

# LOYOLA MARYMOUNT UNIVERSITY

## RESPONSIBLE INVESTMENT POLICY

### I. INTRODUCTION

Loyola Marymount University (the “University”) is committed to responsibly managing the endowment to meet the simultaneous goals of generating superior long-term returns and upholding ethical concerns. The Responsible Investment Policy (RI Policy) exists to guide intentional investing at the University in accordance with international guidelines that account for financial and societal concerns. As an asset owner (AO), the University can guide policies toward a viable and just future by addressing Environmental, Social, and Governance (ESG) issues.

The University’s Investment Policy Statement (IPS) is the guiding policy for the University’s endowment and RI Policy decisions are under the former’s jurisdiction. The ultimate goals of both policies are fiduciary responsibility and maintaining the endowment in perpetuity adjusted for inflation. See the IPS for further information.

This RI Policy was created collaboratively by representatives from University stakeholder groups via the Responsible Investing Advisory Committee (RIAC)<sup>1</sup> and subsequently approved by the Endowment Committee of the Board of Trustees in February 2019.

### II. ENGAGEMENTS

The University became a signatory to the United Nations-supported Principles of Responsible Investing (PRI) in July 2017. As such, the RI Policy is informed by this alignment and the Six Principles of Responsible Investment, as outlined below.

- 1) We will incorporate ESG issues into investment analysis and decision-making processes
- 2) We will be active owners and incorporate ESG issues into our ownership policies and practices (see Active Ownership).
- 3) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4) We will promote acceptance and implementation of the Principles within the investment industry.
- 5) We will work together to enhance our effectiveness in implementing the Principles.
- 6) We will each report on our activities and progress towards implementing the Principles.

Signing onto the PRI reflects the University’s commitment as a Jesuit Catholic institution to ethical decision-making, the furtherance of justice, and stewardship initiatives. Similarly, this

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<sup>1</sup> Guided by the RI Policies of other higher education institutions and the Policy guideline documents for AOs produced by the PRI.

action aligns with the University’s mission statement to support the encouragement of learning, the education of the whole person, and the service of faith and the promotion of justice. The RI Policy, and subsequent decisions, should build upon the University’s core values of academic excellence, faith and reason, commitment to students, community, and service to others.

Additionally, creating sustainable, long-term returns through an ESG lens is in service to the preservation of the University’s endowment and the fulfillment of its mission.

The University may choose to engage with other RI related initiatives, as deemed appropriate and relevant to its mission.

### III. KEY TERMS

Term	Definition
Environmental, Social, and Governance (ESG)	A set of factors used to assess the performance and impact of investments on a range of environmental, social and corporate governance criteria.
Investment manager (IM)	An external organization that manages investments for the University <sup>2</sup> ; reports to the University and adheres to its investment objectives
Proxy voting	A ballot cast by one person on behalf of a shareholder to exercise shareholder rights in addressing corporate decisions <sup>2</sup> ; can be exercised by an external IM or internally
Positive Screening	Selecting companies based upon desirable ESG qualities, policies, and/or practices <sup>2</sup> ; active inclusion <sup>3</sup>
Negative Screening	Excluding companies based upon undesirable qualities, policies and/or practices <sup>3</sup>
Divestment	Selling an asset for financial, environmental, social, and/or political purposes <sup>3</sup>
Impact Investing	Generate specific social or environmental impacts alongside financial returns; actively seeks to make a positive environmental and/or social impact <sup>4</sup>

Note that, while the above definitions are broadly accepted industry definitions, responsible investment can be defined differently by different organizations, and that the above are specific for the University.

### IV. PURPOSE

This RI Policy aims to inform investment decision making, align the University’s investments with its values, positively impact environmental and social issues, better manage risk, and generate sustainable, long-term returns in line with fiduciary duties. Its main objectives are to encourage incorporating ESG considerations into future investments where possible, and assess current investments’ ESG performance when able.

<sup>2</sup> Social Funds, 2018

<sup>3</sup> SRI Connect, 2018

<sup>4</sup> Global Impact Investing Network, 2018

Per the recommendations of the RIAC and oversight/approval by the Endowment Committee of the Board of Trustees, this may be done through ESG integration, positive or negative screening, divestment, or impact investing, among other strategies relevant to the University. The RIAC may suggest incorporating any of the previously listed methods, while upholding the IPS, the framework of the PRI, and Jesuit and Catholic principles.

