

Stanford University
Board of Trustees
Statement on Investment Responsibility

Adopted 1971
as amended through 2018

Preamble

One of the most important responsibilities of the Board of Trustees is providing oversight for the University's endowment, which is intended to provide financial support in perpetuity for the University's mission of education and research for the benefit of humanity. The purpose of this Statement is to set forth the Board of Trustees' commitment to responsible investment of the University's endowment and to establish the guidelines for action by the Trustees in furtherance of this commitment.

This statement was originally adopted in 1971 to recognize (1) the primary responsibility of the Trustees to maximize long-term risk-adjusted return on the endowment's investments to provide financial support for the academic mission of the University, (2) the University community's role as a forum for discussion and debate of critical societal issues, and (3) the importance of articulating the relationship between those discussions and the responsible investment of the University's endowment. This Statement affirms long-standing principles of the Trustees while seeking to clarify the University's approach to investment responsibility issues in the contemporary context.

The Endowment

The endowment provides a central source of financial support to sustain the University's educational and research mission, now and in future generations. Stanford Management Company (SMC), a division of the University, manages the endowment assets with the primary goal of maximizing long-term risk-adjusted investment returns in order to provide funding for current expenses while preserving the value of the endowment for the university's future students and researchers.

SMC's investment process actively incorporates ethical and social considerations to help achieve its goal of maximizing support for the University's mission. SMC recognizes, in making investment decisions, companies that fail to demonstrate appropriate regard for human and environmental welfare do not represent attractive long-term economic opportunities. SMC's investment evaluation and processes are reflected in the *Stanford Management Company Ethical Investment Framework*, as approved by the Board of Trustees.

The Trustees believe that incorporating environmental, social and governance factors into investment decisions advances investment responsibility in the context of the University endowment. This approach proactively addresses issues that may be of ethical or moral concern within the process of rigorously evaluating the best long-term economic investments for the university. It also provides a proactive and adaptable mechanism for SMC to act as a responsible investor for the University and is consistent with the Trustees' fiduciary duties.

Investment Exclusions

The Trustees believe that the primary mechanism through which the endowment advances social good is through its financial support of the university's academic mission. Just as the University does not take positions on partisan or political issues, the Trustees maintain a strong presumption against using the endowment as an instrument to advance any particular social or political agenda. The Trustees believe that in most cases divestment from the University's endowment is an ineffective means of exercising investment responsibility, especially in comparison to the value of encouraging the University community to engage in education, research and debate.

The Trustees believe that the preservation of a community in which ideas may be freely and openly debated on their merits is central to the University's academic mission and to its assurance of academic freedom. As Stanford's Statement on Academic Freedom states, the "University's central functions of teaching, learning, research, and scholarship depend upon an atmosphere in which freedom of inquiry, thought, expression, publication and peaceable assembly are given the fullest protection". The Trustees may choose to take no action on a request if an issue is divisive within the campus community.

The Trustees recognize that many issues of broad social and political concern raised by members of the University community are worthy of debate and study. Consistent with the University's educational mission and its commitment to academic freedom, facilitating campus programs and processes by which these issues can be discussed and thoughtfully debated within the campus community is the most appropriate channel for most broad social and political issues to be addressed in the University context.

The Trustees recognize that very rare occasions may arise when companies' actions or inactions are so abhorrent and ethically unjustifiable as to warrant the University's dissociation from those investments. Such activities include apartheid, genocide, human trafficking, slavery, and violations of child labor laws. These instances may be reviewed on a case-by-case basis and must meet the very high bar articulated above.

Implementation

The Board of Trustees has the sole responsibility as the fiduciary stewards of the University's endowment to establish policies on investment responsibility. In the event that the Trustees consider community proposals to disassociate the endowment from investment in a particular company or industry based on the standard articulated above, the Trustees' Special Committee on Investment Responsibility (SCIR), with the support from the Office of Investment Responsibility and Stakeholder Relations, may appoint an ad-hoc fact-finding committee to provide research and community input before making a recommendation to the full Board of Trustees.

The Trustees hereby delegate to the University President responsibility for establishing and approving the process for submitting proposals, as well as for research, education, and dialogue on issues of investment responsibility. As detailed in the *Investment Responsibility Guidelines*, the Office of Investment Responsibility and Stakeholder Relations will receive community proposals and advise the SCIR during evaluation and deliberation of investment responsibility issues.