Resolution No. 16 (2016-2017)
Enhanced ESG Investment Policy Statement

WHEREAS, the mission of the Investment Committee is to set risk parameters and seek to maximize endowment investment returns within those risk parameters, and

WHEREAS, the Investment Committee fulfills its mission when the endowment's principal is protected and its return objectives achieved, and

WHEREAS, one of the core themes and values of Lewis & Clark is to be a community that commits itself to sustainability as a dimension of a just society, and

WHEREAS, in 2014 Lewis & Clark's Investment Policy first included the practice of incorporating environmental, social, and governance ("ESG") factors with other conventional financial analytical tools when evaluating investment opportunities, and

WHEREAS, investment research and products integrating environmental, social and governance factors into investment decisions with the objective of providing better risk-adjusted returns, particularly over the long term have proliferated since 2014, and

WHEREAS ESG factors can have a material impact on the value of companies and securities. Examples of such factors include natural resource use and scarcity, governance controls, product safety, employee health and safety practices, and shareholder rights issues. Because Lewis & Clark believes these issues should be considered alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment, and

WHEREAS, the Investment Committee of the Board now wishes to expand its support for managers utilizing ESG factors in analyzing their investment decisions, now therefore be it

RESOLVED, that the Investment Policy of Lewis & Clark College shall be amended to include the language modifications outlined in the Enhanced ESG Investment Policy Proposal dated April 14, 2017 which is attached this resolution.

LEWIS & CLARK COLLEGE
Amended
Statement of Investment Objectives and Policies

Approved by the Board of Trustees on May 5, 2017

I. Introduction

A. This statement is approved by the Board of Trustees (the "Board") of Lewis & Clark College (the "College"), which, along with the Investment Committee (the "Committee"), has a fiduciary responsibility for the management of the College's Endowment Fund (the "Endowment Fund" or the "Fund"). This statement supersedes all previous versions.

B. The purpose of this statement is to foster a clear understanding of the Endowment Fund's investment objectives, policies and guidelines among the Board of Trustees, the Committee, the investment consultant and the College's investment managers. The College bylaws state that the Chief Investment Officer has responsibility for the management of College investments in accordance with policies established by the Board and the Committee on Investments. The Committee may recommend changes in this investment policy statement to the Board at any time.

II. Financial and Investment Objectives

A. The long-term financial objective for the Endowment Fund is to preserve and enhance the inflation-adjusted (real) value of the principal in perpetuity. Another important financial objective is to limit the volatility of the distributions from the Endowment Fund to provide a relatively stable (in real terms) stream of earnings consistent with the College's spending needs.

B. These financial objectives are intended to balance the needs of current and future generations of beneficiaries of the College's Endowment Fund. It is recognized that the desire to maintain and to grow the corpus and to produce a stable distribution stream involves tradeoffs that must be balanced in setting the investment objectives and the spending policies.

C. The primary long-term investment objective of the Endowment Fund is to earn an average annual inflation-adjusted (real) total return of at least 5%, net of all investment management fees, operating expenses and taxes over the long term (rolling ten-year periods).

D. It is recognized that the real return objective may be difficult to achieve in every 10 or 15-year period, but should be attainable over a series of 10 or 15-year periods. Over shorter timeframes (rolling five-year periods), the Fund will seek to outperform a composite of market indices reflecting the Fund's asset allocation policies and perform on par with other endowment funds with broadly similar investment objectives and policies.

E. Evaluation of progress toward the investment objective should be made with a long-term perspective. It is recognized that this objective implies a high allocation to equity securities and consequent market price volatility. In order to attain a real investment return of 5% or greater, historically funds have had to exceed the objective substantially during some periods (such as the 1980s) in order to compensate for inevitable shortfalls during other periods (such as the 1970s).

F. Academic research supports the practice of incorporating environmental, social, and governance factors with other conventional financial analytical tools when evaluating investment opportunities, with the objective of improving long-term, risk-adjusted returns. ESG factors may help identify both i) potential opportunities and ii) potential risks that conventional tools miss. Incorporating ESG factors into the management of the Endowment Fund is consistent with the Fund's stated investment and financial objectives. As such, the Committee will consider material ESG factors when making decisions on asset allocation and investment manager selection.

