

**THE UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
BOARD OF TRUSTEES**

SUSTAINABILITY WORK GROUP

Leader Carolyn Dwyer, Briar Alpert, Robert Brennan, Suresh Garimella, Jodi Goldstein,
David Gringeri, Carol Ode, Ed Pagano, and Shap Smith

March 26, 2020

3:00 – 4:00 p.m.

**This meeting will be held remotely. If interested in accessing the meeting by phone,
please email trustees@uvm.edu.*

AGENDA

Item	Enclosure	Discussion Leader	Time	
	Call to order		*3:00 p.m.	
1.	Welcome/review work group charge	Attachments 1 & 2	Carolyn Dwyer	3:00 – 3:05
2.	UVM sustainability initiatives	Attachment 3, Appendix A	Richard Cate Gioia Thompson	3:05 – 3:15
3.	Review UVM Investment Policy <ul style="list-style-type: none">• Statement of Policies & Objectives• 2013 Fossil fuel divestment statement• 2016 Coal divestment statement	Attachment 4 Attachment 5 Attachment 3	Richard Cate	3:15 – 3:20
4.	Overview of existing University green investments		Claire Burlingham	3:20 – 3:25
5.	Group discussion on written materials and presentations			3:25 – 3:55
6.	Plan for next meeting		Carolyn Dwyer	3:55 – 4:00
7.	Motion to adjourn			*4:00 p.m.

*Time is approximate.

Board of Trustees

March 2, 2020

Resolution authorizing appointments to a Sustainability Work Group

BE IT RESOLVED, that the Board of Trustees approves the following appointments to a trustee work group established to advise the board within the coming year regarding fast moving trends around sustainable investment and provide perspective to the board on fossil fuel divestment: Carolyn Dwyer (leader), Briar Alpert, Robert Brennan, Suresh Garimella, Jodi Goldstein, David Gringeri, Carol Ode, Ed Pagano, and Shapleigh Smith.

PROPOSED SUSTAINABILITY WORK GROUP PROCESS TIMELINE
as of 3/19/20

March 2, 2020 – Full Board approves appointments to and charge of the Sustainability Work Group.

Friday, March 20, 2020 – Vice President for Finance and Treasurer Richard Cate issues call for public comments to the campus community and outlines the process for consideration.

March 20-April 3, 2020 – Time frame for public comments to be submitted.

March 26 – First meeting (organizational).

April 17, 2020 – Second meeting. Work Group will discuss public comment submissions.

TBD (between April 27-29, 2020) – Third meeting. Work Group to review draft report to be submitted for the May Committee of the Whole meeting.

Friday, May 1, 2020 – Deadline by which report needs to be finalized for inclusion in the May Board meeting materials.

Friday, May 15, 2020 – Committee of the Whole discusses report and provides guidance on next steps.

TBD – Further campus-wide communications updating the campus on the status of the process.

**STATEMENT BY THE UNIVERSITY OF VERMONT
BOARD OF TRUSTEES INVESTMENT SUBCOMMITTEE**

**Presented to the Board of Trustees
Committee of the Whole
February 5, 2016**

The Administration and the Board of Trustees are asked, from time to time, to examine the University of Vermont's role in addressing public policy issues, including the challenge of global climate change. In light of the University's institutional preeminence with respect to environmental programs and environmentally sound practices, we expect and welcome engagement regarding global climate change from members of our community.

Over the past several years, members of the University community have called upon the University to address the challenge of global climate change through divestment of the University's endowment from certain companies. The most recent formal request for action is a recommendation from the Socially Responsible Investing Advisory Council (SRIAC) through the Vice President for Finance, whom the Council advises. The Council recommended that "the University commit to removing current and all future investments in the University's holdings, that are actively managed, in coal companies."

For the reasons set forth below, the Investment Subcommittee (ISC) of the Board will decline to present the resolution for action, while at the same time the Board of Trustees and the Administration reaffirm the commitment of the University of Vermont to responsible and proactive environmental policies at the University. It is important to note that the University of Vermont endowment has no direct investments in coal companies and the ISC has no current intentions to make direct investments in coal companies. Therefore, no endowment holdings would be impacted by a coal divestment resolution.

