

XI. APPENDIX D – INVESTMENT STEWARDSHIP POLICY

The University of Southern California recognizes the importance of stewardship criteria in safeguarding and promoting the Endowment's long-term economic interests. Environmental, social, and governance (ESG) factors may impact future economic growth and the underlying fabric of a society. Environmental, social, and governance are broad categories encompassing a wide variety of factors; thus, the specific issues explored will vary by asset class and investment strategy.

Manager practices in these areas will be considered in conducting manager research. The following details provide a brief overview of factors that may be included in Stewardship categories:

Environmental factors may have direct and indirect financial costs. Environmental incidents not only carry substantial headline risk but may harm an investment's overall performance. Factors considered may include resource conservation, emissions management, climate change strategy, and sustainability best practice. These factors may affect, without limitation, investments in areas such as fossil fuels, renewable energy, and natural resources.

Social factors may impact economic stability and growth. Awareness of different perspectives and experiences inform our understanding of social issues. These issues impact the global community as a whole and may also affect the risk/return profile of an individual investment. Factors considered may include diversity, working conditions, labor relations, and community impact. These factors may affect, without limitation, investments in tobacco, alcohol, and education.

Governance factors may protect and foster long-term economic interests. USC acknowledges that the ownership of equities includes rights for proxies to be voted; these proxies should be voted with the best interest of shareholders. Other factors considered within this category may include strength of government institutions, rule of law and board composition. These factors may affect, without limitation, investments in all global markets.