   Incorporating an ESG perspective can help the Committee and investment managers identify emerging, inefficient markets where early entrants have the opportunity to capture additional return premium. This might include secular shifts in economic and regulatory environments that will have significant and lasting impact on asset valuations. For example, the ratification of the Paris Agreement[i] on climate change has the potential to create a global regulatory and political tailwind for investment strategies focused on solutions to the challenges of climate change.

   An ESG perspective can also supplement traditional portfolio risk management, and highlight potential additional risks in asset allocation or manager selection. For example, within the Fixed Income Fund, the portfolio will have exposure to corporate and municipal issuers whose credit quality are impacted by changes in environmental factors (e.g., climate-related weather disasters on municipalities), social factors (e.g., sustainability of supply chain for corporations) and governance factors (e.g., concentrated ownership/voting rights misaligning incentives between issuers and creditors).

   ESG factors are a component of a thorough investment process, and should not be used as exclusionary screens to eliminate specific companies or sectors from consideration. That said, the Committee will monitor the Fund's exposure levels to ESG factors across the portfolio, and will engage with managers or divest from strategies where objective ESG analysis implies a negative outcome for the College. Exposure to ESG factors will be monitored and considered at an individual manager, asset class, and total portfolio basis.

   In addition to proactively utilizing an ESG perspective when making decisions for the portfolio, the Committee will also proactively encourage its managers to integrate ESG factors in their analytical processes.

   The College acknowledges that the relevancy of ESG factors will vary by industry and should be applied appropriately to help assess risk and return.
   To monitor exposure to relevant ESG factors, the Committee will work with the Investment Consultant and a specialist third party provider to periodically aggregate exposure across the Endowment Fund. It is expected that the ESG factors most critical to effective management of the portfolio will evolve over time.

In order to facilitate the inclusion of ESG factors in management of the Fund, the Committee will direct the Investment Consultant to include in all new investment manager searches an option for a best-in-class manager with ESG integrated into its investment strategy.

The Investment Committee delegates authority to the CIO to vote proxies. The CIO will consult with the College's Sustainability Council regarding any endowment proxy relating to ESG and/or sustainability topics.

III. Spending Policy –Amended spending policy was adopted by the Board of Trustees on February 19, 2016 with Resolution No. 7 – Amended Spending Policy.

IV. Fund Composition, Asset Allocation

A. For purposes of investment policy, the Endowment Fund shall be considered as comprising two primary parts: an "Equity Fund" and a "Fixed Income Fund." The Committee will operate within long-term policy ranges for the Equity Fund and the Fixed Income Fund.

B. The Equity Fund is intended to provide long-term capital appreciation and a growing stream of income. It is recognized that the Equity Fund by itself will likely entail the assumption of greater price variability than the Fixed Income Fund.

C. The Equity Fund should normally represent 75% to 95% of the Endowment Fund at market value. The actual percentage will vary due to market fluctuations, manager allocation discretion, and Committee action, within the policy range.

D. The purposes of the Fixed Income Fund are to provide a hedge against deflation, to provide a source of current income, and to help diversify the Endowment Fund.

D. The Fixed Income Fund should normally represent 5% to 25% of the Endowment Fund at market value. The actual percentage will vary due to market fluctuations, manager allocation discretion and Committee action, within the policy range.

E. The long-term asset allocation policy ranges for the Endowment Fund are set forth below:

Long-Term Asset Allocation Policy Ranges for the Endowment Fund

	Long-Term Policy Range
Equity Fund	75-95%
Fixed Income Fund	5-25%

G. Detailed asset allocation policy targets and corresponding ranges for the Fund are specified in **Exhibit 1**. The policy targets and ranges specified in **Exhibit 1** may be modified from time to time by the Committee in response to significant changes in valuations, market environment, or opportunities, although it is expected that such modifications will be moderate and relatively infrequent. The Committee is not required to get prior approval from the Board to modify **Exhibit 1** provided that any modifications are consistent with this policy statement and with the long-term asset allocation policy ranges stated above, and that such modifications are reported to the Board at the next regularly scheduled meeting of the Board.

V. Rebalancing

A. The Committee shall review, at least once each year, whether the amounts invested with managers should be rebalanced to stay within the policy allocation targets in **Exhibit 1**. Whenever possible and practical, given asset class liquidity and investment characteristics, such amounts shall be rebalanced toward targets if outside the approved target ranges.

B. It is recognized that it will take time to become fully invested in certain non-marketable asset classes such as private equity/venture capital, and that the allocation to such asset classes may be below the lower allocation range for extended periods without being subject to mandatory rebalancing.

