



STATEMENT ON INVESTMENT RESPONSIBILITY

Adopted 1971, as amended through June 2015

Commitment

The purpose of this Statement is to set forth the Board of Trustees' commitment to responsible investment of the University's endowment and to establish the guidelines for action by the Trustees in furtherance of this commitment.

The primary fiduciary duty of the Trustees in managing the endowment is to maximize the risk-adjusted financial return on endowment assets, taking into account the financial needs of the University. The Trustees may consider issues of social injury when managing the endowment, but nothing in this Statement should be read to change or diminish their fiduciary duties to the University.

This Statement recognizes that issues of social injury and investment responsibility presented to the Trustees are often complex and controversial. It also recognizes that the preservation of a community in which ideas may be freely and openly debated on their merits is central to the University's academic mission. The Trustees believe that issues of investment responsibility are best addressed through a deliberative, consultative process that takes time as needed to solicit and consider the views of the University community of students, alumni, faculty, and staff before the Board of Trustees makes a final decision.

No action taken pursuant to this Statement should be interpreted as representing the view of any member or group of members of the University community other than the Board of Trustees acting in their collective capacity as fiduciary stewards of the endowment.

Social Injury

For purposes of this Statement, "social injury" is defined as injury to a significant number of individuals resulting directly from specific action or inaction by a company. Included in this category, among other things, are company behaviors that violate, subvert, or frustrate the enforcement of laws, rules, or regulations intended to protect against deprivation of health, safety, basic freedoms, or human rights. Company behavior that only creates the potential for social injury to occur shall not itself be construed as social injury unless the social injury is highly likely to occur in the foreseeable future. Social injury shall, only in unusual circumstances, include doing business with third parties whose behavior causes social injury.

Exercise of Shareholder Rights

From time to time the Trustees will develop, review, and update proxy voting guidelines that address issues of social injury. On proposals and director nominees presented to the University for a vote, the Trustees will normally (i) vote according to existing University proxy voting guidelines, (ii) vote to "abstain" when no University proxy voting guideline exists for that proposal, or (iii) not vote when the Trustees have determined that not voting on a proposal or nominee is in the best interest of the University. If the Trustees conclude that the behavior of a company in which the endowment has a direct investment causes social injury, they may contact company management to explain or reinforce their position or to request that the company modify its behavior.

Divestment

Decisions to divest are made on the merits of individual companies or clearly defined groups of like companies. The Trustees will not consider requests to divest from broad categories of companies or requests to divest from a company when they determine the primary purpose of the request is to express disapproval of any other business, social, or political organization. The Trustees may divest the endowment's direct investment in the equity and debt securities of a company, as well as in derivatives based on those securities, and suspend further direct investment by the endowment in that company, when they determine that each of the following requirements is met:

- (1) The company's action or inaction is directly causing social injury.
- (2) The Trustees have exhausted all practicable shareholder rights in seeking to modify the company's behavior or determined that pursuing such rights would likely be futile.
- (3) The desired change in the company's behavior will clearly, directly, and materially diminish the social injury caused by the company.
- (4) On balance over the long term, the benefit to society from the company's action or inaction does not outweigh the social injury from that action or inaction.
- (5) The company has been afforded the maximum reasonable opportunity to alter its behavior and has failed to do so in a manner that materially reduces such injury.
- (6) Divestment of the endowment's investment in the company is not likely to impair the University's capacity to carry out its mission (for example, by reducing free and open debate on campus, causing deep divisions within the University community, or impacting one or more other key functions of the University).

If the Trustees determine that any of these requirements is not met, they may decide to take no action or decline to divest the investment in question without having to determine whether any of the other requirements has been met.

Decision to Take No Action

The Trustees, when presented with a request to divest or take any other action under this Statement, may decide to take no action. A decision to take "no action" should not be interpreted as supporting or opposing the request, but rather as a judgment that the request is not appropriate for the Trustees to consider. For example, a decision to take no action might be appropriate when the University community is divided on the subject of the request. The Trustees will reconsider a decision to take no action only when changes in facts and circumstances make it likely that all requirements for the requested action are met.

Implementation

The Trustees hereby delegate to the University President responsibility for establishing an office to advise the Trustees, the Special Committee on Investment Responsibility of the Board of Trustees or its successor, and University personnel on issues of investment responsibility and workers' rights related to trademark licensing, including requests from the University community regarding these issues. This office will establish, and receive advice on these issues from, an advisory panel or other body that includes members of the University community. The University President will have the authority to approve the rules under which the office and the advisory panel or other body are organized and carry out their responsibilities.