Investment Policy

Adopted by the Governing Body 29 November 2023

I. <u>Purpose and Review of Investment Policy</u>.

A. <u>Purpose</u>. The purpose of this Investment Policy is to give guidance to the Trustees of the College in connection with the investment and management of the College's funds designated for investment (the "Endowment"). Long-term investment objectives, policies and a prudent investment program are essential tools for the Trustees and Finance Committee in carrying out their fiduciary responsibilities with regard to the management and investment of the College's Endowment.

B. <u>Investment Managers</u>. In the pursuit of its investment objectives, the College may engage the services of an investment advisor to assist in the selection of investment managers of the funds invested under the purview of the Finance Committee (each, an "Investment Manager").

C. <u>Finance Committee Review</u>. The Finance Committee will review this Investment Policy as needed from time to time, and at least once every 3 years and make any appropriate changes, for recommendation for approval by the Trustees of the College.

II. <u>Purpose of the Endowment</u>

A. The College is a charity whose objects are the advancement of education, learning and research. The primary purpose of the College's endowment, which can be invested in a combination of financial and property assets, is to provide long-term, stable investment returns to support its charitable objects. The Investment Policy 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.

III. <u>The Finance Committee.</u>

A. <u>General</u>. In recognition of its responsibility to manage the Endowment prudently, the Trustees has appointed a Finance Committee in accordance with the Statutes and Ordinances of the College. The Finance Committee has been charged with the responsibility to supervise the investment and management of the Endowment, and has been further charged with the responsibility of keeping the Trustees properly advised of the status of the College's investments.

B. Composition and Qualifications. The composition of the Finance Committee is determined by the Statutes and Ordinances of the College; it may co-opt individuals with a financial and/or investment background or expertise to advise on matters concerning investments and the management of the Endowment. Such individuals will not have voting rights on the Finance Committee, in accordance with the Statutes and Ordinances of the College.

IV. Duties and Responsibilities.

A. Finance Committee. The following are the duties and responsibilities of the Finance Committee:

1. Supervision of the investment of the Endowment;

2. Periodic review of the written Investment Policy for the Endowment, including any exclusions, risk appetite and investment objectives, for recommendation to the Trustees of the College;

3. Establishment and review of an investment strategy consistent with the requirements, guidelines and principles articulated in the Trustee-approved Investment Policy including determining the asset allocation targets and ranges to deliver the investment objectives;

4. Recommending the appointment or terminate any Investment adviser or Investment Manager;

5. Reviewing the performance of Investment Managers;

6. Regularly reporting to the Trustees material information regarding the Endowment, including value and performance, including relative performance against appropriate benchmarks, exposure to particular asset classes and other relevant information;

7. Oversight of the financial and cash management processes and methods utilised in the management of the Endowment, including the deposit and safekeeping of moneys, securities and other financial and investment assets of the Endowment;

8. Review of the College's debt position in the light of College needs and the performance of the Endowment; and

9. The carrying out of any other duties and responsibilities delegated to the Finance Committee by the Trustees from time to time.

V. **Spending Policy**.

The College seeks to generate a real return (after inflation, as measured by the Consumer Price Index ("CPI")) of at least 5% per annum over the medium term (5 financial years) in order to:

A. Preserve and enhance the real (inflation-adjusted) purchasing power of the Portfolio while:

B. Generating distributable earnings to fund College activities that is prudent for the uses, benefits, purposes, and duration of its endowment fund(s). Stability is important because large fluctuations are difficult to accommodate in the College's activities.

In determining this financial objective, the Trustees will consider the following factors:

(i) duration and preservation of the College's assets;

(ii) the purposes of the College and, if applicable, the purposes of any specific endowment fund;

(iii) general economic conditions;

(iv) the possible effect of inflation or deflation;

(v) the expected total return from income and the appreciation of investments;

(vi) other resources of the College;

(vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the College's assets, giving due consideration to the effect such alternatives may have on the College; and

(viii) this Investment Policy.

For the avoidance of doubt, these are factors to be considered in making a decision, and the relative importance given to each remains in the discretion of the Trustees who may, for example, determine that the purposes of the College are best served by increased spending in response to an exigent need, notwithstanding any impact on the preservation of the College's assets.

The minutes of the meeting at which such decision is made will record the consideration given by the Finance Committee to each of the factors above.