C. As a general rule, new cash inflows and withdrawals should be used to rebalance in the direction of the policy portfolio targets, subject to any tactical or opportunistic shifts within policy ranges that have been previously approved by the Committee.

D. In accordance with the objectives stated herein, the Chief Investment Officer has the responsibility to rebalance the portfolio in consultation with the Chair of the Committee. He or she will report any rebalancing flows at the next regularly scheduled Investment Committee Meeting.

VI. Guidelines for the Equity Fund

A. The Equity Fund will be broadly diversified among domestic equities, international equities, and alternative assets (e.g., venture capital, buyouts, and hedge funds). International common stocks include the common stocks of developed and developing countries. **Exhibit 1** specifies the policy allocations for these asset classes.

B. The purpose of investing in alternative equities is to enhance diversification and to increase long-term returns. Alternative investments include a wide range of equity or equity-like investments, excluding traditional, long-only common stocks. These include, among others, non-marketable investments (e.g. venture capital, private equity), marketable alternative investments (e.g. absolute return strategies), "hard" assets (e.g. real estate, energy, natural resources, etc.) and other investments (e.g. high yield bonds, convertible bonds).

C. The overall investment objective of the Equity Fund is to outperform an appropriate blended market benchmark chosen by the Committee, net of all fees. Individual performance benchmarks will be established for each investment at the time it is made.

D. Passive (or index) managers' performance, net of fees, will be expected to be consistent with their corresponding index benchmarks.

E. Active managers will be measured against both market indexes and peer benchmarks, net of all fees, and will be expected to outperform these benchmarks by varying degrees depending on the asset class and specific investment style employed by the manager.

F. Performance will be monitored quarterly, and common stock managers will be evaluated over rolling three- to five-year periods. It is recognized that active managers may underperform their benchmarks under certain conditions, but should outperform over a complete market cycle. However, the Committee has discretion to evaluate and terminate a manager for any reason at any time.

G. The performance objectives for alternative assets strategies are: (1) to earn superior returns, net of fees, over market indices (such as the S&P 500, Russell 3000, or Treasury Bills, as appropriate) over full market cycles or rolling five-year periods; and (2) to improve the diversification of the Equity Fund. The investment and trading approaches of such funds should have explicit strategies in place through which risk is monitored and moderated.

H. Decisions as to security selection, security size and quality, number of industries and holdings, current income levels, turnover and the other tools employed by active managers are left to broad manager discretion, subject to the usual standards of fiduciary prudence. To the extent possible a single security or issuer shall not exceed 5% of the market value of the Equity Fund, nor should the Endowment own more than 5% of any specific security. In addition, no single major industry shall represent more than 25% of the market value of the Equity Fund. Equity managers may at their discretion hold cash equivalents with the understanding that the performance of their total account will be measured against the appropriate stock indices. The Committee will monitor adherence to these guidelines.

I. Equity Fund managers of separate accounts may not buy securities on margin, borrow money or pledge assets, or buy or sell uncovered options, futures, commodities or currencies, or buy non-marketable securities (including restricted letter stock) unless such managers' respective manager-specific-guidelines shall explicitly provide that such actions are permissible.

VII. Guidelines for the Fixed Income Fund

A. The primary purpose of the Fixed Income Fund is to provide a hedge against deflation, and enhance diversification. A secondary purpose is to provide a source of current income and liquidity to help meet spending requirements.

B. To provide a hedge against extended deflation, the Fixed Income Fund should maintain a medium to long duration (i.e., at least 3 to 5 years). The Fixed Income Fund should ordinarily maintain a high credit quality (i.e., a weighted average credit rating of "A" or higher by Moody's or Standard & Poor's). An allocation may be made to high-yield (or below investment grade) bonds so long as the weighted average credit rating for the total Fixed Income Fund meets the above credit standards. Issues of state or municipal agencies shall not be purchased, except under unusual circumstances. The Fixed Income Fund may hold up to a maximum of 50% in non-US bonds. Money market instruments as well as bonds may be used in the Fixed Income Fund, but equities are excluded.

C. In general, the Fixed Income Fund shall be well diversified with respect to economic sector, financial sector, and issuer in order to minimize risk exposure. To the extent possible a maximum of 5% of the fund may be invested in the securities of any single issuer, except issues of the U.S. Government or agencies of the U.S. Government or issues of Governments of developed countries that may be held without limitation.

