

POLICY ON SOCIALLY RESPONSIBLE INVESTING

September 12, 1994

I. Introduction

The trustees of Hampshire College recognize their responsibility and the concern of the college community for the moral and social implications of the management of the college's investments. They also recognize that their primary investment objective is to optimize financial return to the college. Hampshire College will not knowingly make investments which support activities whose impact is contrary to fundamental moral and ethical principles. The purpose of these guidelines is to establish criteria in addition to economic return which the trustees will consider when making investment decisions and when exercising their rights as shareholders. This statement also provides for procedures for forwarding these concerns to the investment committee of the board of trustees and to the full board itself.

II. Procedures

- A. A subcommittee of the investment committee of the board of trustees will be established and will be called the committee on investment responsibility (CHOIR).
- B. The committee will:
 1. Make recommendations to the investment committee regarding the maintenance and the modification of social responsibility guidelines.
 2. Make recommendations to the investment committee regarding the voting of shares.
 3. Review the way in which the investment committee interprets the guidelines and review the performance of the college's investment managers in carrying out the investment guidelines.
 4. Keep the Hampshire community informed of its activities.
 5. Provide all relevant information in its possession to the Investment committee and the college's investment managers, especially as concepts and findings that bear on social injury evolve.
- C. In cases where the Investment committee does not accept the recommendations of the committee on investment responsibility, that committee will have the right to make its views known directly to the full board of trustees.
- D. CHOIR will be composed of two people to represent the board of trustees, at least one of whom must be a trustee, two faculty members, two student members, two staff members, an alumnus/a, and the treasurer, ex officio. The trustee representatives 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 president of the college will select the alumnus/a. A trustee will serve as chair of the committee.
- E. The committee shall meet normally three or four times a year.
- F. The committee will have access to the lists of all holdings managed by the college and to all pertinent data compiled by, or on behalf of, the college, with respect to companies in which an investment has been made.
- G. The committee 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.

- H. In order to carry out its investigation and analysis, the committee should solicit information and advice from individuals and groups in and outside of the college community.
- I. In advising the board, the committee shall gather and make available to the investment committee information on social screens which identify (a) particular socially responsible corporations and (b) corporations which fail to conform to one or more of the criteria listed below in Section III C.3.
- J. Before the committee submits a recommendation for action, the committee 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 social injury not only its own opinion, but also the opinions of others within the college community.
- K. The committee must respond promptly to requests for advice from the investment committee and the finance committee regarding the interpretation of these guidelines for social responsibility in investment.
- L. The trustees will make the final decisions on all requests for action from the committee.
- M. The trustees will inform the committee in writing of the trustees' action and a summary of the reasons for the action.
- N. The committee may submit recommendations to the trustees for amendments to the guidelines or the trustees may on their own initiative and after consultation with the committee amend these guidelines from time to time.

III. Guidelines for Investment Responsibility

- A. For the purpose of these guidelines, social injury will be interpreted to mean: the injurious impact which the activities of a company are found to have on consumers, employees, or other persons, or on the environment, particularly including activities which violate or frustrate the enforcement of rules of domestic or international law intended to protect individuals against deprivation of health, safety, or basic freedom.
- B. The trustee's primary investment objective is to seek a prudent financial return in line with the College's objectives. This policy does not preclude the trustees from determining, from time to time, that investments in certain companies or industries may be undesirable no matter how attractive the potential return.
- C. Criteria for Social Benefit and Social Injury
 - 1. Hampshire College does not wish to profit from nor appear to support or endorse by holding corporate equities or bonds in corporations which cause social injury.
 - 2. Therefore the Investment committee is directed to instruct the college's investment managers that, subject to any necessary donor restrictions and within the college's guidelines for maximizing expected return at a prudent level of risk, they should: FAVOR equity holdings in corporations which are good corporate citizens, including, more specifically, corporations which emphasize one or more of the following characteristics:

