



GIRTON COLLEGE
CAMBRIDGE

Statement on Responsible Investment

February 2022

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Girton's role as a steward

Girton College is a charity whose objects are *the advancement of education, religion, learning and research*. The primary purpose of the College's investment portfolio, which is invested in a range of financial assets, is to provide long-term stable investment returns to support these charitable objectives, and to ensure that all we do supports the mission of delivering world-class education in the context of a truly diverse and inclusive community.

The College transfers a percentage of its investment returns every year to operations in order support these objectives, according to a spending rule determined by the College's Council. A long-term return target is put in place and regularly reviewed in order to meet this spending target and to ensure that the value of investments grows at least in line with inflation.

In addition to these core financial and charitable objectives, the College is clear that its investment activities:

- must fully reflect and, as far as possible, advance the ethical commitments core to the College's mission, including proactively addressing the issue of climate change;
- must be conducted in such a way that the reputational risk to the College and its community is as far as possible mitigated.

Adhering to the above two principles can, in part, be addressed by setting an appropriate framework of securities, industries and activities in which the College will and will not invest, including a commitment to eliminate all exposure to the fossil fuel sector within a short period of time.

However, divestment is only one of the means by which the College seeks to advance its ethical commitments, and as a responsible steward we will seek further ways of effecting positive change throughout our portfolio. This means acting as a Universal Owner¹ as far as possible across all our investment activities; monitoring shareholder votes on a range of related issues; and seeking to use our financial capital and our broader influence to drive positive change, where appropriate working in partnership with others in order to increase that influence.

¹ Universal Owners such as Girton College are long-term owners of capital who must mitigate systemic risks like climate change – and therefore externalities such as greenhouse gas emissions – through real-world impact both directly and via fund managers, banks and other service providers. This contrasts with a typical Environmental, Social and Governance (ESG) approach, which generally aims to reduce risk *to* the portfolio from ESG risks without taking into account the portfolio's impact on these risks.

Governance of Girton's investment activities

Girton's Council is comprised of the Charity Trustees who are responsible for the stewardship of the College's operating and financial assets for the long term. In this regard the Council is advised by the Investments Committee, whose membership includes external experts in matters of financial investment and endowment management. The Committee is chaired by the Mistress and convened by the Bursar, who also has ongoing responsibility for the implementation of the investment strategy, including this policy on responsible investment.

Implementing our values

Girton's investment policy, whose goal is to support the growth of our mission of delivering inclusive excellence in education, is guided in its implementation by our values:

- We recognise the global impact of climate change, in particular from greenhouse gas emissions such as CO₂, and the existential threat to humanity and biodiversity if this is not urgently addressed. We support the target set by the 2015 Paris climate agreement, and reiterated at COP26, of holding the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels;
- The College is therefore committed to managing its operations and financial capital in a manner which makes a positive contribution to tackling this issue without, as far as possible, compromising our core educational mission. Where possible we seek to make a positive contribution to the science, practice and economics of climate change through our intellectual and research activities, and related public engagement;
- Girton College was founded on the basis of broadening access to world-class higher education, and a commitment to inclusive excellence remains at the heart of our purpose. We will seek to support initiatives, activities and businesses which are consistent with this commitment;
- The College is a Real Living Wage employer and endeavours to uphold the highest standards in all employment practices. In our partnerships and investments we aim to work with those who maintain similar standards, and to support initiatives which promote progressive workplace practices.

Our investment policies

Girton's Council has recently approved a far-reaching transition of the College's investment policy, designed both to enhance long-term returns and also to embed in our investment portfolio the ethical commitments at the heart of the College's values.

The College does not, and will not, invest in individual stocks, but rather in funds which offer broad exposure to global markets across the range of asset classes, and which exclude fossil fuels and other sectors which are not compatible with our values.

The asset classes in which Girton will invest in future are:

- Global equities (both developed and emerging markets)
- Real estate, through the Charities Property Fund
- Investment Grade Debt
- Inflation Linked Bonds
- Cash
- Private equity

The private equity allocation comprises legacy investments from our previous portfolio investments which will mature gradually over the coming years. The Investments Committee will keep under review the benefits of an allocation to private equity.

