

CHURCHILL COLLEGE

Investment Policy

The College's investment policy is determined by the Governing Body on the advice of its Investment Committee (IC). The College Council is responsible for the implementation of the investment strategy, again on the advice of the IC (Statute XXXII).

Aim

The College aims to manage its endowment fund in order to optimise total return over the long-term, provide for real increases in annual expenditure, and, so far as is consistent with this, to moderate volatility within the portfolio. The ambition is to keep pace with inflation whilst growing the capital base in real terms in order to meet the financial requirements of both the current and future generations.

The College is increasingly working to address climate change as one of the biggest challenges humanity has ever faced, ensuring an approach to the mitigation of environmental harms which covers the breadth of collegiate activity. This includes its teaching, operations, estate, and financial investments.

Types of Investments

The majority of the College's investments form part of the Amalgamated Investment Fund and this is managed on a total return basis. Underlying investments may be in public and private equities, unlisted alternative investments, bonds, property, money market and cash instruments.

The rate of draw down each year is based on long-term portfolio performance and reviewed on a rolling three-year basis. The College will review distributions against long-term returns to ensure that over time the real value of the endowment is not being depleted.

Underlying portfolio investments should be consistent with the College's charitable purposes as a place of education, learning and research and its commitment to a sustainable future.

The College has investments in its wholly-owned subsidiaries – the most significant being the Møller Institute. The return from the subsidiaries does not fall under this policy or the IC.

In addition, the College holds a small number of other investments which do not form part of the Amalgamated Investment Fund. These are primarily gifts of shares in companies that are not publicly listed (or were not listed at the time of the gift). The IC will review these shareholdings periodically and advise with regard to the timing of their disposal or their inclusion in the Amalgamated Investment Fund.

Responsibilities as an Investor

The College has deemed responsibilities, as an investor, for the conduct of the companies in which it invests. However, investments are not made directly but through independent third party investment managers or via index-tracking funds. Accordingly, when considering how best to monitor the actions of the companies in which it invests and how to influence those actions, the IC will look principally at the policies and objectives of its third party investment managers.

To this end, with respect to active portfolio management, it will look to:

- (i) invest through investment managers whose aims are consistent with the College's investment objectives;
- (ii) seek to engage with investment managers and encourage pro-active participation in coalitions with other investors on environmental, social and governance (ESG) issues where this is considered practicable;
- (iii) seek to ensure that human dignity, environmental sustainability, energy efficiency and biodiversity are respected and advanced.

It is noted that all such actions must be consistent with our fiduciary duties as trustees intending to maintain and increase the long-term value of the College's endowment. This includes consideration of the ethical nature of investments and the associated long-term risk to humanity and the planet.

Many of the College's current investment managers already state explicitly that there are certain industries in which they do not invest, for example mining, oil, gas, coal (or 'fossil fuels'), tobacco, and armaments, and that they avoid companies whose environmental and social impact is deemed negative. Other investment managers are less explicit by sector, but state that they do not invest in companies operating with unsustainable business practices. These would include matters such as forced or child labour and/or unsafe or harmful business practices, including those that pollute or otherwise degrade the environment. Certain funds state that ESG issues are integrated fully into their investment management processes and that their investments are aligned with the UN's Six Principles of Responsible Investment. We expect to see an increase in our use of investment managers who adopt such Principles and commit to investing only with such managers by the end of 2022.

The College's policy will be to hire investment managers with ambitious 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 such environmental and social shareholder resolutions, and to vote against:

- the re-election of directors of UNPRI non-compliant companies;
- 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.

Investment managers who do not align with these guidelines will be asked to explain any deviations, and the College will terminate relationships with investment managers whose voting practices continue to misalign with the guidelines. Where suitable fund managers cannot be identified, investments will be made in suitably ESG focused index or tracker funds.

Overall investment risk is assessed and managed through the IC. Investment risk has three principal components: portfolio diversification; liquidity; and due diligence with respect to underlying investment managers.

The IC assesses portfolio composition (asset allocation), liquidity and diversification at least annually.

The IC carries out due diligence on investment managers in advance of their appointment and thereafter at least once every two/three years with the intention of ensuring that the investment manager's risk control and investment processes are maintained and reasonable.

All investment managers provide the Bursar with monthly performance reports and a summary is circulated to the IC.

Delivery

The College's principal equity investments are held via managed funds and exchange-traded funds managed by independent investment managers. As part of the regular reports from such managers, the IC will seek information about voting practices and how environmental, social and governance issues are addressed with underlying companies. The IC meets with each of its underlying active fund managers on a regular basis and inter alia uses such meetings to explore current and prospective attitudes with regard to ESG issues. These issues are taken into account in determining whether to maintain, increase or reduce the funds under management. Where an investment manager can give no indication of exclusions on the grounds of ESG when they present to the Investment Committees there would be an expectation that the College would move to withdraw its monies.

New active investment managers will be assessed, in part, on the basis of their ESG policies.

The College does not tend to invest directly in companies other than where shares have been gifted to the College, and already holds no direct investment in any fossil fuel or tar sands company. Should it do so, it will, where appropriate, seek to engage with the management of such companies to encourage actions in the long-term interests of both the company and its investors. In particular, it will consider the company's actions on ESG issues and vote to encourage responsible behaviour and will look to work with others who share such concerns.

Review

The IC is made up of Fellows of the College, including the Bursar, and external members. From time to time it may also include professional advisors.

The IC meets twice yearly as a minimum but may meet more frequently. At present the IC meets three/four times each year, with additional investment manager due diligence meetings being undertaken by sub-committees of the IC.

The IC advises the College Council and Governing Body on portfolio asset allocation. It considers new investments against the criteria listed above and reviews the investments it holds and its fund managers' practices annually. Such information is included in its reports to the College.

The IC reports annually to the College Council and the Governing Body, unless it wishes to bring before the College Council any proposed changes in investment policy.

This investment policy will be reviewed periodically so as to incorporate new developments and opportunities, and consideration will be given as to how the College's responsibilities as trustees and investors may be improved.

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