# FAILING GRADE

## HOW UNIVERSITY INVESTMENT OFFICES OFTEN FAIL TO CONDUCT HUMAN RIGHTS DUE DILIGENCE WHEN INVESTING IN VENTURE CAPITAL FUNDS


AMNESTY INTERNATIONAL

**Amnesty International is a global movement of more than 10 million people who campaign for a world where human rights are enjoyed by all.**

**Our vision is for every person to enjoy all the rights enshrined in the Universal Declaration of Human Rights and other international human rights standards.**

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First published in 2023
by Amnesty International Ltd
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London WC1X ODW, UK

Original Language: English

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# Introduction

Venture capital (VC) firms provide equity financing for early and growth stage companies (commonly referred to as "start-ups"). VC firms are the primary source of funding for early-stage tech start-ups, and therefore have tremendous influence and leverage over which companies receive funding, and which do not. The decisions made by venture capitalists, in turn, shape the future of technology, and so have a direct impact on our economies, politics and societies, as well as our human rights. They determine not only what kinds of innovations companies pursue, but the very business models that companies adopt.

In 2021 Amnesty International published *Risky Business: How leading venture capital firms ignore human rights when investing in technology*, highlighting the lack of human rights due diligence by leading VC firms.[1] Amnesty International surveyed fifty-three of the world's largest VC firms and start-up accelerators, finding that only a single firm had human rights due diligence processes in place that even potentially met the standards set forth by the UN Guiding Principles on Business and Human Rights (UN Guiding Principles). The other fifty-two firms and accelerators – over 98% of those surveyed – did not conduct human rights due diligence that met the standards of the UN Guiding Principles. Amnesty International could not find evidence that forty-four of the firms and accelerators surveyed – 83% of the total – conducted any human rights due diligence whatsoever.

This lack of human rights due diligence by leading venture capital firms has three significant impacts. First, it means that VC firms are more likely to invest in companies whose products and services are directly implicated in ongoing human rights violations and abuses, such as companies that provide support to the Chinese Government's repression of the Uyghur population in Xinjiang and across China.[2] Second, it means that VC firms support companies whose business models undermine human rights. This includes support for companies whose products threaten privacy rights and labor rights.[3] Third, the lack of human rights due diligence by leading VC firms increases the risk that, going forward, these firms fund companies developing new and "frontier" technologies that will negatively impact human rights.[4]

These risks are compounded by the lack of diversity within VC firms themselves. At the 100 largest U.S. venture capital firms, 78% of the leadership are men and less than 3% are Black. In 2020, Black and Latinx founders together received less than 3% of VC funding. Startups founded only by women received only 2% of VC funding.[5] This increases the risk that neither investors nor the companies they support are engaging with marginalized or other at-risk communities to understand the potential negative implications of new technology products.

Yet responsibility for this situation does not lie solely with venture capital firms. Large institutional investors who supply the funding that VC firms use to make their investments are also responsible.

Companies and investors have a responsibility to respect all human rights wherever they operate in the world and throughout their operations. This is a widely recognized standard of expected conduct as set out in international business and human rights standards including the UN Guiding Principles on Business and Human Rights. To meet this responsibility, companies and investors – including institutional investors who invest in VC funds as Limited Partners (LPs) – must take proactive and ongoing steps to identify and respond to the potential or actual human rights impacts of their investments. This entails undertaking human rights due diligence to identify, prevent, mitigate and account for their human rights impacts.

## Seven of the ten largest university investment offices are failing their responsibility under the UN Guiding Principles to respect human rights.