- a. provide beneficial goods and services such as food, clothing, housing, health, education, transportation, and safe energy; pursue energetic research and development programs that hold promise for new products of social benefit and for increased employment prospects;
 - b. maintain fair labor practices including exemplary management policies in such areas as affirmative action and worker participation;
 - c. maintain a safe and healthy work environment including full disclosure to workers of potential work hazards;
 - d. demonstrate exemplary treatment of minorities and women;
 - e. 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 and pollution control;
 - f. are seen to strengthen local and regional as well as the national economies;
 - g. have a record of sustained support for higher education;
 - h. use their power to enhance the quality of life for the disadvantaged segment of our society.
3. In order to focus on companies actively promoting the positive social goals listed above and in order to invest in a way that reduces this country's dependency on military spending, Hampshire College will favor companies not heavily dependent on the sale of weapons and those which are taking active steps toward converting from production for military purposes.
 4. In order to focus on companies actively promoting the positive goals listed in C.2 and/or in order to refrain from investing in or holding equities of corporations which may cause social injury, Hampshire College will avoid investing in those corporations which:
 - a. engage in the production or sale of components and technologies for nuclear warheads and their primary delivery systems;
 - b. engage in the production and/or export of sensitive nuclear and military technologies which contribute to the proliferation of weapons in violation of restrictions embodied in United States laws or governmental regulations or in arms limitation treaties to which the United States is a party;
 - c. directly contribute to the production of biological weapons or to research and development associated with such weapons (see definitions below);
 - d. operate in countries engaged in serious human rights violations and serve to perpetuate, promote, and finance these conditions, as identified through a factual case by CHOIR;
 - e. engage in unfair and degrading labor practices;
 - f. maintain practices which discriminate on the basis of sex, sexual preference, race, color, national or ethnic origin, or handicap;
 - g. engage in substantially harmful, irresponsible environmental practices;
 - h. manufacture and/or market products which in normal use are unsafe or impure or sell products outside the United States which competent U.S. governmental authorities have prohibited from sale or distribution on the grounds that such products are harmful;

- i. have markedly inferior records with respect to occupational health and safety;
 - k. repeatedly refuse to cooperate with responsible requests from the public for information regarding their performance in relation to any of the above listed issues of concern.
5. Members of the community, of course, may present a case to CHOIR and the investment committee and then to the full board to have a specific company included on the master list of acceptable investment opportunities based on that company's positive social contributions even if it does not pass all of the screens being used at a given time; and conversely a case can be made to delete a company.

D. Exercise of Voting Right

1. The trustees will normally exercise their rights of ownership by voting their shares at meetings of stockholders by proxy. The following guidelines will be used in determining how to cast the trustees' votes:
- a. the trustees will normally be influenced by a proposition which seeks to eliminate or reduce the social injury caused by a company's activities, and will vote against a proposition which seeks to prevent such elimination or reduction, where a finding had been made that the activities which are the subject of the proposition cause social injury;
 - b. the trustees will vote 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);
 - c. the trustees will vote for the election to corporate boards of directors of qualified persons who will not only contribute to good and ethical corporate management, but will also bring greater diversity of interest and concern for the public interest.

E. Divestment

A decision to sell for other than financial reasons will be considered by the trustees if in the opinion of the committee on investment responsibility the exercise of shareholders' rights by the college and other shareholders will not, within a reasonable period of time, succeed in changing a company's attitude toward a moral or social problem.

Adopted: October 7, 1977
Revised: March 9, 1979 (III C. 3. a.)
Revised: March 12, 1983
Revised: May 11, 1990 (III C. 3. b. and Definition (2))
Revised: October 12, 1990 (changed to sub-committee of investment committee)
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Revised: May 10, 1991 (III C. 3. a.; D. 1. b.; Definitions; addendum on procedures)
Revised: May 8, 1992 (Title; II D.)
Revised: December 14, 1993 (III C. 4. a. (deleted and section re-lettered))

Definitions and Notes:

A. Biological weapons shall be identified as follows:

- (1) Microbial or other biological agents, or toxins whatever their origin or method of production, of types and in quantities that have no justification for prophylactic, protective or other peaceful purposes.

Definitions and Notes continued:

- (2) Weapons, equipment or means of primary delivery designed to use such agents or toxins for hostile purposes or in armed conflict.

Taken (in part) from:

"Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction"

Treaty ratified by U.S. government; entered into force on March 26, 1973.

- B. Social screens (as referred to in Section Ii - I.) are those criteria researched by organizations in the socially responsible investment community.
- C. Non-equity relations (as referred to in Section III C. 3. a.) as defined by the Interfaith Center on Corporate Responsibility (ICCR): Any corporation which (a) authorizes the supply of its products or services or the use of its name, trademark or technology to any South African entity, either through franchise, licensing, technical management or distribution agreements, or as part of an agreement of sale of direct investments; (b) sells products or supplies services to any South African entity; (c) purchases products or services from any South African entity.