Decision and Rationale

To enable the University to advance its goals, the University Statement of Investment Policies and Objectives (SIPO) requires that the endowment be optimally invested in a manner consistent with prudent investment principles (see SIPO background below). All of the dollars drawn from the endowment directly support the University's academic mission through student scholarships, endowed chairs and professorships, and academic unit operations (see Chart 1 below). Achieving the objectives set forth in the SIPO is essential to prudent stewardship of endowment assets in a manner that enables the University to fulfill its academic mission.

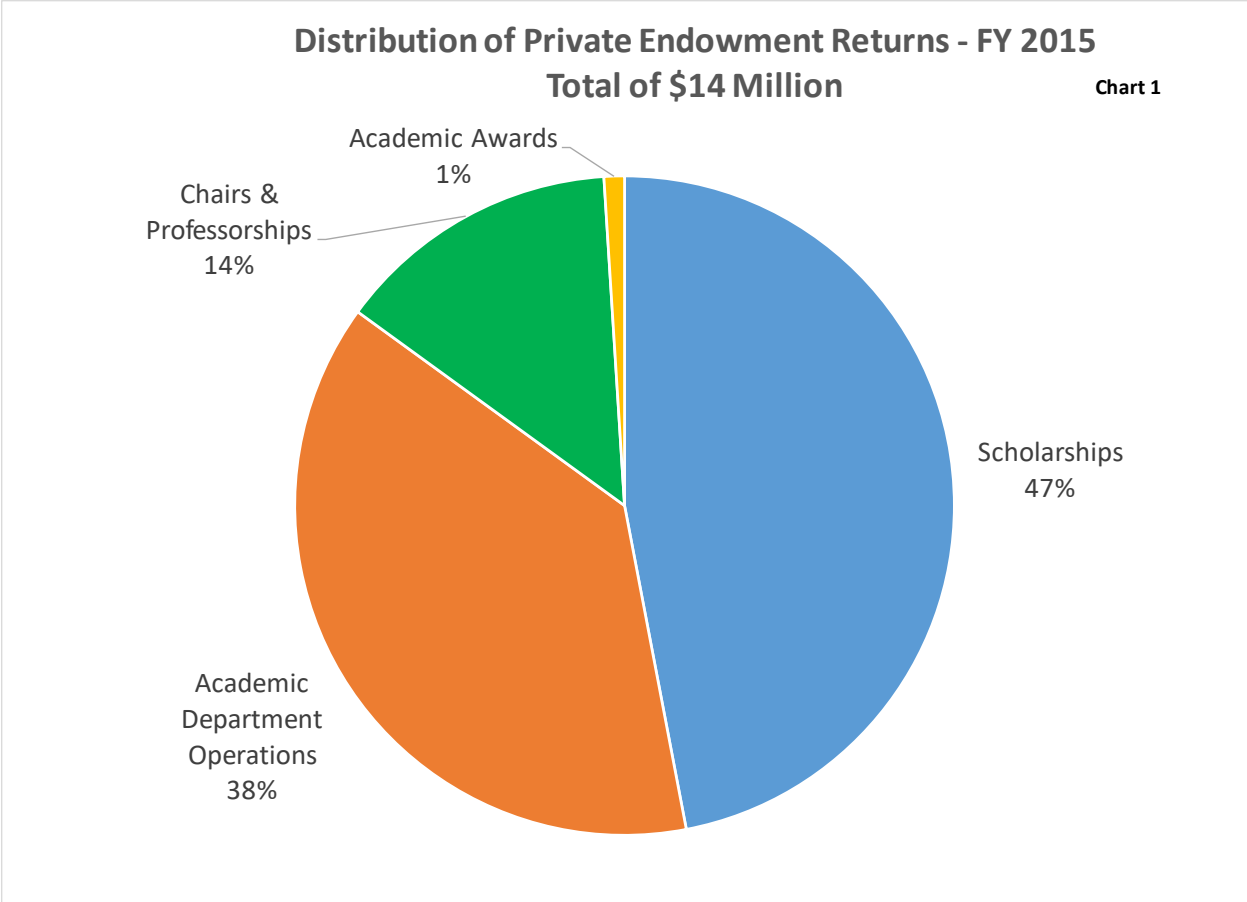


Chart 1

The University of Vermont’s endowment is invested primarily in commingled funds. These commingled funds are administered by independent investment managers who have investment discretion. Commingled funds are used by the ISC in order to meet return, diversification, liquidity, and expense objectives in compliance with the SIPO.