The spendable amount in any given fiscal year shall be limited to 4% of the average quarterly endowment value on a five year trailing basis. The consequence of a spendable amount of up to 4% and a targeted long term real return of at least 5% per annum over the medium term should be a real terms growth in the endowment of at least 1% annum over the long term.

VI. Investment Objective and Considerations.

A. Objective. The funds under the purview of the Finance Committee, except those required for near-term needs in accordance with the College's Spending Policy, should be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of the College. Endowment should be invested in such a way as to help in meeting the future capital and other investment needs of the College, taking account of the College's debt position, while maintaining an acceptable level of risk.

The Trustees does not expect that this investment objective will be achievable in every year and, as a result, will normally measure investment performance over rolling three- and five-year periods. The Trustees also recognises that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of the College. In developing and implementing the College's investment program, the Finance Committee will consider the risks associated with each investment strategy and asset class.

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted in accordance with the long-term policy targets.

B. Long-term time horizon. The College adopts a very long-term time horizon when making investments. The objective of managing the endowment is to ensure an equitable distribution of benefits between current and future generations of beneficiaries.

C. Legal Considerations. The Trustees and the Finance Committee will carry out their responsibilities in compliance with applicable law.

VII. Asset Allocation and Asset Classes.

A. Allocation Responsibility. The responsibility for establishing the strategic asset allocation policy ("Asset Allocation") for the College rests with the Finance Committee. In making asset allocation judgments, the Committee recognises that the College must invest in a portfolio of assets that will generate a return sufficient to meet the stated objectives.

B. Re-Allocation. On a periodic basis, at least annually, the Finance Committee should review the strategic asset allocation and consider whether any changes should be made.

C. Minimising transaction and management costs. The Finance Committee will evaluate whether the fees charged by an Investment Manager are justified by the expected risk-adjusted returns from that manager and asset class.

D. Public Equity. This asset class may include, but is not limited to, common stock that is readily marketable on listed exchanges, convertible preferred stock, convertible debentures or other investments or vehicles that invest in or correlate with the performance of these securities. Stock rights or warrants received from existing equity holdings may be held or sold at the discretion of the Investment Manager.

E. Global Fixed Income Securities. This asset class may include, but is not limited to Treasury obligations, Government agency notes, corporate bonds, debentures, notes and preferred stock, commercial paper, commercial bank certificates of deposit, semi-secured floating rate bonds, mutual fund/co-mingled bond funds, yield enhancement techniques (e.g., options and futures) or other instruments or vehicles that invest in or correlate with the performance of these securities.

F. Real Assets. This asset may include direct and indirect real estate holdings. It may include open-and closed-end real estate funds, together with infrastructure and commodities. It will not include any direct property holdings that the College classifies as operational estate.

G. Private Equity. This relates to interests in private equity and venture capital. These asset classes are typically implemented through open- and closed-end alternative funds and similar alternative asset holdings. Among the factors to be considered in connection with these investments are liquidity, leverage and volatility.

H. Absolute Return and Credit. These relate to interests in financial alternatives such as hedge funds and private and distressed credit. These asset classes are typically implemented through open- and closed-end alternative funds and similar alternative asset holdings. Among the factors to be considered in connection with these investments are liquidity, leverage and volatility.

I. Fixed Income and Cash. Investment Managers may invest in OECD government treasury obligations, government agency obligations, commercial bank obligations and other generally acceptable money market and equivalent instruments.

J. Asset Allocation Policy. As of [insert date], the Asset Allocation policy for the Endowment is as follows:

Asset Class

Asset Class	Long-Term Policy	Benchmark
Public Equity	30-70%	MSCI ACWI ex. fossil fuels
Real Assets	0-20%	MSCI UK Property Index
Private Equity	0-30%	CUEF Cambridge Assoc. PE Composite
Absolute Return & Credit	0-30%	UK 0-1Yr Gilts + 400bps
Fixed Income & Cash	0-10%	Bloomberg Agg
TOTAL	**100%**	**UK CPI + 5%**

By Geography

Region	Long-Term Policy
UK	20-50%
North America	20-50%
RoW	20-50%
TOTAL	**100%**

VIII. Investment Restrictions.

A. Climate Change, Sustainability and ESG Principles

Clare Hall Responsible Investment Policy

Clare Hall is a responsible investor, takes seriously its ethical responsibilities as a higher education institution and aims to steward its resources such that they contribute to positive real-world social and environmental impact.

