



**MAGDALEN COLLEGE
OXFORD**

ESG Policy in College Endowment Management

October 2023

Background

Magdalen College's endowment management aims to achieve long-term returns above inflation to support the College's charitable objects outlined in its Statutes. This document sets out how the College's Investment Committee applies ESG principles in practice.

- The College's principles are enshrined in our investment decision and monitoring processes.
- ESG considerations form a core pillar of our due diligence undertaken before any new investment.
- We view ESG as part of a decision making framework for long-term investments. We believe that ESG factors have the potential to strengthen companies, drive value growth and enhance long-term returns.
- We do not consider it constructive or pragmatic to be prescriptive. The degree to which ESG factors are relevant varies significantly across asset class, investment strategy and industry. Investment managers should have a policy that reflects their strategy, values and culture.

PRINCIPLES

Magdalen is dependent on the income earned from its endowment to fund a material part of its operations. The endowment is managed to responsibly deliver long-term real growth over time for the benefit of future generations as well as sufficient funding to meet current needs.

We believe that the success of this mandate cannot be measured solely in financial terms. It includes an obligation to act responsibly and ethically, and to consistently consider relevant and material ESG factors.

We incorporate ESG into our investment evaluation and monitoring processes, taking time to assess the applicable factors for each direct investment held in the portfolio. Before investing with an external manager we seek to understand how they incorporate ESG into their decision making process and ongoing investment management.

Examples of the ESG factors that are taken into consideration are:

Environmental

- Reduction of resource usage and mitigation of pollution
- Greenhouse gas emissions (net zero ambition)
- Impact on wildlife, biodiversity and scarce, finite resources

Social

- Human rights
- Modern slavery and abusive labour practices
- Community engagement
- Diversity and inclusion in the workplace and community

- Data privacy

Governance

- Alignment of interests between boards and stakeholders
- Transparency
- Voting, conflicts, remuneration
- Fraud, anti-bribery, anti-corruption controls
- Reputational risk

This list includes many key factors; it is not exhaustive.

INDEPENDENT ADVICE

As part of investment due diligence, we seek independent advice on all of our active managers and private equity managers before any investment decision is made.

INVESTMENTS

The endowment is currently invested directly and indirectly in both real and financial assets and across four main asset classes.

REAL ESTATE (directly owned and managed assets)

The Oxford Science Park

The Oxford Science Park is the Endowment's most significant asset. TOSP is one of Europe's leading Science Parks and exists to support the ambitious growth of new and existing science and technology businesses from the UK and abroad.

TOSP has its own ESG strategy which is aligned with that of the College and compliance considered as part of IC's regular monitoring activities. TOSP is particularly committed to reducing construction carbon and energy usage (scope 1, 2 and 3 emissions) and light pollution. Particular areas of focus include: building design/energy strategy; transport sustainability; promotion of high standards of ecological and environmental protection; and social responsibility through use of local labour, local supply chains and apprenticeships and by offering relevant experiences to local schools and colleges.

Other Real Estate

We evaluate material ESG issues during screening and due diligence, planning and execution of development or renovation activities. ESG considerations play an important role in the management of the assets and in engagement with occupiers.

Our process for investing in and managing property assets entails a formal assessment of:

- Environmental impact and sustainability of buildings including relevant accreditations and ratings (e.g. EPC, BREEAM) and pathway to net zero together with legacy issues such as contamination
- For farmland, consideration of sustainable farming practices and impact on local communities arising from any proposed alternative use.
- Tenant profile, reputation and actual usage of land and buildings
- Where possible, making use of the College's extended investment horizon to unlock long term strategic benefits for the College and community

PUBLIC MARKET ASSETS (indirectly owned and managed assets)

Passive Funds (Listed)

Passive funds are chosen to gain diversified exposure to global equity markets, and because they align well with the endowment's long-term investment horizon. Passive funds also offer us the ability to track the performance of indices in certain geographies or regions. In recent years the landscape has evolved to include strategies that are managed with reference to certain ESG criteria. Fund policies towards screening and degree of ESG integration vary significantly. At a minimum, passive ESG funds will exclude certain companies based on the perceived impact of their conduct or activity on society and / or the environment. Some passive funds also seek to maximise their exposure to positive ESG factors. They do this by choosing companies with the highest ESG ratings (derived from company specific data and disclosures) as determined by ESG ratings agencies eg: MSCI.

Appointed managers are subject to an annual review during which their compliance with our ESG policy is assessed and recommendations made to buy, hold or sell individual funds and/or add to the fund range.

Active Managers (Listed)

We partner with exceptional active managers, whom we expect to deliver substantial, long-term outperformance (alpha) against global stock markets.

Because our approach is long-term, our active-managed portfolio has a natural bias towards shares of high-quality, growth companies. Although we do not prescribe the ways in which our managers incorporate ESG, we will not invest unless satisfied that they have a coherent policy that is aligned with our own principles.

Appointed managers are subject to an annual review during which their compliance with our ESG policy is assessed, feedback provided, and corrective action taken as necessary. That review also recommends whether to add additional funds and managers to the portfolio.

PRIVATE VENTURE AND EQUITY FUNDS

Our Venture Capital and Private Equity managers are expected to demonstrate a commitment to ESG issues by having a coherent and structured framework that clearly articulates their values and gives meaning to their ESG policies and processes.

Although we do not prescribe the ways in which our external managers incorporate ESG, we will not invest with them unless satisfied their values and approach is aligned with our own ESG principles.

PROSCRIBED SECTORS

The Magdalen endowment will not feature any direct investment exposure to the following sectors, nor will we allocate to an active manager who derives a material portion of their returns from these areas:

ARMS AND WEAPONS, TOBACCO, FOSSIL FUELS, GAMBLING, PORNOGRAPHY