A move away from the use of commingled funds to meet divestment objectives would be financially imprudent. For one, such a move would burden the endowment with substantial immediate costs created by the liquidation and reinvestment of assets. More importantly, excluding commingled funds from potential investment opportunities would have adverse consequences on the long-term return and diversification profile of the endowment fund, would increase the risk of volatility in the investment portfolio, and would be inconsistent with the investment policy objectives outlined in the SIPO.

The financial and investment objectives of the SIPO are designed to achieve returns sufficient to support the University’s programs and enhance the real purchasing power of the endowment over time. Adherence to the investment objectives in the SIPO does not preclude consideration of moral, ethical, and social criteria in selecting investments or

participating in proxy voting or shareholder resolutions. However, the primary responsibility of the ISC is to steward endowment fund assets in a manner consistent with prudent fiduciary practices.

For these reasons, the ISC will not act on the recommendation of the SRIAC regarding divestment from direct holdings in coal companies. This decision also is consistent with the ISC's December 13, 2013 statement regarding fossil fuels, which emphasized that "its primary duty is to invest the endowment to maximize returns, minimize risk, and provide funds to support the academic mission of UVM. . . [T]he purpose of the endowment and, therefore, its fiduciary responsibility does not include attempting to use the endowment as a tool in setting policy or exercising political influence." Instead, the University should continue to lead by proactive, positive intellectual and financial strategies that respond to the challenges of global climate change, not by divesting from particular companies or energy sources. The latter does not affect the companies directly, but merely changes ownership and leaves the divesting entity without any shareholder voice within the company.

The ISC requested that the Administration provide a list of the University's accomplishments and programs in process that illustrate UVM's environmental focus. That list is attached as Appendix A.

SIPO Background

The SIPO requires the Board, the ISC, the Treasurer, and third parties, such as investment managers, to exercise their responsibilities with respect to the long-term investment pool, including endowment assets, in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). These requirements were drafted by the National Conference of Commissioners on Uniform State Laws and enacted into law by the State of Vermont and 48 other states.

In accordance with UPMIFA, key facets of the Responsible Parties' roles, as paraphrased below, include:

- Acting in good faith with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;
- Making decisions about each asset in the context of the portfolio of investments as part of an overall investment strategy;
- Diversifying investments unless, due to special circumstances, the purposes of the fund are better served without diversification; and
- Disposing of unsuitable assets.

As the ISC considered the SRIAC's recommendation for divestment, the ISC considered its key roles and responsibilities under the SIPO, UPMIFA and Vermont State Law, and the importance of maximizing returns, minimizing risk, and managing the volatility of the privately-funded endowment, which supports the important activities illustrated in Chart 1.

Conclusion

For the all of the reasons elaborated above, the Investment Subcommittee of the Board of Trustees will not endorse a formal resolution to divest the University's endowment assets from direct investments in coal companies. As described above, the endowment currently has no direct investments in coal companies and the ISC has no present intent to so invest. We appreciate the efforts of the Socially Responsible Investing Advisory Council and thank the members for their ongoing work on behalf of the University.

Institutional Environmental Accomplishments

The University has long dedicated itself to investment of its intellectual and financial assets in environmental programs and initiatives. A campus-wide Environmental Program was established by presidential mandate in 1972 to meet the need for greater understanding of the ecological and cultural systems supporting all life on earth. The University's academic programs and research reflect its tradition of environmental leadership. The solutions to environmental problems ultimately may be revealed through the discoveries and problem-solving of our faculty, students, and alumni in the numerous fields of study that environmental issues encompass.

Examples of the University's environmental leadership in academics and research include, in no order of priority:

- The University has established its own Rubenstein School of the Environment and Natural Resources whose faculty are dedicated to applied environmental research in service and who collaborate nationally and internationally with other researchers.
- The University's **B.S. degree in Environmental Sciences** allows for the exploration of areas of concentration that include Global Climate Change, Agriculture and Environment, Conservation Biology and Biodiversity, Ecological Design, Environmental Analysis and Assessment, Environmental Biology, Environmental Chemistry, Environmental Geology, and Water Resources.
- The University is moving toward the launch of a University-wide Institute for the Environment.
- Faculty in the Civil and Environmental Engineering program of the College of Engineering and Mathematics emphasize both rigorous technical education and social awareness, preparing students to become engineering leaders and innovators who are empowered to make the world a better place for all.
- The UVM Foundation Green Fund endows a faculty member whose expertise is in the area of renewable energy production. The Green Fund offers a donation alternative free of investments in companies that engage in the production of fossil fuels.
- Sustainability is included in the University's General Education Requirements.

