The Responsible Endowments Fund advisory Committee and the REC Board of Directors have approved the following investment policies as the preliminary investment policies for the Responsible Endowments Fund.

Responsible Endowments Fund Investment Beliefs

The Purpose of a University Endowment & the Responsible Endowments Fund

- The primary purposes of a university endowment are to fund long-term operations and to provide financial security during difficult times.
- Investing for the long-term, endowments have special opportunities not available to investors tied to a shorter time horizon. For instance, endowments need not allow short- and medium-term returns to outweigh long-term performance.
- Investing for the future means investing in activities that reinforce the foundations of economic health, such as a stable environment and productive workers. Investments that directly benefit the real economy promote economic health more than speculative or excessively complex financial instruments.
- Because environmental, social, and corporate governance aspects of businesses' practices offer clues about long-term returns and aid in minimizing risk, university endowments have an interest in taking these considerations into account when making long-term investment decisions.
- Preparation for times of hardship requires that university endowments hold enough capital in liquid assets to fund operations. This purpose also requires that university endowments not invest in securities and alternative investments, such as options, derivatives, and private equity ventures, for which the operating budget might need to be offered up as collateral.

The Role of a University Endowment & the Responsible Endowments Fund

- Aside from the primary purposes stated above, university endowments fill various roles in society. Endowments set an example, to students as well as to community members, of what means are justified in the pursuit of the ends of educational institutions.
- The investment decisions of institutional investors influence the health and nature of markets and the economy. Institutional investors can influence social and environmental outcomes through investment decisions and shareholder engagement. When investors have significant ownership shares in privately-traded investments such as natural resources or real estate, there are often substantial opportunities for sustainable management.
- We believe that universities have an ethical responsibility to invest in companies that are consistent with its role and values, and to avoid entities with practices that are antithetical to its role and values. These priorities typically include reducing greenhouse gas emissions, promoting cross-cultural understanding,

respecting worker's rights, solving public-health challenges, and supporting intellectual freedom.
- Transparency supports adherence to institutional policies and allows for increased stakeholder awareness of university activities. When institutional investors consider environmental, social and governance criteria, transparency about these processes increases their effect on social and environmental outcomes.
- The Responsible Endowments Fund will particularly emphasize profitable investments with positive social and environmental impacts aligned with the priorities and values of the university.

Market Beliefs

- Efficiency of asset pricing varies widely between markets depending on a number of factors including size and liquidity. However, the relative pricing of asset classes is not typically efficient and individual markets are not typically efficient in pricing securities.
- Because relative pricing of asset classes need not be efficient, asset allocation in portfolios should shift to respond to changing market conditions.
- Diversification decreases the risk in a portfolio, but does not eliminate the risks contributed by individual securities or exposure to market-wide risks affecting several asset classes.
- Risk is not necessarily rewarded at the level of individual securities. Therefore, prudent managers will decrease risk by evaluating individual securities according to criteria including environmental, social and corporate governance factors.

Responsible Endowments Fund Investment Policy Statement

Background
The IPS summarizes an investment philosophy and approach thought best to meet the Fund's long-term return goals and investment principles at an appropriate level of risk. It is designed to provide a framework to help guide the Committee, investment managers and other parties involved in advising the portfolio, in setting objectives, selecting and monitoring portfolio investments, diversifying assets and evaluating performance.

Investment Beliefs Statement: The management of the Fund, including all investment decisions, will be consistent with the attached Investment Beliefs Statement to the extent possible, while maintaining adequate diversification and liquidity as described below.

Liquidity: Assets should be invested in the securities of publically owned companies through the use of separately managed accounts, mutual funds and/or other U.S.-domiciled commingled vehicles. In each case, assets must be accessible in 90 days or less.

Return Objective: The long term return objective for the Fund is growth after taking into account the effects of inflation, expenses, and distributions.

Risk Tolerance: Consistent with a long-term growth objective, portfolio level risk is targeted, on average, to fall at or below the volatility and draw-down characteristics associated with an all-equity portfolio as measured specifically by the MSCI World Index. Portfolio risk can be managed through asset diversification including the use of fixed income securities.

Diversification and Asset Allocation: The fund should be diversified as liquidity and cost constraints allow. In order to help in managing portfolio-level risk and enable investment opportunity for the portfolio, investments should be diversified, to the extent feasible and appropriate, by asset class, geographic scope, investment style, and maturity (for fixed income).

Transparency: For separately managed accounts, holdings should be disclosed to the Committee every financial quarter and more frequently upon request. For mutual funds, holdings should be disclosed publically as outlined in each respective mutual fund's holdings disclosure policy.

Investment Advisor: The Investment Committee may delegate an Investment Advisor to manage the Fund in accordance with the Investment Policy Statement, including such duties as selection of investment managers and selection of asset allocation.

Investment Committee: The Investment Committee maintains ultimate authority for the selection of the Investment Advisor and the development of the Investment Policy Statement.

Investment Manager(s): The assets in the Fund will be managed by external investment management firms, which, as mentioned, shall be approved by the Investment Advisor. Each investment manager shall have discretion to manage the assets in its portfolio within the established guidelines in order to achieve the stated investment objectives. Transactions by investment managers should be made on the basis of best execution.

Fund managers must have a demonstrated commitment to responsible investing. Each manager should communicate openly about implementation of environmental, social and governance criteria. A quarterly line of communication should be maintained with the potential for increased communication should more frequent contact become necessary.

Negative Screens: Investment managers must avoid investment in companies significantly involved in the production or sale of fossil fuels and tobacco. To the extent possible while maintaining adequate diversification, investments in companies involved in the production and distribution of the following should also be avoided:

- Oil, gas, and other fossil fuel sources
- Nuclear power
- Pornography
- Gambling
- Weapons and/or firearms
- Genetically modified organisms in agriculture
- Factory farming of meat or fish

Further, investment managers should seek to exclude investment in companies with a demonstrated record of the following:

- Poor practices with respect to environmental regulation, greenhouse gas emissions, toxins, hazardous waste or environment justice
- Human rights abuse, violations of international law, and/or materially or otherwise supporting repressive regimes
- Endangering rural people's access to the land, water and other resources on which their livelihoods depend
- Violating labor laws, abusing or otherwise mistreating workers and/or preventing or impeding unionization
- Discrimination based on sexual orientation, gender, race, ethnicity, age or disability
- Practices which have significant negative effects on affected communities, particularly those with minority or low-income residents
- Restriction of access to affordable medicine in the developing world

Positive Screens: Consistent with a need for adequate liquidity, diversification and investment minimums seek out companies involved in the production of renewable energy and organic food, local food and sustainable agriculture and generally, invest in companies and investments that demonstrate commitment to:

- environmental sustainability, including reducing greenhouse gas emissions and sustainable forestry
- community development and/or investment, particularly in communities with minority or low-income residents
- diversity in hiring, executives and boards with respect to sexual orientation, gender, race, ethnicity
- living wages for all employees and collective bargaining
- transparency and accountability in corporate governance