THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY

CAMBRIDGE ASSOCIATES CLIENT SPOTLIGHT

"We see ESG and net zero as part of good risk management. There's no evidence that this approach has meant lower returns; if anything, it has strengthened our long term position."

STEPHEN YIU KIN-WAH, TREASURER AND FINANCE COMMITTEE CHAIR

The Hong Kong University of Science and Technology (HKUST) is a world-class research university focused on science, technology, business, and innovation, with a long-standing commitment to sustainability across teaching, research, and campus operations. The university increasingly treats its campus as a "living lab" for climate solutions, piloting technologies such as large-scale solar, advanced cooling for energy-intensive computing, and performance-based retrofits in flagship buildings.

As HKUST's sustainability profile grew, donors, alumni, and students began asking how the university's investments reflected its climate values, at a time when few institutions in Asia had formal ESG or net zero policies. University leaders wanted to ensure the investment portfolio supported HKUST's climate ambitions and continued to generate the strong, stable returns needed to fund research, financial aid, and strategic initiatives.

A JOURNEY OF PARTNERSHIP AND PROGRESS

Fifteen years ago, HKUST engaged Cambridge Associates to help steward its long-term investment pool—now approximately US$1.6 billion—establishing a foundation of disciplined portfolio management and strong governance. Five years later, the university formally integrated ESG principles and climate objectives into strategic asset allocation, manager selection, and risk management. Through the combined efforts of the Finance Committee, Finance Office, Sustainability & Net Zero Office, and Cambridge Associates, HKUST has advanced from early ESG exploration to a sophisticated, disciplined endowment model, always with a focus on long-term performance.

"The strength of our governance has been critical—the Council, Finance Committee, and management share a clear policy and a high level of trust, which lets us make long-term decisions and stick with them, even in difficult markets."

STEPHEN YIU KIN-WAH, TREASURER AND FINANCE COMMITTEE CHAIR

A PIONEERING NET ZERO POLICY

HKUST was the first university in Hong Kong to publicly adopt an ESG position statement and later expand it into a comprehensive net zero investment policy. This policy defines HKUST's dual role as a prudent long-term investor and a sustainability leader, committing its investment portfolio to a net zero pathway aligned with the Paris Agreement.

The strategy sets clear goals: reducing greenhouse gas emissions from its public equities and fixed income holdings by half by 2030 (using 2021 as a baseline), gradually phasing out fossil fuel investments, and allocating approximately 5% of the portfolio to climate solutions. HKUST also expects its investment managers to actively address climate risks and support companies with credible, science-based climate targets.

"Our goal is to be a sustainability leader across the region and beyond, and that means our investment strategy must reflect the same climate ambitions we set for our campus and research."

PROFESSOR KAR YAN TAM, VICE PRESIDENT FOR ADMINISTRATION AND BUSINESS

FROM POLICY TO PRACTICE: PROGRESS OVER PERFECTION

Translating policy into portfolio required a pragmatic, staged approach. HKUST and Cambridge Associates began by measuring the ESG and climate characteristics of the existing portfolio, focusing first on listed equities and fixed income where climate data are most robust. This baseline work informed an initial set of manager changes and re weights that were already directionally aligned with net zero before the policy was formally adopted.

> "We didn't wait to have every answer before we acted. We started with the tools and data we had, and committed to make every new decision move the portfolio further along the net zero path."
>
> **STEPHEN YIU KIN-WAH, TREASURER AND FINANCE COMMITTEE CHAIR**

Implementation emphasizes "progress over perfection." Rather than re-engineering the portfolio overnight, HKUST uses annual ESG and climate reviews to guide incremental changes in managers and allocations, ensuring that each new decision nudges the portfolio further along the net zero pathway. This approach has allowed the university to move quickly without compromising diversification, liquidity, or return objectives, and to adapt as data and tools evolve.

A NUANCED APPROACH TO DECARBONIZATION

HKUST's framework deliberately balances ambition with realism. The university has committed to reducing fossil fuel exposure over time, but has avoided blunt, blanket exclusions that could lead to a highly constrained, less effective portfolio. Instead, it focuses on:

- Lowering financed emissions and fossil fuel reserves in public markets relative to benchmarks.
- Increasing exposure to climate solution companies and managers with science based transition plans.
- Using stewardship and engagement to influence real world emissions outcomes.

This approach recognizes that some higher emissions companies—such as producers of enabling technologies for renewables or efficiency—may be critical to decarbonization, and that simply divesting from them could reduce the portfolio's positive real world impact.

BUILDING A NET ZERO–ALIGNED ALTERNATIVES PROGRAM

In parallel with its climate work in public markets, HKUST has transformed its overall portfolio into a more fully fledged endowment model. Working with Cambridge Associates, the university has grown alternatives to roughly one third of assets, including private equity, private credit, real assets, and a diversified hedge fund allocation.

This build out has been supported by disciplined governance practices—such as pre meeting discussions ahead of Finance Committee sessions to focus on key decisions—and careful pacing of new commitments. The resulting portfolio resembles leading global endowments, positioning HKUST to capture illiquidity premia and selectively back private market climate and impact opportunities as the opportunity set expands.

RESULTS TO DATE

Today, HKUST's public equity portfolio exhibits significantly lower emissions, lower fossil fuel reserves, and higher exposure to companies with science-based targets than its benchmark, while maintaining broad diversification and competitive return potential. Climate and ESG reviews are now a standing item on the Finance Committee agenda at least once a year and the university has embedded climate considerations into manager selection, monitoring, and portfolio construction across listed asset classes.

Beyond portfolio metrics, HKUST continues to generate strong long term performance, regularly ranking near the top of Hong Kong university endowments based on publicly available financial statements—helping to reinforce the message that a net zero aligned strategy can be fully consistent with fiduciary duty.