Equity investments

The College's policy is to invest in publicly listed equities via an index tracker fund replicating the performance of the MSCI ACWI index, whilst excluding several sectors.

Specific exclusions are:

- All fossil fuel reserves, energy sector and gas utilities stocks, and thermal coal
- Oil services companies with direct economic exposure to oil
- Companies involved in significant controversies (i.e. breaches of the UN Global Compact)
- Controversial weapons
- Tobacco
- Pornography

The College has now embarked on the transition from its current public equity holdings to the new zero fossil-fuel arrangements, and it is expected that this will be completed (subject to liquidity constraints) over the next six months. It should be noted that the College has already made significant progress in reducing its fossil fuel exposure which, in its listed equity holdings, is currently around 0.1%.

In its legacy private equity investments the College currently has a further c. 0.9% portfolio exposure to fossil fuels. The College will exit from these private market investments in the sector as those funds mature, on a timetable outside the College's control, and expected to be substantially complete by 2032. The College will over time determine its future investment in private equity funds, but commits only to invest in new private equity funds that have zero exposure to fossil-fuel companies.

The College's portfolio managers are committed to pushing for a 50% improvement in green revenues and a 30% reduction in carbon intensity. The College will also increasingly expect its portfolio managers to act as Universal Owners, focusing on tackling high carbon emitting companies which are adding to costs for the whole economy – and protecting the College's long-term returns in the process.

As Universal Owners ourselves, we will as far as possible use our influence, where appropriate working with others, and leveraging the scale of our portfolio managers, to participate in wider debates which shape industry definitions of best practice in responsible investment and which contribute to concrete company- and industry-level behaviour change.

Accordingly, the College expects our portfolio managers to vote in favour of the vast majority of environmental and social shareholder resolutions and to vote against the re-election of directors whose companies do not have strategies that are aligned with the values laid out in this policy.

Should our managers fall short of this policy, they 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 the 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.

Investment Grade Debt

The College's policy is to invest in investment grade corporate debt via index tracker funds which replicate the Bloomberg Barclays MSCI SRI indices, and which adhere to policies consistent with Girton's ethical commitments.

Specific exclusions are:

- All fossil fuel reserves, energy sector and gas utilities stocks, and thermal coal
- Nuclear power
- Companies involved in significant controversies (i.e. breaches of the UN Global Compact)
- Military weapons and civilian firearms
- Genetically-modified organisms
- Tobacco, alcohol, gaming and pornography

The College may also have exposure to funds invested in UK government securities.

Real Estate

Our exposure to Real Estate is via the Charities Property Fund, managed by Savills Investment Management. They adhere to a Responsible Investment Policy and are a signatory of the UN Principles for Responsible Investment, recently receiving an A+ grade for strategy and governance. The College commits to continuing engagement here in order to enhance the fund's focus on sustainability.

Cash deposits, loans and banking

The College maintains a cash allocation within the investment portfolio, and manages cash outside of the portfolio in order to fund its operations. In determining where to deposit cash, the College will have due regard to this policy. We are committed to

continuing engagement with our 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 this policy. A failure by banks, and other financial counterparties, to engage actively with this policy will have an impact on Girton College's willingness to do business with them in future.

How we report and engage with stakeholders

The Investments Committee reports quarterly to Council as to how the portfolio is performing against this policy, including:

- quantum of legacy exposure to fossil fuels on the path down to zero;
- carbon footprint of the overall portfolio (as far as the data permits);
- and relevant other metrics.

The College's Annual Report will include a section monitoring the performance of the investment portfolio against this policy. The Bursar, on behalf of the Investments Committee, also commits to engage regularly on the topic with other stakeholders, including the Fellowship, junior members and staff.

Future reviews of this policy

Sustainable finance continues to evolve, including (for example) changes to index definitions, and new opportunities being developed to invest in ways which further our various ethical goals. As such, the Investments Committee will review this policy on an annual basis in order to ensure the College continues to meet best practice, and will present any proposed changes to Council.