

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

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.

hand, have prospects for sustainable growth and profitability, while on the other hand, also conform to the socially responsible characteristics outlined below.

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.

Investment Committee's Working Guidelines for 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, e.g. healthcare services or clean technology products and services that promote the reduction of energy related emissions and the efficient use of energy.
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. Indications of positive practices may include:
 - 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.
4. Maintain a safe and healthy work environment including full disclosure to workers of potential work hazards. Indications of these efforts may include the following:
 - Policies: The presence of a policy on employee safety that expresses a commitment to ensure a safe working environment for employees, to contribute positively to employees' well-being/wellness, to train and communicate with employees on safety issues, and to ensure each operation has appropriate health and safety systems in place;

- Certifications: A high percentage of company facilities are certified through a recognized certification body such as Occupation Health and Safety Assessment Series (OHSAS) 18001, British Standard (BS) 8800, the Occupational Safety and Health Administration (OSHA) or Responsible Care;
 - Programs: Formal systems and programs that address employee health and safety; and
 - Performance: An avoidance of employee injuries and fatalities, demonstrated by lost-time incident and fatality rates that consistently fall below the industry average and measured by setting meaningful quantitative targets for injury and fatality reductions.
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. Indications of positive performance may include hiring programs that seek to recruit the disadvantaged, philanthropic efforts, and investments in or partnerships with groups or programs that offer support for disadvantaged segments of society; a demonstrated commitment to or support for microfinance; community development initiatives/ involvement including loans and investments; and partnering with organizations or other initiatives focused on increasing access to capital for low income, minority, and/or disadvantaged communities.
 7. Have a record of sustained support for higher education, as demonstrated by philanthropic or other efforts that support higher educational institutions and their students.

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. Derive 5% or more of revenues from the production of nuclear, biological, or conventional weapons, weapons systems or weapons components.
- B. Have significant operations in countries with serious human rights violations. Countries of concern are those where there is substantial evidence of complicity in clear violations of civil and political human rights by the government in power, as evidenced by

- Allegations or convictions resulting from serious impacts on the civil and political rights of any group of people.
 - a) This includes violations of the Universal Declaration of Human Rights, such as government-sponsored killings, torture and abuse, forced labor, forced displacement, abuse from the local military or police services, abuse of freedom of expression, and child labor.
- Controversies substantial enough to have become an international issue or to have international repercussions. A substantial international controversy can be gauged by whether there is:
 - a) An international divestment or boycott campaign by two or more major human rights groups;
 - b) Involvement by one or more governments (outside the host country government) or United Nations (UN) agencies publicly expressing concern about the state of human rights in a country of concern;
 - c) Widespread and/or prolonged coverage in the international press; or
 - d) Some form of intervention by UN or other regional/international human rights authorities.

Typically the majority of these factors should be met in order to identify a country of concern, and then an assessment of the company's activities in these countries performed. In most cases, retail or distribution of company products or humanitarian aid in a country of concern will not be problematic, however, grounds for restriction may include the presence of company-owned facilities in a country of concern, contractual arrangements with government entities, or operations that clearly benefit the government (most frequently via revenue generation and often entailing infrastructural investments or natural resource extraction).

C. Engage in unfair labor practices. Such practices may include:

- Abuses of supply chain employee labor rights, as indicated by involvement in sweatshop controversies concerning excessive hours, poor working or safety conditions, discrimination, forced overtime, forced pregnancy testing, child labor, forced labor, and other labor rights violations;
- Preventing or coercing workers from joining unions or participating in union organizing efforts;

- Being cited for National Labor Relations Board (NLRB) or labor law violations at union or non-union facilities within the preceding 3 years; or
 - Engaging in tactics such as the use of replacement workers during strikes or lockouts may also be an indication of unfair labor practices.
- D. Discriminate by race, gender, ethnic origin, sexual preference, or disability. Companies that engage in discriminatory practices may include those that have faced several incidents in one or more of the following categories within the preceding 3 years:
- Significant fines, penalties, or lawsuit settlements to settle allegations of racial, gender, age, ethnicity, sexual orientation, or disability discrimination against an individual or group;
 - Discrimination lawsuits that are unresolved but have attained class-action status;
 - Lawsuits by an individual or a class where the federal government, through the Equal Employment Opportunity Commission, has joined the lawsuit; or
 - Involvement in unresolved individual discrimination lawsuits that reveal a pattern.
- E. Demonstrate substantially harmful environmental practices. Harmful practices may be defined as failure to comply with environmental regulations as demonstrated by significant fines, penalties or settlements for causing environmental damage; or engaging in environmentally detrimental practices.
- F. Market abroad products that are banned in the United States because of their impact on health or the environment. Indications of poor performance include involvement in significant controversies in the last 3 years concerning a firm's marketing and advertising practices, focusing on companies involved in controversies over widespread or egregious instances of false, discriminatory, or improper marketing/advertising, marketing targeted at disadvantaged groups, and resistance to improved practices. The significance of these controversies can be gauged by whether there have been settlements, fines, penalties, lawsuits, criticism by NGOs and/or other third-party observers, or extensive media coverage concerning the company's marketing and advertising practices.
- G. Have markedly inferior occupational health and safety records, as demonstrated by:

