The Cambridge University Assistants' Contributory Pension Scheme (the "Scheme")

Statement of Investment Principles (the "Statement")

1. Scope of Statement

The Scheme's assets are held in trust by C U Pension Trustee Limited ("the Trustee") which is responsible for the Scheme. The investment powers of the Trustee are set out in Clause 18 of the Rules of the Cambridge University Assistants' Contributory Pension Scheme dated 5 August 2016 and as amended from time to time.

The effective date of this Statement is 7 September 2020. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

2. Responsibility for the Scheme's investment strategy

The Trustee is responsible for the investment strategy of the Scheme. It has obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Ltd (the "Investment Consultant") who are authorised and regulated by the Financial Conduct Authority.

The Trustee has consulted with the University's Chief Financial Officer acting on behalf of the Principal Employer, prior to writing this Statement and will take the Employer's comments into account when it believes it is appropriate to do so.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the investment managers appointed and is available to the members of the Scheme.

3. Investments Committee

The Trustee has established an Investments Committee to act on its behalf in matters relating to the investments of the Scheme. The Investments Committee operates under Terms of Reference and has been consulted on the drafting of this document.

4. Objectives

The Trustee's objectives for the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee's primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve.

5. Investment Risk Measurement and Management

The Balance Between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) arises from asset allocation. It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

A full range of available asset classes is considered. This includes consideration of so called “alternative” asset classes (including property and hedge funds).

Employer Covenant

Risks associated with changes in the Employer covenant are assessed by the Trustee on a regular basis. The Trustee recognises the importance of the Employer covenant in the ongoing security and solvency of the Scheme.

Investment Managers

The Trustee monitors the risks arising through the selection or appointment of investment managers on a quarterly basis through investment monitoring reports prepared by its professional advisors. These cover financial and stewardship performance, as outlined under Selecting and Monitoring Asset Managers below.

The Trustee has appointed the Investment Consultant to alert it to any matters of material significance that might affect the ability of each investment manager to achieve its objectives.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

The Trustee also recognises the importance of monitoring investment managers’ costs, direct and indirect, and tasks its Investment Consultant to track and report on this as part of performance reporting.

For due diligence purposes the Investments Committee typically meets quarterly and aims to see each investment manager at least once per year.

6. Choosing Investments

The assets of the Scheme are invested in the best interests of the Scheme members and beneficiaries.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee’s objectives.

Assets held to cover the Scheme’s technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Investment management responsibility is delegated to the investment managers appointed by the Trustee. With regards to the review and selection of investment managers, the Trustee takes expert advice.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and appropriately diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or to facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

7. Custody

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the Employer.

8. Expected Returns on Assets

Over the long-term the Trustee's expectation is to achieve a return which at least keeps pace with the increase in national average earnings. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and investment managers.

9. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

10. Responsible Investing and Stewardship

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee believes that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, it must act as a responsible steward of the assets for which it is responsible. The Trustee recognises the need to ensure high standards of governance and corporate responsibility in the underlying entities in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme. The Trustee therefore expects the Scheme's investment managers and Investment Consultant to be signatories to the UK's Stewardship Code.

Environmental, Social, and Governance considerations

The Trustee acknowledges that environmental, social and governance (ESG) factors including climate change can negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their Investment Consultant when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to take into account ESG considerations (including long-term risks posed by sustainability concerns including climate change) in the selection, retention and realisation of investments.

Stewardship - Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers, as major institutional investors, to**:**

- engage with investee companies, where appropriate, with the aim to protect and enhance the long-term value of assets taking material ESG factors, including climate risks, into account; and

- exercise the Trustee's voting rights in relation to the Scheme's assets in a way which holds directors of investee companies accountable for long-term and responsible behaviour, taking into account material ESG factors, including climate risks.

Expected reporting on these activities is outlined below under “Monitoring managers”.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage directly with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly consult with Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The Trustee is taking a number of steps to monitor and assess ESG related risks and opportunities.

Collaborative initiatives

The Trustee expects the Scheme's investment managers to support collaborative efforts that are in the interests of the Scheme's beneficiaries, as permitted by the relevant legal and regulatory codes.