- The Grossman School of Business created a Sustainable Entrepreneurship MBA Program.
- The Sustainability Faculty Fellows Program supports faculty from diverse disciplines.
- Student Eco-Reps teach peers environmental responsibility and support culture change.
- The student-led Clean Energy Fund supports lectures, plans, studies, and sustainable campus projects.
- The Community-University Partnerships & Service Learning Program supports sustainability across multiple disciplines.
- Strong, long-running environmental studies and science programs bridge disciplines.
- Sustainability in research spans multiple disciplines, centers, and institutes.

The University also is a responsible steward of the environment in its operational practices:

- The UVM Office of Sustainability fosters sustainable development and promotes environmental responsibility at UVM by strategically bridging the academic activities of teaching, research, and outreach with the operations of the University.
- The UVM Energy Management program promotes conserving electricity, fuel, and water as part of its goals and has made substantial infrastructure improvements over the past decade to that end.
- UVM achieved a STARS (Sustainability Tracking, Assessment & Rating System) gold rating from the Association for the Advancement of Sustainability in Higher Education.
- In 2006, the Environmental Council updated the University's energy guidelines, which outline methods and procedures to reduce energy consumption in campus buildings, the Central Heating Plant, underground service mains, new construction, lighting, heating, air conditioning, ventilation, water usage, transportation, and solid waste.

- UVM participates in the LEED (Leadership in Energy & Environmental Design) certification program, which is based on a set of design and construction practices that significantly reduce the negative impact of buildings on the environment in five broad areas: sustainable site planning; safeguarding water and water efficiency; energy efficiency and renewable energy; conservation of materials and resources; and indoor environmental quality. The University has adopted a policy requiring all newly constructed buildings to meet LEED Silver requirements, defining the University's commitment to a high level of environmental sustainability in all new buildings and in major renovations of existing buildings. The University's newer buildings meet the LEED Gold requirements.
- Sustainability-themed housing is offered in LEED-certified residence halls.
- UVM was the first public flagship university to ban the sale of bottled water. The University's contract with its dining services vendor includes UVM's commitment to the Real Food Challenge and the consumption of local drinking water.
- UVM has created a pedestrian and bike-friendly campus, which is supported by participation in the Community Transportation Management Association (CATMA).
- The University's dedication to functioning in an environmentally responsible manner is further evident in UVM's status as a Charter Signatory of the Presidents' Climate Commitment in 2007. The University's Climate Action Plan (2010) calls for the use of certified renewable power or carbon offsets by 2015 (accomplished) and for carbon neutrality by 2025. This obligation reflects both a policy position and a direct and substantial financial investment in sustainability.
- UVM is among those higher education institutions that have taken the White House Climate Pledge.

UNIVERSITY OF VERMONT**STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES****I. INTRODUCTION**

This statement is issued by the Investment Subcommittee (the “ISC”) of the Board of Trustees of the University of Vermont (the “Board”). The ISC was established by the Board and the Budget, Finance and Investment Committee in late 2006 and charged with oversight of investment strategy and investment managers for the Long-Term Investment Pool, including the Endowment Fund, collectively called the “Fund”, of the University. The policy statement will be reviewed annually and modified by the ISC as conditions warrant.

II. FIDUCIARY STANDARDS

The Board, the ISC, the Treasurer and finance staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or finance staff as to investment strategy and management (any and all of whom may be referred to as “Responsible Parties”) shall exercise their responsibilities with respect to the Fund’s assets in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), enacted in the state of Vermont in 2009. In accordance with UPMIFA, key facets of the Responsible Parties’ roles include:

- Acting in good faith, with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;
- Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- Diversifying investments, unless due to special circumstances, the purposes of the Fund are better served without diversification;
- Disposing of unsuitable assets; and
- In general, developing an investment strategy appropriate for the Fund and the University.

III. RESPONSIBILITIES of INVESTMENT SUBCOMMITTEE

Responsibilities and goals of the ISC include:

- Ensuring that current and future spending requirements are supported while also preserving the real purchasing power of the Fund;
- Achieving an optimum level of return within appropriate risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;
- Selecting and maintaining qualified investment managers and advisors;
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met; and
- Taking action under appropriate circumstances to discharge an investment manager or advisor for failing to perform in terms of stated expectations.