Responsibilities as an investor
We do not manage our investments in-house but aim to select investment managers who reflect our values and are committed to integrating environmental,

social and governance considerations into their investment processes. We pay particular attention to our investment manager's approach to addressing the risks and opportunities associated with climate change and have specified detailed requirements in this policy.

We also seek to be an active owner of the companies held within our portfolio as we believe that this can deliver demonstrable, positive changes in corporate behaviour and increased investment performance. For this reason, we encourage our investment managers to vote and engage with the companies in our portfolio on our behalf.

As part of our commitment to responsible investment, we expect our managers to be a signatory to the United Nations backed-Principles of Responsible Investment and to demonstrate best practice by achieving at least an 'A' rating for 'Responsible Investment Strategy and Governance', 'Listed Equity Incorporation' and 'Listed Equity Active Ownership' in the annual PRI Assessment Process.

The Finance Committee formerly reviews our investment managers' activity at least once per year.

Addressing Climate Change

Clare Hall recognises that addressing climate change is one of the defining challenges facing humanity over the coming years and decades. If we fail to control global aggregate temperature rises to a level below that which is, at least, significantly below two degrees Celsius above pre-industrial levels it will significantly impact upon the planet, ecosystems and communities.

Clare Hall also recognises that climate change will impact upon the value of our investments. If unmitigated, the physical impacts of climate change will, amongst other impacts, disrupt company supply chains and prospective regulation associated with the transition to the low carbon economy is a threat to the continued, profitable, operation of businesses with high carbon footprints.

For these reasons, we will seek to play a positive role in accelerating the transition to a low carbon economy. As part of this commitment we will:

- Avoid investing in companies that generate more than 10% of their returns from the extraction of thermal coal or the extraction and/or refining of oil and/or gas;
- Avoid investing in electrical utility businesses, as a significant contributor to global greenhouse gas emissions and driver of demand for fossil fuels, that have not aligned their business with limiting temperature rises to a level below 2 degrees Celsius above pre-industrial levels;
- Instruct our investment managers to conduct meaningful engagement that drives meaningful changes in the climate performance of the businesses that they invest in on our behalf;
- Dedicate capital to investments that meet our risk/return requirements and make a significant contribution to accelerating the transition to a low carbon future;
- Instruct our investment managers to promote ambitious public policy and regulation on fighting climate change.

We also recognise that the activities of oil and gas companies will have a significant impact upon our ability to meet the world's energy needs within the requirements of our climate goals. We are, therefore, supportive of some oil and gas companies' attempts to dedicate capital to projects that will develop and implement new – carbon efficient – energy technologies. For this reason, we support collaborative projects that will have a positive environmental impact, with these companies.

Fund manager selection

Clare Hall's endowment funds are managed externally. In the process of selecting new fund managers, candidates will be expected to conform to the expectations laid out below across *all* holdings, not merely in specialist ESG funds. Responsible investment will be a central element of selection criteria and communications with prospective managers. The College will review its fund managers' responsible investment practices at least annually and will switch funds – alongside a public announcement if this is likely to bring profile to an element of responsible investment or its erstwhile fund manager's behaviour – if the managers' practices consistently run counter to the College's policies across any and all asset classes.

Public equity

A significant proportion of Clare Hall's current financial investments are indirectly held in publicly-listed companies. Where the College sees that it can contribute to changes in public discourse, as per the University's most recent report[1] on investment practices, it will exclude particular companies or sectors from its portfolio and make a public statement accordingly. Where a decision to divest from a company or sector is unlikely to gain traction in the media or among peers, the College's policy is to hire investment managers with market-leading shareholder engagement goals and methods, including those that combine divestment and engagement to good effect.

The College's default position will be to expect managers to vote in favour of all environmental and social shareholder resolutions, and to vote against:

- The re-election of directors of companies that fail to take meaningful action on climate change and other important environmental and social issues;
- Excessive executive remuneration packages and/or executive remuneration packages that do not incorporate social and environmental metrics;
- The reappointment of auditors who sign off on accounts with unrealistic assumptions relating to climate risk and stranded assets.

Fund managers' engagement activities should focus on ambitious, science-based outcomes as opposed to mere disclosure, reporting, or policy adoption. Investment managers who do not align with these guidelines should be asked to explain any deviations.