The University may perform these objectives across its investment portfolio. All investment and ownership decisions, as approved by the Endowment Committee of the Board of Trustees, are expected to uphold the standards outlined in the IPS. See External Governance (Section VI) for more information.

## V. SCOPE

This policy relates solely to the University's endowment pool portfolio and variations across asset classes will exist.

## VI. GOVERNANCE

Consistent with its purpose and creation by the Board of Trustees, the Endowment Committee of the Board of Trustees maintains ultimate authority on endowment investment policy and decision-making. The Endowment Committee of the Board of Trustees must approve any and all proposed changes to the RI Policy before they are formalized.

The University Treasury Office is responsible for educating the RIAC and University stakeholders on RI topics, and upholding the University's RI requirements and responsibilities to the PRI<sup>5</sup>.

### *Responsible Investing Advisory Committee (RIAC) Charge*

- 1) The University's RIAC will meet a minimum of 4 times per academic year. Additional meetings may be necessary should time-sensitive topics arise. Minutes shall be taken at all meetings and kept for review electronically on the University's secure server and/or another medium of electronic information exchange.
- 2) The RIAC will have up to six members (but no less than five). Members may attend remotely. Topical experts may be invited to participate as necessary and appropriate. The Committee will be formally comprised of the following:
  - One graduate student currently enrolled at the University, recommended by Graduate Students of LMU (GSLMU)
  - One undergraduate student, who currently serves as the Director of Sustainability for the Associated Students of LMU (ASLMU)
  - One faculty member of the University, recommended by the Faculty Senate
  - One Jesuit, recommended by the Rector; if this is not possible, one faculty or staff member appointed by the Office of Mission and Ministry
  - The University Treasurer, who shall be the Chair of the Committee

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<sup>5</sup> The University is expected to perform annual reporting to the PRI and demonstrate an active engagement with ESG topics, among other responsibilities. For more details visit [www.unpri.org](http://www.unpri.org).

- The RI Associate
- 3) Once per year, during the change of academic years, the RIAC will reassess its membership and leadership. Members are appointed to two-year terms. Individuals may serve a maximum of two terms. Members who, at the judgment of the Chair, are absent without reasonable cause from three successive meetings will be considered to have resigned their seat. The RIAC will then work to fill their position in these circumstances.
  - 4) The RIAC will operate under the University's RI Policy (as ultimately approved by the Endowment Committee of the Board of Trustees) and as a signatory to the PRI.
  - 5) The RIAC will be the primary listening and discernment body at the University for topics related to RI and ESG regarding the endowment, however, it will not share information about the University endowment unless pre-approved by the Endowment Committee of the Board of Trustees. RIAC members are required to sign a Confidentiality Agreement outlining their understanding not to disclose non-public information relating to the endowment portfolio.
  - 6) The RIAC will not have voting power to alter the endowment, but will present formal recommendations related to RI and ESG to the Endowment Committee of the Board of Trustees.
  - 7) The RIAC may work directly with the University's external investment consultant, Investment Managers (IMs), and/or the General Counsel for the University to assess potential impact to the University's endowment portfolio related to potential recommendations.
  - 8) The RIAC should report at least once annually to the Endowment Committee of the Board of Trustees.

#### *External Manager Selection, Appointment, and Monitoring*

External IMs are responsible for addressing ESG factors in their investment strategies, as discussed with and deemed relevant by the University. When selecting new IMs, the University will strive to choose those with an ESG rating that shows a tangible commitment to RI, as ranked by the University's investment consultant.

During initial and ongoing due diligence by the University, IMs will be reviewed for annual reports that: clearly articulate their approach to ESG integration and active ownership, summarize material changes in ESG risk profiles of strategies, as well as any negative ESG incidents at portfolio companies. The University will make an effort to incorporate ESG discussions into regularly scheduled financial performance meetings. Additionally, the University will make concerted efforts to provide feedback to IMs in regards to their ESG performance and, if necessary, share best practices and means of improvement. Relevant ESG reports and conversations may be shared with the RIAC. The Treasurer and RIAC Trustee member will provide Endowment Committee updates at RIAC meetings; RIAC members will maintain their confidentiality as they access these materials.

