies, pornography, child labour, arms companies trading with terrorists or countries with which the UK does not permit trading
- The College invests primarily through funds, and therefore the subsequent actions relate to indirect investments.
- The College will utilise ESG screening to identify exposure of its investments, including emissions intensity and absolute emissions.
- In relation to public equities, it will invest in funds that exclude fossil-fuel companies (defined as those companies where more than 10% of the turnover relates to fossil-fuel activities).
- In acknowledging the need to exclude fossil-fuel investments, the College will continue to maintain suitable diversification across sectors and geographic areas to meet its long-term return targets.
- In relation to fixed income and alternatives, it will, where possible, invest in funds which exclude fossil-fuel companies.
- In relation to cash holdings, it will work with its managers to ensure that cash and cash-equivalents are deposited in funds and institutions that are actively working towards reducing their fossil-fuel exposure in line with the Paris Agreement.
- In relation to private equity, it will only invest in new private equity funds that commit to not having any meaningful exposure to fossil-fuel companies. It will engage with private equity managers to develop the reporting of the carbon impact of their investments in funds and companies.
- It will allocate at least £2 million to invest in funds that focus on environmental improvements and climate change ('impact investing'), acknowledging that each investment should be judged for its individual impact.
- The College will, subject to regular reviews by the FIC on management and performance, engage and work with the Cambridge University Endowment Fund to ensure that it meets or exceeds its ambitions set out in the announcement made by the University Council in October 2020[4].
- It will undertake regular engagement with its investment managers to ensure that they are proactively supporting investments that are working towards decarbonisation and effectively engaging with companies and other fund managers. Managers' environmental activities should include

[4] https://www.cam.ac.uk/notices/news/council-statement-1-october-2020

ambitious, science-based outcomes and not just disclosure, reporting and policy adoption. The College expects investment managers and fund managers to vote in favour of environmental resolutions (or to have a clear rational for not supporting them), and to vote against the re-election of directors whose companies do not have strategies that are aligned with the values set out in this Policy, excessive remuneration packages that are not linked to environmental metrics, or the reappointment of auditors who sign off accounts with unrealistic assumptions relating to environmental risks and stranded assets.
- It will look to work with other Colleges, Universities, investors and investor groups, who are committed to similar goals and who share the values contained in this Policy. This may include the supporting of documents and resolutions that are in alignment with this Policy. Where appropriate, it may include direct engagement with fund managers and companies.

Property Investments

The College is a very long-term investor in directly-held property, particularly in the Greater Cambridge area. The College wishes to play an active role in the sustainable development of Cambridge, including in supporting the activities of the Collegiate University. The College owns a broad range of different types of property, and the actions that it takes will reflect the type of property, the legal ownership structure and the other parties involved.

Development: The College has substantial development opportunities within its existing portfolio, including the redevelopment of buildings and development of land. Any future development projects must promote high standards of sustainability and biodiversity, including minimising the carbon impact of heating, implementing leading design standards, and a net increase in biodiversity.

Residential: Where feasible, and taking advantage of refurbishment opportunities and tenant turnover, the College will develop a strategy to transition from the use of fossil fuels on its estate as soon as possible. It will also identify other opportunities for reducing carbon emissions, such as improved insulation and glazing.

Commercial: The College will work with tenants to adopt strategies that reduce the carbon footprint of its commercial buildings. It will identify changes that can be made to leases and support requests and planning applications for sustainable initiatives. It will not lease buildings to fossil-fuel companies, unless the activities contribute towards decarbonisation.

Long leases: The College has a number of freehold properties on long leases (over 21 years). In such cases, its ability to engage with its tenants and property users is limited. Where new leases are granted, it will look for opportunities to embed sustainability within the relationship with the tenant, including possible changes to lease terms.

Rural: The College has a number of rural properties, both buildings and land. It will assess the biodiversity of its landholdings and identify strategies for improving biodiversity. It will work with tenants to reduce carbon emissions, improve biodiversity and water quality. It will make changes to leases where possible to improve the environmental performance of its rural assets. When assessing the suitability of prospective new tenants, the College will take account of environmental credentials and the environmental sensitivity of management proposals.

Manager review and investment selection

The College will require its managers to follow the Policy. The College will expect its managers to report regularly on their performance and compliance with the Policy. The selection criteria for a manager will include requirements in line with this Policy, and performance in relation to the Policy will be a key factor in reviewing a manager. Managers who do not comply with the Policy should expect not to be appointed or re-appointed by the College. The College will reserve the right to publicise the reasons for its decision not to renew a manager's mandate. It may also communicate publicly when it has disposed of an interest in an investment or a fund, where that disposal has been triggered by factors relating to the Policy.

Cash deposits, loans and banking

The College may have significant sums of cash that it wishes to deposit in both the short and medium-term, separate from any sums invested in its endowment. In deciding where to deposit cash, the College will have due regard to the Policy, particularly as regards the lending and underwriting policies of institutions. The College will also engage with its bankers, including in partnership with other organisations, to lobby for a reduction in lending and underwriting to fossil-fuel companies and to encourage them to adopt targets in line with values expressed in this Policy. A failure by financial institutions to engage actively with this Policy will have an impact on the College's willingness to do business with them in the future.

Reporting and stakeholder engagement

The College will establish metrics and science-based targets to be reported alongside the financial performance of the endowment by the end of 2022. It will commission a study of the endowment's existing carbon footprint by the end of 2021, and by the end of 2022 it will build a roadmap to net zero.

Reporting on the Policy will take place annually through the Financial Investment Committee, via the Bursarial Committee, to the College Council. In relation to property matters, there will be an annual report to the Property Investment Committee. The Bursar will engage with the Society through an annual report forming part of the report of the financial performance of the College. Separate engagement activities with students and staff will be developed in conjunction with reporting under the Sustainability Strategy.

As a relatively small investor, the College appreciates the benefits of collaborative engagement through investor groups and with other parts of the Collegiate University. These forums enable the College to achieve a greater impact than it would from acting alone. It also allows the College to share expertise, while at the same time providing an opportunity to learn from, and to support, other similar institutions. When engaging collaboratively, the College may be willing to join initiatives that involve companies in which it is not invested in, provided that they are not excluded from its investment guidelines.

This policy will be subject to review after two years (May 2023) and at a minimum at five yearly intervals thereafter.