The ISC is authorized to delegate certain responsibilities to staff to assist in properly meeting the overall responsibilities as outlined above.

IV. CONFLICT OF INTEREST POLICY

In addition to the responsibilities set forth in the Board of Trustees' Conflicts of Interest policy, it is the responsibility of the ISC members to disclose to the ISC Chair any situation in which there may be reasonably construed to be a perceived or actual conflict of interest. The ISC Chair will work with the members to determine an appropriate response.

The ISC will generally not consider investments in funds directly managed by a member of the ISC. In addition, a member of the ISC employed by an investment or other firm that provides services to the Fund will recuse him/herself from all discussions and votes on existing or potential investments or other services managed or provided by that firm. The ISC recognizes, however, that certain exceptions to this policy may be appropriate. Such exceptions will be made only upon a majority vote of the disinterested members of the ISC.

In the event that the ISC is considering an investment in an access-constrained investment opportunity, any ISC member wishing to invest for his/her own benefit in such an opportunity shall notify the ISC Chair in writing.

V. MORAL, SOCIAL AND ETHICAL CONSIDERATIONS IN INVESTMENT STRATEGY

The University Statement of Investment Policies and Objectives requires the Board, the Investment Subcommittee (ISC) of the Board Budget, Finance and Investment Committee, the Treasurer, and third parties such as investment managers, to exercise their responsibilities with respect to the Long-Term Investment Pool, including Endowment Fund assets, in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

In accordance with UPMIFA, key facets of the Responsible Parties' roles, as paraphrased below, include:

- **Acting in good faith, with the care an ordinarily prudent person would exercise;**
- **Incurring only reasonable costs in investing and managing charitable funds;**
- **Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;**
- **Diversifying investments, unless due to special circumstances, the purposes of the Fund are better served without diversification;**
- **Disposing of unsuitable assets.**

Achieving the Financial and Investment Objectives of the Fund is essential to provide resources to fulfill the institutional mission of the University. The core responsibility of the ISC is to achieve the Financial and Investment Objectives of the fund in a manner consistent with the requirements of UPMIFA and prudent fiduciary practices.

The primary objective of achieving the Financial and Investment Objectives of the Fund does not preclude consideration of moral, ethical and social criteria in selecting investments or participating in shareholder resolutions that address moral, ethical or social issues. However, the core responsibility of the Board is to steward University assets in a manner consistent with prudent fiduciary practices.

VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objective of the Fund is to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy consistent with preserving and enhancing the real (i.e., inflation-adjusted) purchasing power of the Fund over time.

The primary long-term investment objective of the Fund is to attain a real total return¹ (net of investment management fees) that exceeds the amount being distributed for spending and administration, currently set at 4.75%. This will be measured over the long term, capturing a full market cycle, as it is unlikely that the Fund's return will meet or exceed the spending rate in each individual year. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size with broadly similar investment objectives and policies.

VII. ASSET ALLOCATION

The policy portfolio for the Fund is a target or "normal" set of investments, based on long-term return, risk and correlation assumptions that balance the organization's need for liquidity, preservation of purchasing power, and risk tolerance. Certain investments are made for capital appreciation and return enhancement: global equities, long/short hedge funds, venture capital and private equity; some are made to protect against unanticipated inflation: real estate, energy, timber, commodities, TIPS; and some are made to protect against deflationary periods and to reduce volatility: primarily, high quality intermediate bonds for the former and absolute return hedge funds for the latter. The ISC, with input and assistance from staff and external advisors, shall periodically examine the policy portfolio targets and consider adjustments to the asset allocation as may be appropriate (for example, due to a material change in the capital market assumptions). Changes to the policy portfolio targets will be reviewed and approved by the ISC and presented to the Budget, Finance and Investment Committee and the Board, as necessary.

In addition to being diversified across asset classes, the Fund will be diversified within each asset class. This will provide reasonable assurance that the performance of any single security, issuer or class of securities, or active manager will not have a disproportionate impact on the total Fund performance.

The most current asset allocation / strategic policy portfolio for the Fund is attached as **Appendix A**.

VIII. REBALANCING

The Fund's actual asset allocation will be monitored monthly and reviewed by the ISC at its regular meetings relative to established policy portfolio targets and allowable ranges. Adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but rebalancing efforts will be made as practicable. Cash flow in or out of the Fund may create an opportunity to shift the allocation closer toward policy targets. The ISC may at times authorize investments in new or developing asset classes that are not part of the strategic policy portfolio at the time of their adoption, with the intention of revising the policy portfolio shortly thereafter.