11. Selecting and monitoring Investment Managers

Selection of managers

In addition to steps outlined under Choosing Investments above, the Trustee expects to receive, prior to their appointment and annually thereafter, a copy of each manager's Responsible Investment policy, including details of how they integrate ESG into their investment process and fulfill their stewardship responsibilities through engagements and voting at the underlying investee companies as well as any collaborative efforts.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies.

The Trustee will share the policies of the Scheme, as set out in this SIP and requests that the investment manager reviews and confirms whether their approach is in alignment with the Trustee's policies, prior to their appointment and annually thereafter.

Any conflicts of interest that exist that could impact the manager's ability to fulfill the required investment and stewardship activities should be declared to the Trustee and assessed.

Where necessary, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will seek written confirmation of alignment from the investment manager (such as through a side letter).

Monitoring managers

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on ESG and stewardship matters. The Trustee is supported in this monitoring activity by the Investment Consultant.

To facilitate this monitoring, the Trustee receives regular reports and verbal updates from the Investment Consultant on various items including the investment strategy, performance, integration of ESG considerations, and longer-term positioning of the portfolio. The Trustee is focused on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives. The Trustee assesses the investment managers' performance over 3 to 5 year periods.

The Trustee reviews the stewardship activities of their investment managers at least annually, covering both engagement and voting actions. The Trustee expects the Scheme's investment managers to provide:

- Confirmation of ongoing alignment with the Trustee's policies, as set out in this SIP;
- Confirmation that they remain signatories to the UK Stewardship Code;
- A report on the implementation of the Responsible Investment policy, including
    1. the integration of ESG considerations (including climate risk) into the investment process;
    2. the impact this has had on investment decision-making;
    3. engagements over the period and their outcomes; and
    4. the voting record with analysis of how it supports long-term stewardship in line with the Trustee's policies.

Manager incentive alignment and accountability

The Trustee believes that having appropriate governing documentation and regular monitoring of investment managers' performance and investment strategy as outlined above is in most cases sufficient to incentivise the investment managers to deliver long-term investment decisions, taking ESG factors into account, that align with the Trustee's policies.

If an incumbent manager is found to be falling short of the standards the Trustee has set out in their policy, the Trustee will raise this with the manager. In the event performance is not adequately improved, the Trustee will consider a range of possible sanctions from fee reductions to replacing the manager. These sanctions help to reinforce alignment with the Trustee's policies.

There is typically no set duration for arrangements with investment managers, although the continued appointment for investment managers will be reviewed periodically, and at least every three years.

12. Costs and Performance

Cost Monitoring

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the Scheme's investment managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data, in line with templates appropriate for each asset class such as those of Cost Transparency Initiative ("CTI"). This allows the Trustee to understand exactly what the Scheme is paying the investment managers. The Trustee works with their Investment Consultant and investment managers to understand these costs in more detail where required. Where these costs are out of line with expectations, the managers will be asked to explain the rationale, including why it is consistent with their strategy and the extent they expect it to continue in the future.

Prior to appointing an investment manager, the Trustee will seek a full disclosure of costs according to the relevant template. Where this information is not forthcoming, the Trustee may prescribe a time frame for achieving the necessary disclosure or may decide not to appoint the investment manager.

Evaluation of Investment Managers' performance and remuneration

The Trustee assess the performance of their investment managers on a quarterly basis and the remuneration of their investment managers on at least an annual basis via collecting cost data wherever possible in line with the CTI templates.

The Trustee benchmarks the Scheme's investment managers' cost and performance data against the industry on a triennial basis to assess the value for money being provided. Above average costs may be acceptable where there is a verifiable track record of delivering expected performance.

Portfolio turnover costs

The Trustee monitors portfolio turnover costs (defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to the Scheme's underlying investments through the information provided by their investment managers. The target portfolio turnover and turnover range is assessed annually with the assistance of the Investment Consultant.

The Trustee understands that transaction costs will vary across asset classes and by manager investment strategy. In both cases, a high level of transaction costs may be acceptable as long as it is consistent with the asset class characteristics, investment strategy and the Trustee's policies to promote long-term stewardship. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustee is supported in their cost transparency monitoring activity by their Investment Consultant.

13. Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.