

**Macalester College Investment Committee
Environmental, Social, and Governance (ESG) Policy**

I. Introduction - Responsible investing integrates environmental, social and corporate governance (ESG) factors into each phase of the investment process, including sourcing, due diligence, negotiation of terms and conditions, monitoring of manager and fund compliance and remedial action, if and when required. The members of Macalester College's Investment Committee are adopting this policy because they believe that consideration of ESG factors are relevant in the following three primary contexts:

- whether ESG issues might add (or reduce) risk to an investment;
- whether ESG issues might pose significant reputational risks to the College;
- whether ESG issues make a potential investment incompatible with Macalester's values and mission.

II. Guiding Principles – The Endowment contributes to the fulfillment of Macalester's mission by providing enduring financial support to the College. The Board of Trustees has delegated responsibility for oversight of the management of the Endowment to the Investment Committee. Where practicable and consistent with the Investment Committee's fiduciary duties to act in the best interests of the College, the Investment Committee will strive to adhere to the following Guiding Principles¹ when incorporating ESG factors into our investment analyses and decision-making process:

- We will incorporate ESG considerations into our investment analysis and decision-making processes, including but not limited to environmental stewardship, climate change, gender and racial diversity, and governance. ESG factors are one set of many considerations influencing our investment decision-making process.
- We will seek appropriate disclosure on ESG factors by the investment managers and funds in which we invest by incorporating specific ESG questions² in our investment manager due diligence processes.
- We will report on the Endowment's responsible investing activities and progress towards implementing these Guiding Principles. (See Section VI.)
- We will participate as supporting members in the Ceres Investor Network and Climate Action 100+ to show broad support of their activities to drive corporate action on climate change.
- We will work to continually enhance our effectiveness in implementing our responsible investment philosophy and practices.

¹ We regard the United Nations Principles for Responsible Investment (UNPRI) as a helpful framework for implementation of ESG into the investment process. The Guiding Principles outlined above are largely based on the UNPRI but have been modestly revised to be more specific to the management of the Macalester College Endowment.

² Please refer to Attachment 1 for a list of ESG questions for existing and prospective investment managers.

**Macalester College Investment Committee
Environmental, Social, and Governance (ESG) Policy**

- III. Consideration of ESG Factors for Endowment Investments** - In connection with the selection of new and the monitoring of existing Endowment investments, where appropriate and practicable, Investment Staff will work to assess the investment manager's:
- integration of ESG factors into their investment decision-making process to identify potential ESG risks and opportunities;
 - engagement with portfolio funds/companies and their processes to address identified ESG shortcomings;
 - periodic and incident reporting of ESG issues to their investors;
 - commitment to diversity and inclusion in the management of their own investment organization;
 - consideration of the impact of climate change within their investment process and how they measure and mitigate the potential risks from carbon emissions.
- IV. Existence of ESG Issues** - The existence of an actual or potential negative ESG issue with respect to an existing or potential Endowment investment is not an automatic disqualifier. We will not necessarily forego a fund investment if the relevant investment manager does not approach ESG issues with the desired diligence and commitment (except if the manager is engaged in illegal, unethical or highly controversial investments and/or behavior). In all cases, Investment Staff will notify the Investment Committee in instances where significant ESG issues exist so that they are properly factored into the investment decision-making process.
- V. Special Consideration of Private Oil and Gas Energy Partnerships** - The Board of Trustees has directed the Investment Committee, in its regular evaluation of investments, to approve new investments in private oil and gas partnerships only when the Investment Committee believes the investment is reasonably likely to result in a net reduction of greenhouse gas emissions.
- VI. Reporting** - Investment Staff will include reporting on potentially significant ESG factors as part of prospective and existing investment manager due diligence reporting to the Investment Committee. In addition, Staff will provide periodic reporting on Macalester's investment managers' progress over time towards implementing gender and racial/ethnic diversity initiatives in the manager's underlying portfolio companies and the management of their own firms. Finally, Staff will provide periodic updates regarding specific ESG initiatives that Macalester's investment managers have implemented. The Investment Committee will periodically report to the Board of Trustees on the Endowment's responsible investing activities and progress towards implementing this ESG Policy's Guiding Principles.

**Macalester College Investment Committee
Environmental, Social, and Governance (ESG) Policy**

Attachment 1

ESG Due Diligence Questionnaire

1. Does your firm have an ESG or responsible investment policy? If yes, please provide a copy and explain how ESG and/or other responsible investment considerations are taken into account in your firm's investment process. If not, does your firm have an intention to develop any such policies or please explain how ESG and other responsible investment considerations are already taken into account in your firm's investment process?
2. Do you commit to any international standards, industry (association) guidelines, reporting frameworks, or initiatives that promote responsible investment practices? If your organization is a signatory to the United Nations Principles for Responsible Investment (UNPRI), please provide a copy of your most recent PRI assessment.
3. If you have an ESG policy, who within your firm has ultimate responsibility for its implementation?
4. If you have a responsible investment policy, how do you communicate your approach and report ESG-related information to your investor clients, staff and portfolio companies?
5. Do you provide training, assistance or additional resources to your investment staff and portfolio companies to help them understand potential ESG risk factors?
6. Do you have a policy that supports diversity and equal opportunity within your organization? If so, please provide a summary of your key commitments/control measures.
7. What percent of the equity partners in your firm are 1) women and/or 2) people of color? What percent of your other investment professionals are 1) women and/or 2) people of color?
8. Please provide an overview of how climate change is considered within your investment process and outline how the potential for carbon risk is measured and mitigated?
9. Please describe if/how you incorporate ESG factors in the management of your own firm?