Values-Based Investment

Clare Hall wishes to invest in a way that reflects the values and concerns of our students, staff and stakeholders. For this reason, the Finance Committee reserves

[1] https://www.cam.ac.uk/system/files/sm6_divestment_report.pdf

the right to identify and exclude specific business activities from forming part of our portfolio.
This currently includes

- Companies involved in the production of tobacco products, adult entertainment, nuclear weapons and weapons, such as cluster-munitions and anti-personnel mines, that are banned by international treaties;
- Companies that derive more than 10% of their revenue from strategic military sales, civilian firearms, gambling, alcohol and high interest rate lending.

Real estate investments
In any real estate investments the College makes, directly or indirectly, it aspires to meet the following building standards as soon as possible:

- All buildings to be in the top quartile of the Real Estate Environmental Benchmark (REEB);
- All buildings to attain an Environmental Performance Certificate rating of "A"[2];
- All office buildings to achieve the Building Research Establishment's Environmental Assessment Method (BREEAM) "outstanding" standard;
- No new gas/fossil-fuel boilers[3] to be installed, either as part of refurbishments or in new builds.

The College's real estate managers to be encouraged to tie at least part of their remuneration structure to energy efficiency improvements in portfolio buildings[4]; if this standard is not applied within a reasonable time frame, the College will seek out other real estate managers.
Banking
Clare Hall expects its bank to align with its social and environmental values, especially as regards climate change. The College will engage with its bank – currently Barclays – on fossil fuel lending in particular, and will aim to publicly switch providers if the bank's activities continue to run counter to the College's values.
Wider influence
Clare Hall will also deploy its influence and connections to bolster national and international collaborations in service of a rapid and just decarbonisation of the real

[2] With current UK government regulations, a minimum EPC rating of E will apply from 2023 and a minimum rating of B will apply by 2030; seeing as the College is a very long-term investor, the standard of an "A" rating would put it slightly ahead of current regulations and potentially in line with future regulations.

[3] Under current UK law this will be mandatory by 2025 for new buildings.

[4] This is in line with research suggesting that energy-efficient buildings have lower tenant turnover and lower occupancy rates than energy-inefficient equivalents.

economy and/or to advance other environmental and social causes that align with its values as an institution.
Stakeholder engagement
The Clare Hall Governing Body and Graduate Student Body may both pass motions regarding particular responsible investment issues and/or the conduct of the College's fund managers or bank; the Bursar and the Finance Committee will consider these motions and either implement them – directly or via its fund managers – or revert to College Council with an alternate proposal to address the issue at hand. The Open Governing Body Meeting in Easter Term will be the annual opportunity for students and Fellows to listen to views on responsible investment. As part of our commitment we expect our investment managers to respond to reasonable requests to explain their approach to investment to our student body and Fellows.

Clare Hall is a responsible investor, takes seriously its ethical responsibilities as a higher education institution and aims to steward its resources such that they contribute to positive real-world social and environmental impact.

Clare Hall Benefactions Policy

In the past Clare Hall has given consideration as to whether it is appropriate to accept benefactions from companies and individuals whose activities are at odds with the values and aims of the College. In future the College will not accept gifts from companies or individuals whose actions violate international norms and/or human rights and welfare, damage the environment, or pose a risk to Clare Hall's reputation.
In particular, given the urgency of the climate crisis and Clare Hall's role as a higher education institution, the College will not accept benefactions from:

- companies that generate more than 10% of their returns from the extraction of thermal coal or the extraction and/or refining of oil and/or gas;
- electrical utility businesses, as a significant contributor to global greenhouse gas emissions and driver of demand for fossil fuels, that have not aligned their business with limiting temperature rises to a level below 2 degrees Celsius above pre-industrial levels.

B. Derivative Instruments. It is understood that Investment Managers, with prior approval, may invest in various derivative instruments. The Finance Committee, to the extent possible and practical, will monitor the Endowment' exposure to derivative instruments.

C. Leverage. The Endowment may be invested with Investment Managers that employ leverage to enhance returns with appropriate risk exposure. The Finance Committee will monitor leverage exposure and related tax considerations.