D. The performance objective of the Fixed Income Fund is to outperform an appropriate blended market benchmark chosen by the Committee, net of fees over rolling three- and five-year periods. Individual active fixed income managers may be expected to outperform other indices, or hybrid indices, which more closely parallel the manager's investment style. Such indices will be determined on a case-by-case basis in consultation with the manager. In addition, active fixed income managers will be expected to outperform a peer group of managers over rolling three- and five-year periods. Index fund managers will be expected to match the return of the appropriate index, less fees. The Committee has discretion to evaluate and terminate a manager for any reason at any time.

VIII. Use of Derivatives

A. Investment managers of separate accounts may not utilize derivatives without prior discussion with, and the consent of, the Committee. The manager should clearly state the objectives and limitations of the proposed use of derivatives, the securities and strategies to be used, and develop explicit written guidelines that are agreeable to the Committee. In all cases, the use of derivatives by investment managers should be in a manner consistent with the Fund's overall investment objectives and policies.

B. The Committee may utilize commingled investment vehicles to make investments in traditional asset classes such as fixed income or common stocks. In such cases, the investment manager may often use derivative securities to achieve its investment objectives. The primary intent of derivative security transactions in such cases should be to hedge the risk of the portfolio, or to implement investment strategies more efficiently and at a lower cost than would be possible in the cash market. Derivatives-based strategies should not be used to leverage the portfolio nor should they be used to expose the portfolio to greater risk than would be typical under a strategy utilizing only cash securities. For example, derivative strategies should not be used to alter the effective duration of a fixed income portfolio beyond its appropriate range. Furthermore, the Committee requires that the manager have appropriate control and review procedures in place to evaluate the risks and exposures of the portfolios on a timely basis. These control and review procedures shall include, but not be limited to, compliance with all necessary legal requirements, creating internal review and control systems to review portfolio risk and using third party pricing of illiquid securities where appropriate.

C. The Committee is likely to utilize commingled investment vehicles extensively for alternative investments including marketable alternatives (often referred to as "hedge funds") and non-marketable alternatives. The investment strategies adopted by these managers could include the use of derivatives to leverage positions or to obtain risk exposures that would not be possible to obtain using cash securities.

D. In order to limit the exposure of the Fund to the risks associated with the specialized investment strategies undertaken by managers of alternative investments, the Committee shall maintain no more than 5% of the Fund in any single commingled vehicle. This 5% restriction generally excludes funds-of-funds, which are typically diversified across many individual hedge funds or partnerships.

IX. Conflict of Interest Policy

A. Those who serve on the Committee are charged with the responsibility for recommendations and decisions which in their judgment best serve the long-range interests and objectives of the College.

B. From time to time, in the ordinary course, the Committee may consider matters in which members of the Committee, or persons affiliated with them, have a direct or indirect financial interest. In order to resolve any questions of conflict of interest, whether real or apparent, the Committee shall adopt the following procedures:

- Members of the Committee shall disclose to the Committee any relevant facts that might give rise to a conflict of interest with respect to any matter to be considered by the Committee.

- Members so affected shall abstain from the Committee's discussion of any such transaction, unless the Committee specifically requests information from such members. Such abstention shall be recorded in the minutes of the meeting.

- The affected members, if requested to do so by any other member of the Committee, shall withdraw from the meeting during the Committee consideration of the relevant matter.

X. Guidelines for Transactions

A. Except under unusual circumstances, all transactions should be entered into on the basis of best execution, which means best realized net price. Consistent with the above, directed brokerage service arrangements may be put in place for payment of services rendered to the College, Board or Committee in connection with management of the Endowment Fund.

XI. Fund Oversight

A. All objectives and policies are in effect until modifications are recommended by the Committee and approved by the Board. The Committee will review the objectives and policies at least annually for their continued appropriateness.

B. The Endowment Fund will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and investment risk. Risk will be evaluated as a function of asset concentration, exposure to extreme economic conditions, and performance volatility. The Committee will review investment performance on a quarterly basis, and managers' results will be evaluated quarterly, and over rolling three- and five-year periods. However, the Committee will regularly review managers to confirm that the factors underlying the performance expectations remain in place.

C. In consultation with the Investment Consultant, the Committee will be responsible for the selection of all managers.

D. It is expected that the Investment Consultant will provide each separate account manager with a set of mutually agreed upon guidelines. Subject to such guidelines and the usual standards of fiduciary prudence, the managers will then have complete discretion over the funds. The Committee will evaluate the manager's total return without regard to whether that return was in the form of income or capital appreciation. In the case of investments made in commingled funds, the Committee will summarize the investment strategy and performance objectives for each commingled fund in which the Endowment is invested.