¹ Real total return is the sum of realized and unrealized capital appreciation (or loss) and current income in the form of dividends and interest, adjusted for inflation as measured by the Consumer Price Index.

IX. PERFORMANCE EVALUATION, BENCHMARKS, and ASSET CLASS CHARACTERISTICS

The performance objectives for the total Fund, each asset class and each manager are outlined below, with the purpose of establishing specific parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods as represented by a full market cycle.

Overall Fund

There are a number of different benchmarks for assessing performance at the overall Fund level:

Undiversified Benchmark – this simple market benchmark helps the ISC evaluate the value added from a sophisticated investment program versus a portfolio that could be easily replicated through investment in index funds.

Target Benchmark – this custom benchmark compares the total return of the Fund to a blended benchmark based on applying the target policy weights of each underlying asset class to the performance of the asset class benchmarks. The individual asset class benchmarks are discussed in the next section.

Current Allocation Benchmark – this benchmark is composed of the current allocations for each of the underlying composite asset classes weighted against the corresponding returns of their respective benchmarks.

Cambridge Associates' Universe of Endowment Pool Returns – a universe of over 300 institutions, a broad peer universe against which the ISC compares the Fund's return. In addition to this broad comparison, the ISC may also compare the Fund's results to various subsets of this broad universe, which include institutions of similar size and with similar characteristics.

Asset Classes & Managers

Each manager will be expected to outperform (net of fees) a benchmark that is appropriate based on the asset class and style of the manager, over a full market cycle. Performance results will be reviewed with the ISC at its regular meetings and in an interim period when there is a major event (personnel change, for example) at the firm. The manager will be evaluated on long-term performance so that shorter-term failure to meet the benchmark target returns is not an automatic basis for manager termination.

Due to the broad nature of the asset classes and the unique style of managers, it is important to note that the specific benchmark of the individual manager may not necessarily be the same as the benchmark for the particular asset class composite as defined below. For example, the Total U.S. Equity benchmark is the S&P 500 but small cap managers, for example, will be compared to the appropriate small cap benchmarks.

+Asset Class	Market Index Used in Target Benchmark ²	Underlying Investments
Public Global Equity	MSCI ACWI	Portfolios are expected to focus on public global, US, international developed, and/or emerging markets.
Marketable Alternatives	Hedge Fund Research Inc. (HFRI) Fund of Funds Composite Index	Investment mandates may include: multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage and long/short equity investments in global markets.
Private Investments	Weighted Benchmark composed of C A medians as follows: Private Equity 40% Venture Capital 30% Real Estate 20% Natural Resources 10%	This asset class includes private investment strategies of all types, including but not limited to buyouts, venture capital, secondaries, distressed, real estate, private energy, and similar strategies. Market values and return information is lagged by one quarter, as the underlying investments are not readily valued at the close of the latest quarter.
Public Real Assets	Dynamic benchmark that reflects each underlying investment's individual benchmark and their respective weight within the Real Assets allocation. <i>(The Dynamic benchmark will evolve as asset types are added or removed from the portfolio and as the allocation changes over time.)</i>	Holdings may include natural resource related equity securities, MLPs, diversified commodities, US issued TIPS and other, similar public investment strategies.
Fixed Income	Bloomberg Barclays Aggregate Bond Index	Holdings may consist of U.S. Treasury bonds, mortgages, and corporate credit investments.

Individual manager accounts will be monitored for consistency of each manager's investment philosophy and process, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. In the broadest sense, the monitoring process is intended to confirm that the reasons the manager was initially retained still hold true.

² Indices used in Target Benchmark are effective as of May 18, 2019.

X. MANAGER GUIDELINES

Investment managers will be hired for a specific skill set, and the resulting investments will be made either through separately managed accounts or pooled vehicles. Each manager of a separate account will adhere to the firm's stated philosophy and investment strategy. Where investments are in commingled funds, mutual funds, off-shore funds or limited partnerships, the permissible investments are governed by the appropriate fund prospectus or offering memorandum. Some of these products permit the use of derivatives for certain investment strategies and in instances where a manager has demonstrated skill in effectively utilizing these instruments. For example, they may be used in reducing risk or replacing positions to gain flexibility and efficiency.