- A record of multiple "willful" or "repeat" OSHA violations over the preceding 3 years;
 - A lost-time incident or fatality rate that consistently exceeds the industry average;
 - Accidents where a regulatory agency (i.e. OSHA, Minerals Management Service (MMS), or Mine Safety & Health Administration (MSHA)) has found the company at fault and/or assigned significant related fines or penalties;
 - Substantial lawsuit settlements to settle claims by employees or private citizens on behalf of employees for injuries or illness due to workplace conditions; or
 - Incidents where a company exhibits particularly egregious unsafe working conditions or a long pattern of negligence.
- H. Manufacture or market products that in normal use are unsafe, as evidenced by involvement in major controversies or regulatory actions relating to the safety of company products and services within the preceding 3 years, particularly in cases where the company exhibits a pattern of management neglect to which safety problems are attributable or in cases where the company has not adequately responded once alerted to safety problems. These controversies must have resulted in substantial fines, penalties or settlements and/or appear to constitute a pattern.
- I. Refuse to make their performance records concerning Guidelines 1 – 7 and A – H available upon reasonable request.

CHOIR Composition and Procedures

A. CHOIR is a subcommittee of the investment committee of the board of trustees established to make recommendations on Hampshire College's policy of investment responsibility. The acronym, CHOIR, stands for Committee at Hampshire On Investment Responsibility.

B. CHOIR is charged with:

1. Making recommendations to the investment committee regarding the maintenance and the modification of investment responsibility guidelines.
2. Reviewing the way in which the investment committee interprets the guidelines and reviewing whether the College's investment managers are in compliance with the investment guidelines.
3. Keeping the Hampshire community informed of its activities.
4. Providing all relevant information in its possession to the investment committee, especially as concepts and findings that bear on business practices related to environmental, social injury, and corporate governance evolve.
5. Providing the full board of trustees with a copy of its recommendations to the investment committee.

C. CHOIR is composed of two people to represent the board of trustees, (at least one of whom must be a trustee and at least one of whom shall be an alumnus/a), two faculty members, two student members, two staff members, and the vice president of finance, ex officio. The trustee representatives (at least one of whom will be a member of the finance committee) will be appointed by the nominating committee of the board. The faculty representatives will include the faculty representative to the finance committee and one member of the faculty elected at large by the faculty. The student representatives will include the student representative to the finance committee and one student elected by the students at large. The staff representatives will include the staff representative to the finance committee and one member of the staff elected at large by the staff. The chairman of the board of trustees will select the alumnus/a. A trustee will serve as the chair of CHOIR.

D. CHOIR shall meet at the beginning of the fall semester and additionally as needs require.

E. CHOIR will have access to a listing of all investments under management for the College and to all pertinent data on companies and funds under management, as compiled on a periodic basis by the College's investment consultant.

F. CHOIR may initiate its own actions. It also must respond appropriately to written requests from any member of the College community for action or information regarding investment responsibility.

G. In order to carry out its investigation and analysis, CHOIR should solicit information and advice from individuals and groups in and outside of the College community.

H. Before CHOIR submits a recommendation to the investment committee for action, it will:

1. Give full consideration to the facts and arguments advanced by all parties;
2. Include in its findings an opinion from the investment committee on the financial implications to the College endowment of any recommended action;
3. Include in its findings on environmental, social injury, and corporate governance, not only its own opinion, but also the opinions of others within the College community.

I. The investment committee will inform CHOIR in writing of the trustees' action and a summary of the reasons for the action.

J. CHOIR may submit recommendations to the investment committee for amendments to the guidelines or the investment committee may on its own initiative and after consultation with CHOIR amend these guidelines from time to time.