E. If at any time any manager of a separate account believes that any policy guideline inhibits his or her investment performance, it is his or her responsibility to communicate this view to the Investment Consultant and the Chief Investment Officer.

i. It is expected that separate account manager guidelines will incorporate relevant language regarding the Investment Manager adhering to the Endowment Fund's ESG Guidelines.

F. Investment managers of separate accounts will report the following information to the Investment Consultant quarterly: total return (on time-weighted basis, before fees) in the aggregate, and disaggregated for the equity and fixed income portions, net of all commissions, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Managers that explicitly integrate ESG factors into their strategy are expected to communicate updates to the process and impact. Managers without an explicit ESG approach will be encouraged to communicate their rationale for excluding these criteria from their process. Additionally, managers are required to inform the Investment Consultant and the Chief Investment Officer promptly of any change in firm ownership or fundamental investment philosophy, any significant change in organizational structure or professional personnel, or any change in portfolio manager(s) for the account.

G. The Chief Investment Officer working with the Committee chair and the Investment Consultant will be responsible for preparing the agendas for regular Committee meetings. The General Counsel or his/her designee will record meeting minutes. The Investment Consultant will prepare quarterly investment performance reports for the Committee.

H. The Committee acknowledges that, if it elects to invest in a commingled fund, the policies established for the commingled fund will govern and may not comply fully with policies established for the Endowment Fund. The Committee will periodically review the policies of any commingled fund investment in order to determine if they remain appropriate for the Endowment Fund.

i. It is anticipated the Fund will have investments in commingled strategies with varied approaches to ESG factors. For commingled strategies integrating ESG factors, the Committee will request updates on the process and impact. For commingled strategies without an explicit ESG policy, the Committee will work with the Investment Consultant to encourage i) the incorporation of ESG factors into their process, where appropriate and material, and ii) communication on such enhancements should they occur.

I. Further, the Committee acknowledges that certain alternative investments may not comply fully with standards that may be established for more traditional investments (e.g. standards of care, liquidity restrictions, etc.) owing to characteristics specific to these types of investments.

J. At its sole discretion, the Committee may terminate any manager at any time if it determines, for whatever reason, that the manager is no longer appropriate for the Endowment Fund.

K. The Committee will periodically review the related services provided to the College, including custody services, performance evaluation, and consulting.

L. The Committee's authority to select, hire and fire managers under this Investment Policy may be delegated by the Committee to an officer of the College with the approval of the Board of Trustees. Such delegated authority may be rescinded at any time by a majority vote of the Committee. An officer with such delegated authority will report all manager changes in writing to the Chair and members of the Committee within five business days of the effective date of the change. No manager change will be undertaken without the approval of the Committee chair or his/her designee and the College's investment consultant.

Exhibit 1

LEWIS & CLARK COLLEGE
LONG TERM[1] ASSET ALLOCATION POLICY TARGETS AND RANGES

Asset Class	**Target**	**Range**
Domestic Common Stocks	**21%**	**15%-25%**
International Common Stocks[2]	**26%**	**20%-30%**
Total Common Stocks	**47%**	**35% - 55%**
Inflation-Protection Assets[3]	**8%**	**5%-25%**

[1] See Section 2.
[2] International Common Stocks include EAFE, Emerging Markets, and Frontier Markets Equities.
[3] Inflation-Protection Assets include Real Estate, REITS, Energy Investments, Timber, Commodities, and Natural Resources.

Marketable Alternative Assets[4]	**15%**	**10%-30%**
Non-Marketable Alternative Assets[5]	**15%**	**0%-20%**
Alternative Investments	**38%**	**15% - 60%**
TOTAL EQUITY FUND	**85%**	**75% - 95%**
FIXED INCOME FUND	**13%**	**5% - 25%**
CASH	**2%**	**0 – 10%**

Adopted by the Lewis & Clark Board of Trustees October 27, 2016

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[4] Marketable Alternative Assets include Diversified Arbitrage, Event Driven Arbitrage, Distressed Securities, Global Long/Short Equity, and US Long/Short Equity

[5] Non-Marketable Alternative Assets include US Venture Capital, US Private Equity, Distressed, and International.