> "Sustainability isn't an add on at HKUST—it's part of who we are as a science and technology university, in our research, our teaching, and how we run the campus every day."
>
> **Professor Kar Yan Tam, Vice President for Administration and Business**

REINFORCING A WHOLE OF CAMPUS CLIMATE STRATEGY

The investment strategy is one pillar of a broader institutional climate effort that spans research, teaching, campus operations, and student engagement. HKUST's Sustainability/Net Zero Office leads initiatives from solar expansion and campus wide waste audits to immersion cooling systems for energy intensive AI computing and a major retrofit pilot that uses the business school building as a live case study for performance based energy contracts. Students are deeply involved, from hands-on waste audits to circularity programs that refurbish and redistribute essential items to new arrivals, helping embed a culture of sustainability across the community. The endowment's net zero policy ensures that the way HKUST's capital is invested is aligned with these on-the-ground efforts, reinforcing the university's role as a laboratory and showcase for climate solutions in Hong Kong and beyond.

INFLUENCE AND LEADERSHIP IN ASIA

HKUST's decision to formalize and publicly communicate its ESG and net zero investment policies has already attracted attention from government bodies and peer institutions. The university has been recognized by local authorities for its early and substantive adoption of ESG investing, and other Hong Kong universities have sought out HKUST's experience as they consider their own governance structures and investment approaches.

> "We hope our experience shows other universities in Asia that it's possible to pursue net zero investing in a disciplined, pragmatic way—and that strong governance is the real enabler of climate ambition."
>
> **Professor Patrick YEUNG Kai-Cheung, Former Council Vice Chair, Treasurer, and Finance Committee Chair**

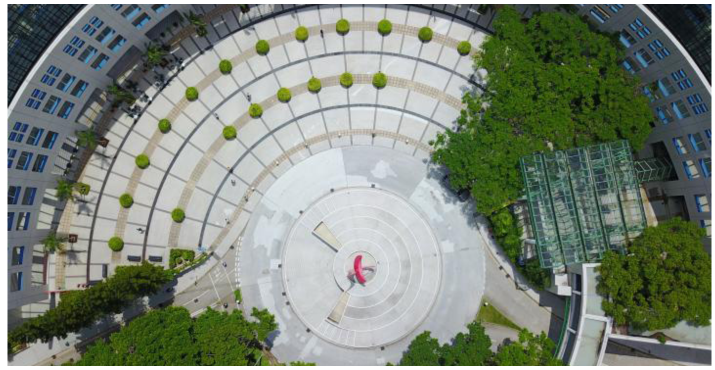
As one of the first Asian university endowments to pair a clear net zero commitment with a sophisticated alternatives program, HKUST is now a reference point for institutional investors across the region who are exploring how to decarbonize portfolios in practice.

FIVE LESSONS HKUST HAS LEARNED ON THEIR JOURNEY

1

STRONG GOVERNANCE FIRST

Clear delegation between Council, Finance Committee, and management—and long tenures on key committees—made it possible to adopt and implement an ambitious net zero policy without repeatedly reopening core decisions.



2

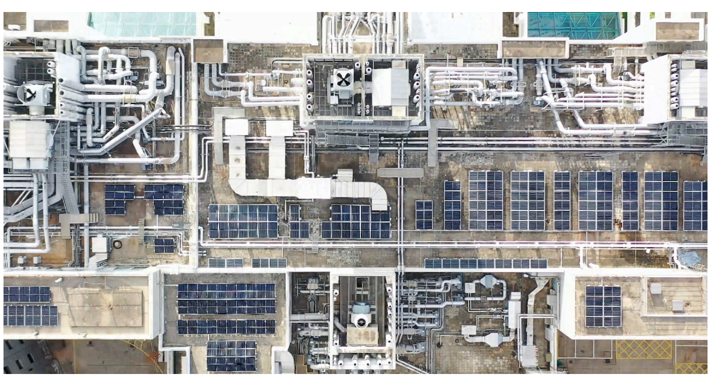
PROGRESS OVER PERFECTION

Starting with listed assets, using the data and tools already available, and focusing on incremental manager and allocation changes helped HKUST move forward quickly instead of waiting for a "perfect" framework.

3

NET ZERO AS FIDUCIARY, NOT A TRADE OFF

HKUST treats ESG and net zero as part of prudent long term risk management, not as a concessionary overlay, and has seen no evidence that this approach has required sacrificing returns.



4

ALTERNATIVES AS AN ENABLER

Building a meaningful allocation to private equity, private credit, real assets, and hedge funds has allowed HKUST to access climate solutions and transition opportunities while maintaining a diversified endowment profile.

5

LEAD LOCALLY, SHARE GLOBALLY

By formalizing and publicly communicating its ESG and net zero policies, HKUST has become a reference point for peer institutions and policymakers in Hong Kong and across Asia that are exploring their own net zero journeys.

ABOUT THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY

The Hong Kong University of Science and Technology (HKUST) is a world-class research-intensive university that focuses on science, technology, business, and the humanities. With an international campus and a holistic, interdisciplinary pedagogy, HKUST nurtures well-rounded graduates with global vision, entrepreneurial spirit, and innovative thinking. As of 2022, HKUST members have founded 1,645 active start-ups, including 9 unicorns and 7 IPO companies, generating economic impact worth over HK$400 billion.

ABOUT CAMBRIDGE ASSOCIATES

Cambridge Associates is a global investment firm dedicated to helping institutions and families build portfolios that reflect their values and achieve their long-term goals. Our partnership with HKUST, spanning more than 15 years, exemplifies our commitment to sustainability, innovation, and client-centric solutions.

CAMBRIDGE ASSOCIATES