

Exeter College Responsible Investment Policy Statement

This is an addendum to the existing approved Investment Policy Statement (“Policy”) which governs the investment practices of Exeter College. This Responsible Investment Policy provides an overview of how we seek to integrate environmental, social, and corporate governance (“ESG”) factors into investments. We see this as a continuous process which will evolve over time.

What is ESG?

ESG is a term used to describe environmental, social, and corporate governance factors that include, but are not limited to, such issues as energy consumption (carbon footprint), greenhouse gas emissions, water use, waste management, health and safety, diversity and non-discrimination, human rights (including respect for worker rights), and effective board oversight. The degree to which ESG factors are relevant and material to an investment depends on the company or asset, the industry in which it operates, and the type of investment strategy and vehicle.

Purpose of the Exeter College endowment (as stated in the current Investment Policy Statement)

The purpose of the endowment is to support the long-term financial needs of the College in perpetuity. Equally, the College values investment opportunities that have a positive impact in the world, and this is one of the key factors in its decision making process. To this end, the overall endowment is managed to maximize the long-term total return of the portfolio, subject to maintaining a reasonable level of risk of loss. The endowment supports the operating and capital needs of the College through a sustainable annual transfer rate.

RESPONSIBLE INVESTING POLICY

The College seeks to incorporate responsible investment best practices into investment decision making. We are focused on ESG factors that may have a material impact on our investment risk or return.

The College believes that by engaging in a broad set of extra-financial considerations – including environmental, social and governance issues – the long-term risk adjusted financial performance of the portfolio can be improved.

To this end, the College will generally favour investments in funds whose managers select underlying companies that are run in the long-term interest of shareholders and with recognition of their wider responsibilities to employees, suppliers and customers.

The College identifies five ESG and Impact Investment strategies laid out below, with a role for each within its portfolio. These strategies are not mutually exclusive and the College intends to incorporate several with compounded benefits. Over time, the College expects to focus more on impact investing strategies such as engagement and investing in high impact sectors or companies due to the belief that they are more likely to generate positive outcomes for ESG factors in the long run.

ESG & Impact Investment Strategies		Description
ESG Investing	Exclude	<ul style="list-style-type: none"> Specific sectors, geographic markets or companies may be excluded with over-weights to the remaining sectors.
	Score	<ul style="list-style-type: none"> Companies are scored using one of the standard ESG ranking methodologies (e.g., MSCI, Sustainalytics) or a bespoke approach. This includes active and passive ESG scoring strategies.
	ESG Core to Strategy	<ul style="list-style-type: none"> Strategy is primarily based on the explicit inclusion of financially material environmental, social and governance factors into investment analysis and decisions. ESG insights can be attributed to the delivery of significant outperformance.
Impact Investing	Engage	<ul style="list-style-type: none"> A key element of their strategy is the manager's active engagement with corporate management, boards and other shareholders to influence company actions on key ESG issues.
	High Impact Sectors or Companies	<ul style="list-style-type: none"> Investing in companies expected to be amongst the most successful in sectors that are having the most positive impact on the environment, society at large and underserved communities. This will include managers focused on the specific sectors including decarbonisation, healthcare/life sciences, education and financial inclusion. We include strategies that do not market themselves as being impact-focused, rather they operate in inherently impactful sectors such as life sciences.

Specifically, the Investment Committee has agreed the following implementation of the ESG and Impact investment strategies described above for the College's portfolio:

- Exclusions:** The College recognises there are occasions when an investment is so ethically unjustifiable or adverse from a sustainability perspective as to warrant the College's dissociation irrespective of the expected financial return. In these circumstances, the College will divest of any such exposures in the portfolio, unless investment via co-mingled funds may render this impractical. The College has defined a number of sectors that are excluded from both any directly held equity positions and from any passive equity exposure in the portfolio. These sectors are coal, tobacco, tar sands, gambling and controversial weapons¹.

