Homerton College

Responsible Investment Policy

Approved by College Council January 2022

Homerton College Cambridge, aims to have a positive real-world social and environmental impact through its investments and commits to being at the forefront of responsible investment globally. In doing so the College will achieve its risk and return targets and satisfy its fiduciary duty as a perpetual institution while recognising that, as a universal owner, the long-term health of its endowment necessitates the mitigation of systemic risks in the real economy.

Given the urgency of climate change, the College aims to take particular action on decarbonisation of the estate. Homerton College is currently undertaking a master planning exercise to plan its investment in the estate to reduce its Scope 1 and 2 carbon emissions.

Investment Manager selection

Responsible investment will be a central element of selection criteria and communications with prospective managers. The College will review its investment managers' responsible investment practices at least annually and will re-tender managers– alongside a public announcement if this is likely to bring profile to an element of responsible investment or its erstwhile investment manager's behaviour – if the managers' practices consistently run counter to the College's policies across any and all asset classes.

In particular, the College and its' investment managers will be expected to operate in the following ways:

Public equity

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 whose activities run counter to the Paris Agreement and/or other international environmental or social standards
- Excessive executive remuneration packages and/or executive remuneration packages that do not incorporate social and environmental metrics or that incentivise fossil fuel expansion
- The reappointment of auditors who sign off on accounts with unrealistic assumptions relating to climate risk and stranded assets

Investment 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.

Fixed income

With the understanding that a large majority of companies' external financing comes from debt – fixed income and bank lending – the College will pay particular attention to the contents of any fixed income investments it makes or holds. This will involve, in the first instance, engaging with its investment managers to eliminate the provision of new capital to problematic companies and sectors – especially as regards fossil fuels, tobacco, and armaments. If investment managers do not alter their fixed income investment practices within a reasonable time frame, the College will switch to a fixed income offering that fits its environmental and social requirements or leave the investment manager entirely.

Private equity/Venture capital

The College currently has modest exposure to private equity or venture capital holdings. Private equity is also a source of new capital for companies, and for this reason the College will ensure that it does not invest in funds with a focus on companies whose activities run counter to the environmental and social values of the College.

Alternatives/Absolute Return

Responsible investment is particularly underdeveloped in alternatives/absolute return funds. Where managers offer a responsible investment or fossil-free option, as is increasingly the case, the College will opt for it. Investment managers will be asked to take particular care in scrutinising such funds and may decide to avoid managers who cannot credibly claim to align with the College's environmental and social values.

Real estate/directly-held property

In its own directly-held property and in any real estate investments the College makes, 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 future new buildings to attain an Environmental Performance Certificate rating of "A"[1]
- All new office buildings to achieve the Building Research Establishment's Environmental Assessment Method (BREEAM) "excellent" standard
- No new gas/fossil-fuel boilers to be installed, either as part of refurbishments or in new builds
- The College's real estate managers (where appointed) to be encouraged to tie at least part of their remuneration structure to energy efficiency improvements in portfolio buildings.

In the case of property holdings that do not fall under the rubric of established energy efficiency standards, the College will target decarbonisation on the shortest feasible timeline. The College will encourage existing tenants to adopt strategies to reduce emissions and will adapt the wording of its standard leases to ensure that future agreements reinforce energy-efficient tenant behaviour and allow for low-carbon refurbishments on an ambitious timetable.

Banking/loans/cash deposits

The College expects its bank to align with the College's social and environmental policies, especially as regards climate change. The College will engage with its bank – currently Lloyds – on fossil fuel lending in particular, and will aim to publicly switch providers for banking, loans, and cash deposits if the bank's activities continue to run counter to the College's values.

Stakeholder engagement

The Homerton Union of Students "HUS" (the College's Junior Common Room and Middle Common Room) and College Council may both pass motions regarding particular responsible investment issues and/or the conduct of the College's investment managers or bank; the Bursar and the Investment Committee will consider these motions and either implement them – directly or via its investment managers – or revert to College Council with an alternate proposal to address the issue at hand. The Bursar will also hold a town hall meeting with students and fellows annually to listen to their views on responsible investment.

Reporting/monitoring

---

[1] 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.

The Bursar will provide an update to the College community at the annual town hall meeting as to the College's activities relating to responsible investment.

Wider influence

The College will also deploy its influence and connections to bolster national and international collaborations in service of a rapid and just decarbonisation of the real economy and/or to advance other environmental and social causes that align with its values as an institution. Accordingly, the Bursar is pre-authorised to sign on to group letters and shareholder resolutions that align with the above policy.