Additionally, the University engages with an investment consultant and will make efforts to work with that consultant on ESG issues to ensure the University's mission is upheld. To the extent it can, the University will also strive to engage with its custodian bank on RI policies. In future Requests for Proposal, the University will make concerted efforts to hire PRI signatories and/or those who demonstrate robust approaches to ESG integration.

## VII. ACTIVE OWNERSHIP

Active ownership refers to the exercising of shareholder rights and voice through proxy voting and engagement with investee companies. The University will strive to implement the second Principle of the PRI through implementing the stewardship and engagement activities outlined below, as deemed meaningful and relevant to the University.

### *Proxy Voting*

The University, through the RIAC, will make a concerted effort to vote its proxies in alignment with the spirit of the University's RI policy and in accordance with ESG best practices and the PRI where deemed prudent and responsible. The University will strive to vote in the best interest of the financial health of its assets and with consideration of Jesuit and Catholic teachings on society and justice. The University may decide to have IMs vote proxies; the University's Treasurer will make efforts to work with IMs to determine if their proxy voting policies and activities are in alignment with the University's mission and RI policy. The University may elect to use an external service provider to vote its proxies or create an internal voting system as deemed most efficient.

### *Stakeholder Engagement Activities*

The University takes a holistic view of potential ESG risks to inform its actions and uphold its responsibilities to its stakeholder groups. Relevant risks change annually, therefore the University will use its best discretion to take action only as necessary.

The University will make efforts to engage with other AOs and investors by attending leadership events as possible and appropriate. A representative from the University will strive to attend PRI events, particularly the annual "PRI in Person" conference.

The University may also work with other Jesuit and Catholic institutions to learn more about best ESG practices and strategies, and increase the influence of the Association of Jesuit Colleges and Universities (AJCU) network. The RIAC may choose to work with other RI groups from the AJCU. Finally, the University may deem it appropriate to become a signatory or member of other RI organizations, as proposed by the RIAC and approved by the Endowment Committee of the Board of Trustees.

The RIAC is responsible for leading the University's stakeholder engagement initiatives and may take input from relevant groups into account (see Recommendations Process for details). All actions must be approved by the Endowment Committee of the Board of Trustees.

### *Shareholder Engagement Activities*

The University will make an effort to engage with select companies by monitoring corporate decisions that affect ESG issues, attending shareholder meetings when possible, working with IMs to influence relevant policies, and signing onto appropriate PRI engagements, as deemed prudent and in accord with Catholic teaching and Jesuit principles. The University will work to address the Six Principles of the PRI through these actions.

The RIAC and University leadership are responsible for shareholder engagement activities, all of which must first be approved by the Endowment Committee of the Board of Trustees.

#### VIII. FURTHER EDUCATION

The University will make every effort to stay educated on current relevant ESG initiatives and RI practices. This may be done through education, attending events and/or webinars, meeting with experts, through its investment consultant, or other activities. The University may also hold ESG trainings for relevant internal staff.

#### IX. REPORTING

As a signatory to the PRI, the University will participate in the annual PRI reporting process, which serves as a benchmark for progress. Upon its completion, the PRI report will be sent to the RIAC and the Endowment Committee of the Board of Trustees annually. The University may also elect to participate in other environmental reporting processes, such as STARS. Additional communications and updates to external groups will be done as deemed prudent through the appropriate channel.

#### X. TRANSPARENCY

The University will make public the PRI Transparency Report, as required by the PRI, through the PRI website. This report may include basic information such as endowment and asset allocation totals, active ownership activities, external manager selection and monitoring in relation to ESG, roles related to RI at the University, and additional engagement initiatives.

The RI Policy will be reviewed annually by the RIAC and separately by the Endowment Committee of the Board of Trustees; the most updated version will be publicly available through the University's website.

The University may also make RIAC actions public, as deemed appropriate, through the University's website. The Endowment Committee of the Board of Trustees has the ultimate voice on what investment information will be made publicly available.