Outside of the previously mentioned sectors, the College maintains a presumption against divesting investment assets for reasons unrelated to their expected risk adjusted return. This is due to a combination of the belief that engagement is more impactful as remaining a shareholder would allow for a more constructive dialogue with management teams, along with the practical reality of the College's investment strategy, which is dominated by investment via third party managed funds.

¹ Exeter College defines controversial weapons as manufacturers of cluster munitions, landmines, chemical weapons, blinding lasers, incendiary weapons and non—detectable fragments but we also recognise that implementing this policy is inherently linked to the definitions and methodologies applied by the providers of the strategies in the portfolio.

2. **Scoring:** The bulk of the endowment portfolio is invested in equity capital or debt instruments of public or private companies. As such, evaluating companies against ESG factors is an important part of ESG policy implementation. Standards for ESG scoring or measurement are developing at a rapid rate and adoption of ESG scoring by asset managers and institutional investors has progressed from very low levels to meaningful levels today. It is our expectation that ESG scoring systems will become more commonplace and more effective at driving change in these companies. The most effective scoring systems will weight factors differently for different companies and different geographical regions. Furthermore, individual institutional investors are likely to weight scoring in line with their preferences tied to their own mission. The endowment will follow a similar path over time.
3. **ESG Core to Strategy:** For our investments made through independent third-party asset managers, we seek to integrate and manage ESG issues through an operational due diligence framework to assess these third-party managers. This framework includes an ESG due diligence section to ensure that ESG related questions are assessed and considered during the due diligence process.

After making an investment, with the help of our investment advisors, we continue to monitor identified ESG risks and maintain a dialogue with external managers to ensure effective oversight. Furthermore, our investment advisors are specifically tasked with working with each of our third-party asset managers (usually invested via co-mingled funds) to incorporate responsible investment best practices into their investment decision making. The College recognises that there may be some investment strategies which are not well-suited to integrating ESG factors (e.g., global macro strategies predominantly trading rates and currencies). Therefore, our investment advisors will adapt their approach to account for this. For those strategies where they believe typical ESG integration processes are less relevant, the investment advisors will focus on the management of the firm, looking for the presence of initiative to manage the firm's environmental footprint and/or a formal Diversity & Inclusion ("D&I") policy or active D&I practices.

The College believes that the integration of ESG criteria into investment analysis and decision-making is an evolving process. Current limitations to effective ESG integration include the lack of a widely adopted ESG scoring system, poor availability of ESG information for certain asset classes, sectors or markets and a degree of uncertainty over the extent to which ESG integration may improve investment performance. For these reasons, we will continuously refine our approach.

4. **Engagement:** As previously stated, the College maintains the belief that engagement and constructive dialogue with underlying management teams is impactful and voting proxies has been shown to effect change. After making an investment, with the help of our investment advisors, we will continue to monitor and work with our third-party managers to actively engage with corporate management, boards and other shareholders to influence company actions on key ESG issues.
5. **High Impact Sectors or Companies:** In the pursuit of maximising risk adjusted returns for the portfolio, the investment advisors will have allocations to a number of

companies and/or sectors which are contributing meaningful positive societal or environmental impact. These would represent investments earning returns at least in line with other investments in the endowment of comparable risk.

Monitoring and Reporting

The Investment Committee will seek to assess the extent to which responsible investing is successfully integrated within the College investment portfolio with the help of its investment advisors and through scrutiny of their actions. It will challenge the investment advisors on the extent to which ESG issues are incorporated into investment analysis and the decision-making processes and its engagement with underlying asset managers on the subject. The Investment Committee will monitor the compliance of its advisors with the agreed policy on exclusions.

Partners Capital, one of our investment advisors, will monitor and report on the ESG and impact metrics of the portfolio as far as possible. Such reporting will be produced quarterly and reported to the Investment Committee.

By College Order 22/071, this policy was approved by Governing Body on 15th June 2022 with immediate effect, and is to be reviewed by 30th June 2026, and was also approved for display on the website.