

Framework to Guide Evaluation of Investment Policy Change Requests

BACKGROUND

During its October 21, 2016 meeting, the Board of Trustees requested that the Finance & Administration Committee develop and recommend a framework to the Board to guide its consideration of requests for investment policy changes. The Finance & Administration Committee discussed a draft framework at its December 1 meeting.

DRAFT FRAMEWORK

A number of edits were made to the draft framework in response to the Committee's December discussion. These edits are shown in red text and strikethrough in Exhibit A of Attachment 1.

The proposed edits:

- Specify that requests for investment policy changes from Public University Fund participating universities must come from their respective boards (Section I),
- Elaborate on several of the core values of the university (Section II),
- Clarify that the Board will consider the mission and core values of the university when reviewing a requested change to the investment policy (Section II, 1),
- Broaden the potential impacts that will be considered beyond income and returns (Section II, 3),
- Place additional emphasis on considering alternative approaches that advance solutions to the underlying environmental, social, or governance concern being addressed by the investment policy change request (Section II, 5), and
- Clarify that the Committee need only advance to the Board changes to the investment policy that have been reviewed and are recommended by the Committee (Section III).

RECOMMENDATION

Staff propose that the Finance & Administration Committee recommend to the Board that it adopt the Resolution establishing a framework to guide evaluation of requests to change the University's investment policy as provided in Attachment 1.

Exhibit A



Oregon State University Framework to Guide Evaluation of Investment Policy Change Requests

I. Purpose

The Oregon State University Investment Policy identifies the policies for prudent investment of university funds with the primary objectives of safety, liquidity, and return on investments. The Board recognizes that from time to time it may receive requests from university stakeholders or, in the case of the Public University Fund for which Oregon State University serves as the Designated University responsible for administration of the fund, from **the boards of** other public universities participating in the fund, to make specific investment changes to the policy(ies), due to environmental, social, or governance factors. The purpose of this framework is to guide the Board's consideration of such requests. In some instances, approval of a request by the Board will require changes to the OSU Investment Policy and/or Public University Fund (PUF) Investment Policy.

The Board may apply this framework to any portfolio under the Board's purview, including endowment assets managed on behalf of the university, endowment assets managed directly by the university, and operating assets managed by the Oregon State Treasurer, including the PUF. Specific actions may be limited by the particular asset group such as trust obligations related to endowment funds or by inherent constraints imposed by the investment manager/advisor.

II. Guiding Principles

While subject to the prudent investor standard, the Board of Trustees, as fiduciary of Oregon State University and as part of its decision-making process, will consider whether **the any** proposed investment policy change aligns with OSU's mission and core values:

Mission

As a land grant institution committed to teaching, research and outreach and engagement, Oregon State University promotes economic, social, cultural and environmental progress for the people of Oregon, the nation and the world.

This mission is achieved by producing graduates competitive in the global economy, supporting a continuous search for new knowledge and solutions and maintaining a rigorous focus on academic excellence, particularly in the three Signature Areas: Advancing the Science of Sustainable Earth Ecosystems, Improving Human Health and Wellness, and Promoting Economic Growth and Social Progress.

Core Values

Accountability. We are committed stewards of ~~the loyalty and good will of our alumni and friends of~~ the human, fiscal and physical resources entrusted to us. **We are also stewards of the loyalty and good will of the people of Oregon; the university's students, faculty, staff, alumni, and donors; and the communities in which we live and work.**

Diversity. We recognize that diversity and excellence go hand-in-hand, enhancing our teaching, scholarship, and service as well as our ability to welcome, respect, and interact with other people.

Integrity. ~~We practice honesty, freedom, truth and integrity in all that we do.~~ We value responsible, accountable and ethical behavior in order to maintain an atmosphere of honest, open communication and mutual respect throughout the Oregon State community.

Respect. We treat each other with civility, dignity and respect.

Social responsibility. We contribute to society's intellectual, cultural, spiritual and economic progress and well-being to the maximum possible extent.

In reviewing requests for changes in investment policy, ~~determining the alignment of an investment decision with the Board's fiduciary responsibility as articulated in the OSU Investment Policy and the mission and values of the university,~~ the Board will also consider:

1. The objectives of the OSU Investment Policy and the Public University Fund Policy, if applicable,
2. OSU stakeholder input on specific investments as reflective of the OSU mission and values,
3. Impact of the proposed investment policy change on performance returns, ~~and~~ income generated for beneficiaries, ~~stakeholder relationships, and other potential financial and economic impacts on the university,~~
4. Legal constraints related to the investment of specific assets under consideration (such as Trust documents),
5. Alternative approaches to addressing stakeholder concerns and input, ~~particularly those that advance progress in the area of environmental, social, or governance issues raised by the requested investment policy change,~~
6. Other stated goals of the university relevant to a specific request, and
7. For actions affecting the PUF, whether a majority of participating universities consent to the requested change based on statements of position from the Board of Trustees at each participating university.

III. Process for Requesting Changes

Requests for changes in investment policies must be made in writing and submitted to the Chair of the OSU Board of Trustees.

The request should ~~demonstrate~~:

1. ~~Provide a~~ clear description of the rationale for the proposed request,
2. ~~Demonstrate c~~Consistency with the university's mission and values,
3. ~~Document s~~Sustained and broad concern from a variety of university communities over a significant period of time, and
4. ~~Demonstrate t~~That stakeholders who have generated the resources being invested, such as students, faculty, alumni, donors, or participating universities in the PUF, have been engaged in developing the request.

For requests affecting the PUF:

1. The Chair of the OSU Board of Trustees will notify the Board of Trustees of participating universities and request a statement of position on the request.
2. To assist the participating universities in developing a statement of position, information developed under Section II, subsections 2 and 3 above, will be provided.

The Chair of the Finance & Administration Committee will review the request with the Board Secretary and Vice President for Finance and Administration and, if deemed complete and meeting the established threshold for consideration, schedule the request for review by the Finance & Administration Committee. To assist in the committee's evaluation of the request, the Vice President for Finance and Administration may convene an advisory group of stakeholders, fund management experts, and others. The Finance & Administration Committee will review the request ~~and make a recommendation to the Board of Trustees~~ and forward any recommended changes in Investment Policy(ies) to the Board of Trustees for consideration.

Any specific action taken in response to a stakeholder request should not be considered binding on future requests. Each request requires its own due diligence, independent of prior actions, and each request will be considered on its own merits.