

Hampshire College

Policy on Environmental, Social, and Governance Investing

Presentation to the Hampshire College Community
December 13, 2011

It is a core value of Hampshire College, and consistent with its historical practice, that the College invest in a socially responsible way. The new Policy on Environmental, Social, and Governance (ESG) Investing provides guidelines for the Trustees and those to whom specific investment decisions may be delegated.

The Trustees are ultimately responsible for the management of the College's financial resources. One fiduciary obligation is to optimize the financial return to the College. The College 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 in the ESG Policy.

Three Documents

- ESG Policy
 - A lasting statement of core values
 - Adopted by the Board of Trustees
- Working Guidelines
 - A guide to practical implementation of the ESG Policy
 - Adopted by the Board's Investment Committee, to be used as a working document with the investment community
- CHOIR Charter

ESG Policy

- The ESG Policy provides guidance to the investment managers and consultants who will actually invest the College's funds
- The ESG Policy is focused on screening individual companies in which the College may invest, rather than countries or political groups

ESG Policy

Favored Investments – Companies That:

- Provide beneficial goods and services
- Pursue research and development for new products of social benefit
- Maintain fair labor practices
- Maintain a safe and healthy work environment
- Demonstrate innovation in relation to environmental protection
- Enhance the quality of life for the underserved segments of our society and encourage local community reinvestment
- Offer sustained support for higher education

ESG Policy

Disfavored Investments – Companies That:

- Make nuclear, biological, or conventional weapons
- Have significant operations in countries with serious human rights violations
- Engage in unfair labor practices
- Discriminate by race, gender, ethnic origin, sexual preference, or disability
- Demonstrate substantially harmful environmental practices
- Market abroad products that are banned in the United States because of their impact on health or the environment
- Have markedly inferior occupational health and safety records
- Manufacture or market products that in normal use are unsafe
- Refuse to make their performance records relevant to ESG matters available upon request

ESG Policy

- It is the purview of the College's external investment managers to make decisions with respect to specific securities.
- The College usually invests in pooled vehicles such as mutual funds. The College will direct that its investment managers invest in funds that are as consistent as possible with the ESG Policy.
- The College will sometimes protect against market risk by investing in hedge funds that are not transparent. The College accepts that in such cases it may not be able to monitor the application of the ESG Policy to the certainty that it might desire.

Working Guidelines

- The principles should remain consistent but circumstances may change
- The Working Guidelines provide more detailed guidance for evaluation of particular securities in terms of each of the general principles set forth in the ESG Policy

Working Guidelines

An example – The Working Guidelines call for evaluation of fair labor practices by reference to the following positive factors:

- The presence of women and minorities among senior line executives and the board of directors;
- Publishing Equal Employment Opportunity Commission (EEOC) data;
- Hiring policies and programs focused on recruiting, retaining, and promoting underrepresented/disadvantaged groups;
- Notable employee work/life benefits such as phase-back for new mothers and on-site childcare;
- Health and other benefits for same-sex domestic partners; and
- Cash profit-sharing or stock option programs available to the majority of employees.

CHOIR (*Committee at Hampshire On Investment Responsibility*)

- CHOIR was formed in 1977 to make recommendations on Hampshire College's policy of investment responsibility
- CHOIR includes representatives of the Board, faculty, students, and staff
- CHOIR may initiate its own actions; it also must respond appropriately to written requests from any member of the College community
- CHOIR's charter has been revised with the objective of making CHOIR more functional

CHOIR (*Committee at Hampshire On Investment Responsibility*)

CHOIR will be reconvened as soon as the Board has voted on these documents. Campus members of CHOIR will include:

- 2 faculty members (faculty rep on the Finance Committee plus 1 elected by the faculty)
- 2 student members (student rep on the Finance Committee plus 1 elected by the students)
- 2 staff members (staff rep on the Finance Committee plus 1 elected by the staff)

Comment Period

Please send your comments or questions to:
trustees@hampshire.edu by 12/20/2011