Hampshire College

Policy on Environmental, Social and Governance Investing

Introduction

The Trustees of Hampshire College are ultimately responsible for the management of the College's financial resources. One fiduciary obligation is to optimize the financial return to the college, both currently and in the future, in order to advance the long-term financial interests of the College and support its mission. It is a core value of Hampshire College, and consistent with its historical practice, that the College invest in a socially responsible way. This Policy on Environmental, Social, and Governance (ESG)[1] Investing provides guidelines for the Trustees and those to whom specific investment decisions may be delegated.

Consideration of environmental, social and governance practices of the companies the College invests in is consistent with its fiduciary duties given that such practices can have a material impact on the investments. Business practices that include safe and supportive work environments, products that build economic strength, and activities that benefit the disadvantaged, including charitable giving, enhance the financial security and long term sustainability of companies in which the College invests. Poor business practices related to human rights, the workplace and the environment pose reputational, financial, operational and legal risks to the College's investments and therefore the future financial security of the College.

The Trustees understand that investing in a responsible way does not always offer self-evident decisions. In an investment world that is ever more complex and global in scope, it is not possible to be informed of every activity that a business undertakes. There are likely to be products and services that can be used in ways that are both responsible and contrary to a shared notion of responsibility. And there may be assets offered to the College with donor-imposed restrictions that limit the College's investment discretion. Further, a college with resources the size of Hampshire's investable funds will not often be able to influence the decisions of the businesses in which it invests, or chooses not to invest.

Nonetheless, the College through its responsible officials and investment managers will seek to invest, and maintain investments, in entities that on the one hand, have prospects for sustainable growth and profitability, while on the other hand, also conform to the socially responsible characteristics outlined below.

[1] As fiduciaries, we are concerned how companies in which we invest deal with the financial risks and opportunities that environmental, social, and corporate governance issues present for long-term shareholder value and for the economic and social well-being of a company's workers and the communities within which it resides.

ESG Investing

The College will favor investments in businesses that emphasize one or more of the following characteristics:

1. Provide beneficial goods and services such as food, clothing, housing, health, education, transportation and energy.

2. Pursue research and development programs that hold promise for new products of social benefit and for increased employment prospects.

3. Maintain fair labor practices including exemplary management policies in such areas as non-discriminatory hiring and promotion, worker participation and education, and in policies affecting their quality of work life.

4. Maintain a safe and healthy work environment including full disclosure to workers of potential work hazards.

5. Demonstrate innovation in relation to environmental protection, especially with respect to policies, organizational structures, and/or product development; give evidence of superior performance with respect to waste utilization, pollution control, and efforts to mitigate climate change risk.

6. Use their power to enhance the quality of life for the underserved segments of our society and encourage local community reinvestment.

7. Have a record of sustained support for higher education.

The College will not favor investments in businesses whose products, services, or business practices are inconsistent with the above characteristics, in particular avoiding businesses that:

A. Make nuclear, biological, or conventional weapons.
B. Have significant operations in countries with serious human rights violations.
C. Engage in unfair labor practices.
D. Discriminate by race, gender, ethnic origin, sexual preference, or disability.
E. Demonstrate substantially harmful environmental practices.
F. Market abroad products that are banned in the United States because of their impact on health or the environment.
G. Have markedly inferior occupational health and safety records.
H. Manufacture or market products that in normal use are unsafe.
I. Refuse to make their performance records concerning Guidelines 1 – 7 and A – H available upon reasonable request.

Investment Managers

The Trustees customarily delegate investment responsibilities to the Investment Committee, which, in its discretion, may engage a consultant who then recommends one or more external investment managers to make investment and divestment decisions. It is the purview of the external investment managers to make investment and divestment decisions with respect to specific securities. Consultants are charged with finding managers whose investment philosophy and strategy align with the intentions of these guidelines. Separate account managers are expected to be familiar with ESG screens.

The College usually invests in pooled vehicles such as mutual funds. The College will direct that its investment manager(s) invest in funds that are as consistent as possible with its Guidelines.

In exercising a fiduciary obligation to safeguard resources, many institutions protect against downside market risk and seek diversification not correlated to the broad market by investing in one or more hedge funds. The investment consultant selected by Hampshire College may recommend investment in such funds. The College understands that inherent in the nature of hedge funds or other hedging strategies is diminished transparency of ultimate investments, and accepts as reasonable and necessary that in such cases it may not be able to monitor the application of its screens to the certainty that it might desire.

Principles for the Delegation of Proxy Voting

The College generally invests in funds, rather than individual companies, and usually has no opportunity to exercise the voting rights of shareholders because they are delegated to the manager(s). The College asks the separate account manager(s) to comply with the following principles in determining how to cast Hampshire College's shareholders' votes:

1. The votes will normally be cast for the election of qualified persons who bring to their board independence, greater diversity of background, and concern for the public interest.

2. Where a finding has been made that certain of a company's activities have caused some ESG injury (noted in A-I above), the votes will normally be cast for a proposition which seeks to eliminate or reduce the injury, and against a proposition which seeks to prevent such elimination or reduction.

3. The votes will normally be cast for disclosure of a company's policies and practices in areas of public interest, to the extent that such disclosures do not cause a company competitive disadvantage.

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