D. Liquidity. It is understood that the College must maintain a certain minimum level of liquidity that is sufficient to fund the programmatic activities of the College as well as to fund the ongoing expenses of the College, including capital calls. The Finance Committee will establish guidelines for minimum liquidity available from the Endowment and will monitor on an ongoing basis the liquidity of the Endowment consistent with these parameters. However the College does not need to pay a premium for daily liquidity as College does not require instant liquidity and can plan when drawdowns are taken, in addition to maximising the use of the College's revolving credit facility as necessary.

E. Volatility. Portfolio volatility and risk should be prudently managed in keeping with pertinent metrics that enhance the Finance Committee's ability to evaluate risk exposure and manage risk. The desired volatility of the portfolio would be expected to be below that of a pure global equities tracker portfolio.

F. Deviation. The foregoing investment restrictions and limitations are intended as guidelines. If the Finance Committee is notified or otherwise becomes aware that a limitation has been exceeded, then the Committee will take steps that in its reasonable judgment are necessary to address the situation. For sake of clarity, the Finance Committee may decide not to take any action at that time.

G. Foreign Currency. The foreign currency exposures for equities are not explicitly hedged unless there is a specific tactical case for doing so. This is mainly because it is difficult to identify the underlying currency exposure for multinational companies. All cash is held in sterling unless there is a specific tactical case to do otherwise.

IX. Performance Evaluation and Benchmarks.

The performance objectives for each asset class or subcategory are outlined in the Asset Allocation policy above. The purpose of the objectives is to establish specific, clear, consistent, fair and rigorous parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods, generally three- to five-year periods or a market cycle, whichever is greater. The Finance Committee will monitor Investment Managers on an ongoing basis to ensure consistency of investment philosophy, implementation, organisational structure, and performance.

X. Other Policies.

While investing the assets of the College, all parties, including the Trustees and Finance Committee, will abide by all other College policies.

XI. Confidentiality.

Members of the Finance Committee and College staff involved with investments are expected to maintain the confidentiality of information obtained by virtue of their positions. Information obtained solely by virtue of one's position on the Finance Committee or as staff (and not from other sources or relationships) is not to be used for personal financial purposes.

Appendix A

Standard of Conduct

In managing and investing the College’s assets, the Trustees and Finance Committee members must act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Investment Factors

The factors that will be considered in managing and investing the College’s Endowment are:

a. **General economic conditions;**

b. **The possible effect of inflation or deflation;**

c. **The expected tax consequences, if any, of investment decisions or strategies;**

d. **The role that each investment or course of action plays within the overall investment portfolio;**

e. **The expected total return from income and the appreciation of investments;**

f. **Other resources of the College;**

g. **The needs of the College and the portfolio to make distributions and preserve capital, taking account of the College’s debt position; and**

h. **An asset’s special relationship or special value, if any, to the purposes of the College.**

The College may incur only those costs that are appropriate and reasonable in relation to its assets and purposes and the skills available to it, and must make a reasonable effort to verify facts relating to the management and investment of its Endowment.

The Finance Committee should document in its meeting minutes its consideration of each of the above factors it determines to be relevant to its decisions regarding managing and investing the College’s Endowment.

Delegation

The Finance Committee may delegate investment authority and responsibilities to an external agent, including an Investment Advisor or Investment Manager, to the extent such delegation is prudent under the circumstances. The

Finance Committee must act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

a. Selecting an agent;

b. Establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of the College and the Endowment; and

c. Monitoring the agent's performance and compliance with the scope and terms of the delegation.

The Finance Committee, in making the decision as to whether to delegate such functions to a specific external agent, must request and review information regarding the external agent's experience, personnel, track record and proposed compensation as compared to appropriate peers and conduct other customary due diligence as required.

The College will take reasonable measures to assess the independence of the external agent. Any actual or potential conflicts of interest with respect to the proposed external agent must be disclosed and resolved pursuant to the [College's Conflict-of-Interest Policy regarding investments, set forth below, and the College's general Conflict-of-Interest Policy, to the extent applicable.

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<u>Appendix B</u>

Proxy Policy

Investment Managers are to vote shareholders' proxies. Such voting is to be solely in the best interest of the Endowment given their stated policies, goals, and objectives, inclusive of any ESG considerations, as appropriate.

It is further expected that each of the Investment Managers will report back to the Investment Committee on an annual basis regarding the results of these votes.

Where Investment Managers or fund vehicles have their own terms regarding proxy voting, such terms will be an attribute to be considered by the Investment Committee in selecting and monitoring Investment Managers and Endowment.