XI. MANAGER REPORTING

Each investment manager of marketable assets will provide monthly portfolio valuations and total return net of all commissions and fees. On a quarterly basis, managers will report current holdings at market value, and purchases and sales for the quarter. Traditional marketable managers with whom UVM is invested through a separate account may be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund's custodian on a periodic basis. Specialty managers (who manage hedge funds and non-marketable partnerships) will report on portfolio details with as much transparency as possible. Each of these managers will provide annually their most recent audited financial statements, which include the basis of accounting and the auditor's opinion. In addition, each specialty manager will disclose its respective valuation policies and procedures on an annual basis.

Regular communication from all managers concerning investment strategy and outlook is expected. The ISC will regularly review a Watch List that is maintained to highlight managers' relative performance when it is outside the normal range or expected returns, new organizational issues, and/or any significant changes in strategy that raise concerns. Additionally, managers are required to inform the University of Vermont of any significant change in firm ownership, organizational structure, professional personnel, or fundamental investment philosophy. Managers will also send a copy of their form ADV to the University at least annually.

XII. PROXY VOTING GUIDELINES

University of Vermont's Endowment Accountant votes the shareholder proxies.

XIII. GUIDELINES FOR TRANSACTIONS

As a general guideline that should apply to all assets managed, transactions should be entered into on the basis of best execution, which is interpreted normally to mean best realized price.

Adopted by the Board of Trustees on February 5, 2011, to replace the former “Statement of Investment Objectives and Policies,” as revised most recently on November 11, 2006.

Approved as revised by the Board of Trustees: February 9, 2013

Approved as revised by the Board of Trustees: February 8, 2014

Approved as revised by the Board of Trustees: February 6, 2016

Approved as revised by the Board of Trustees: February 3, 2017

Approved as revised by the Board of Trustees: May 19, 2018

Approved as revised by the Board of Trustees: October 27, 2018

Approved as revised by the Board of Trustees: May 18, 2019

Reaffirmed by the Board of Trustees:

APPENDIX A**ASSET ALLOCATION POLICY TARGETS***March 2020*

Asset Class	Target (%)	Allowable Range (%)
Public Global Equity	45.0	30-65
Marketable Alternatives	15.0	10-20
Private Investments	25.0	15-35
Public Real Assets	5.0	0-10
Fixed Income	10.0	5-25
Cash & Cash Equivalents	0.0	0-5

Appendix A Targets last revised by Investment Subcommittee: March 10, 2020

UVM to Maintain Existing Endowment Investment Approach

December 18, 2013

Concluding nearly a year of meetings, open forums, discussions, presentations, and review, the Investment Subcommittee (ISC) of the UVM Board of Trustees met today and, after receiving input from each Subcommittee member, voted today not to take action on the issue of divesting from fossil fuels companies and not to forward the proposal of the Socially Responsible Investing Advisory Council (SRIAC) to the Budget, Finance, and Investment Committee (BFI) of the Board for further consideration.

The following is a summary of the Subcommittee's work, perspectives, and rationale leading to final decision issued on December 18, 2013:

The Investment Subcommittee followed a deliberative process over several months since receiving the "Energy Investments at the University of Vermont" report submitted by the Socially Responsible Investing Advisory Council. This report is part of the process agreed upon by the Board, by which the Subcommittee would fully and separately consider any proposal from SRIAC with the responsibility to decide whether to bring this or other proposals submitted forward to the Trustee Budget, Finance, and Investment Committee, which the Subcommittee reports to.

The Trustee members of the Subcommittee discussed publicly the proposal and other materials presented, including multiple communications both oral and written from the Vermont Student Climate Culture group and various news and academic institution communications.

Subcommittee Chair Sam Bain stated that, "This has been an open, consultative, and serious process. Our Subcommittee has considered this matter carefully, thoughtfully, and thoroughly." He noted that substantial time has been devoted to discussing this matter fully in the monthly meetings of the Subcommittee in an effort to take the time and gather the information necessary to perform proper due diligence. The Subcommittee heard from many individuals who expressed a variety of perspectives. Chair Bain said, "This committee wants to express its sincere appreciation to all who have participated so constructively in this process."

The Subcommittee stated that its primary duty is to invest the endowment to maximize returns, minimize risk, and provide funds to support the academic mission of UVM. They noted their concerns that the purpose of the endowment and, therefore, its fiduciary responsibility does not include attempting to use the endowment as a tool in setting policy or exercising political influence. In its view, the most effective tool to influence corporate behavior is to use proxy voting. If the University were to divest it would lose its voice and the chance to influence further change.

The Subcommittee further emphasized its responsibility of: “*Ensuring that current and future spending requirements are supported while also preserving the real purchasing power of the Fund*” (from: *UVM’s Statement of Investment Policies and Objectives, section III Responsibilities of Investment Subcommittee*). This responsibility includes engaging in strategies that will maximize returns, minimize risk, and smooth volatility. The Subcommittee was unanimous in its view that the risks to diversification and investment returns from divestment cannot be assessed with sufficient accuracy and confidence, and that the downside risks have the potential to be significant.

During the process, the Subcommittee noted that nearly all of UVM’s endowment proceeds support student financial aid (45%), faculty professorships (12%), and academic programs and departments (42%) -- representing the very core of the University. If investment choices and ability to diversify are limited, and return on investment suffers, numerous educational opportunities are threatened for students, who receive financial aid support and scholarships, in addition to negative impacts on faculty support.

The endowment is comprised of private, not public, donations freely given by individuals with the expectation that they would be managed with the goal of: “*Achieving an optimum level of return within specified risk tolerances.*” (from: *UVM’s Statement of Investment Policies and Objectives, section III Responsibilities of Investment Subcommittee*). The Subcommittee discussed the importance of maintaining a steadfast commitment to fulfilling both the intent and the expectations of those who have given so generously in support of the University. The Subcommittee agreed that donors’ understanding at the time of past and current donor gifts was that the endowment would be invested in a well-diversified portfolio, with energy investments that include fossil fuel related corporations.

UVM is realizing very solid returns, most recently a 13% return in FY13, at times putting UVM in the top 10 percent of a large population of higher education institutions. The endowment stands at well over \$400 million at this time - a record high. This increase will allow additional support to continuing improvement in educational quality at UVM. These returns have been developed by sound investment practices that at their forefront demand diversification to control risk and inclusion of multiple asset classes and of important economic sectors, including energy. The risk of excluding energy, which is 10% of equity sectors, is too high given the duty to create the best risk adjusted returns for the UVM endowment, the Subcommittee concluded.

The Subcommittee observed that the University is certainly not alone in this investment approach. Prestigious institutions with endowments much larger than UVM’s, including Harvard, Brown, Middlebury, recently have cited similar themes that have informed their decisions not to divest from fossil fuel companies.

Concerns about detrimental impacts to life on this planet related to climate change are very real, the Subcommittee stated, and commented that the University has taken many positive steps, including:

- Continuing important work on sustainability, in terms of curriculum, reuse/recycling, and energy efficiency, focused on what we can do as a community to reduce dependence on fossil fuels. Two of many examples are: 1) UVM's LEED Certification requirement for any new buildings on the campus, and 2) UVM's participation in STARS: **Sustainability Tracking, Assessment & Rating System** - a transparent, self-reporting framework for colleges and universities to measure their sustainability performance.
- Nurturing a strong and expanding reputation as an environmentally focused institution, conducting cutting edge research in many relevant areas. UVM's commitment is further demonstrated by the fact that we have a major academic unit whose very existence is based on the study of the environment: the Rubenstein School of Environment and Natural Resources.
- Implementing plans to strengthen UVM's commitment to donor service by establishing an alternative endowment fund for future donations from those who wish to have their gifts invested in non-fossil fuel sources. This fund will be available in the near future.

In sum, much of what was recommended in the SRIAC report has been accomplished, the Subcommittee commented. Actions include: proxy voting publishing, Board of Trustee sustainable initiatives, heightened awareness among Subcommittee and the Board as to carbon risks, and more research and education initiatives.

Summarizing the process, the Investment Subcommittee Chair stated that, "Contributors to this process have provided valuable service to the University by increasing our awareness around climate issues. We recognize that some will be disappointed with this decision. It was arrived at after numerous public opportunities for dialogue, input, and learning, and we have every confidence that interactions around this topic will continue to be respectful of differing perspectives. In the end, all of us have the same objective: The continued success of our University and all who are a part of it, and with regard to this issue, the continued growth of our returns in the endowment that directly support the core of the University: students and faculty. "

The outcome of the Investment Subcommittee's work has been reported to the Chair of the UVM Board of Trustees and to the Chair of the Budget, Finance and Investment Committee of the Board.