For this Scorecard, Amnesty International focused on one specific subset of institutional investor LPs, namely university investment offices. University investment offices are responsible for managing and investing university endowments. These endowments, in turn, provide a significant source of funding to venture capital firms. Ten of the largest university endowments in the US – comprising the University of California system, the University of Texas and Texas A&M system, Harvard, Yale, Stanford, Princeton, Duke, the Massachusetts Institute of Technology (MIT), the University of Pennsylvania and the University of Chicago – alone controlled $426.9 billion in assets under management.[6]

Amnesty International surveyed the university investment offices responsible for managing these ten university endowments in the United States. Only three of these universities (Harvard, the University of California System and Yale) received a grade of C or better in terms of their human rights due diligence when investing as Limited Partners in VC funds. Seven of these universities (Duke, MIT, Princeton, Stanford, University of Chicago, University of Pennsylvania and the University of Texas System) received failing grades of D or F.

This means that seven of the ten university investment offices surveyed for this report are failing their responsibility under the UN Guiding Principles to respect human rights.

To meet their corporate responsibility to respect human rights as laid out in the UN Guiding Principles, investors must undertake proactive and ongoing human rights due diligence to avoid causing or contributing to human rights abuses through their operations and business activities and seek to prevent or mitigate impacts to which they are directly linked through their business relationships.[7] In practice, for investors human rights due diligence entails identifying human rights impacts linked to their operations and investments (both potential and actual), taking effective action to prevent and mitigate against them, and being transparent about their efforts in this regard.[8] This includes addressing high-level risks of adverse human rights impacts prevalent within a sector because of its characteristics. Principle 18 states that an impact could be potential (that is, a risk) or actual (that is, it has happened). This is not a one-off responsibility, but an ongoing and proactive process.[9]

For investors, this responsibility applies to their decisions about which VC funds they choose to invest in. According to the OECD, investors should integrate responsible business conduct (RBC) requirements into their investment mandates, establish clear RBC conditions prior to investing (e.g. prohibiting investments in certain sectors), and screen potential investments to identify companies with significant risk.[10]

An investor's human rights responsibilities continue after making an investment, including monitoring their portfolio companies to identify any new or emerging human rights risks, especially in instances where the business nature of the entity changes through time.[11] Investors should also insist that their investees conduct their own human rights due diligence.

# What Is Venture Capital and Why Is It Important

Venture capital firms are a subset of the private equity industry that provides equity financing for early and growth stage companies (often referred to as "startups" or "ventures").[12] Most venture capital firms hold their investment for several years until a firm is either acquired, bought out by a private equity firm or goes public (often referred to as an initial public offering, or "IPO"). Any given venture capital firm manages one or more venture capital funds.

Globally in 2022 VC firms provided just over $415 billion dollars in funding to startups, with an average deal size of $16.8 million and a median deal size of $3.7 million.[13] 48% of all VC-funding (i.e. where VC funds are themselves located) comes from North America ($198.4 billion), with another 27% coming from Asia, 20% coming from Europe, 2% coming from Latin America and the Caribbean, 1% coming from Australia and 0.75% coming from Africa. Most companies that receive VC funding are located in the Global North. Looking at the fourth quarter of 2022, US-based startups accounted for 48% of all start-up funding; Asia-based companies received 25% of all VC funding that quarter, while European-based companies received 19%, Canadian companies received 3%, Latin America and Caribbean-based companies received 2%, Australian-based companies received 2%, and African-based companies received 1%.

As of 2019 there were approximately 2,973 venture capital firms worldwide,[14] of which 1,816 are in the US, 562 in European countries and 33 in China, with 562 in other countries.[15] This means that 81% of all venture capital firms worldwide are clustered in the US, Europe and China, which in turn are shaping the future of technology.[16]

Venture capital firms receive money for their funds from large institutions and wealthy individuals. These investors are often referred to as Limited Partners (LPs);[17] the venture capitalists who manage VC funds are often referred to as General Partners (GPs).[18]

Most venture capital firms use a business model of collecting a 2% annual management fee of their assets under management (the total market value of the investments they manage, often referred to as "AUM"), as well as 20% carried interest (the share of profits earned by GPs, often referred to as "carry") after a liquidation event (i.e. a transaction through which a company closes, at which point the balance of funds are returns to Limited Partners who provided the capital). This means that the VC firm receives 20% of all profits, though some top performing funds command higher fees and "carry".

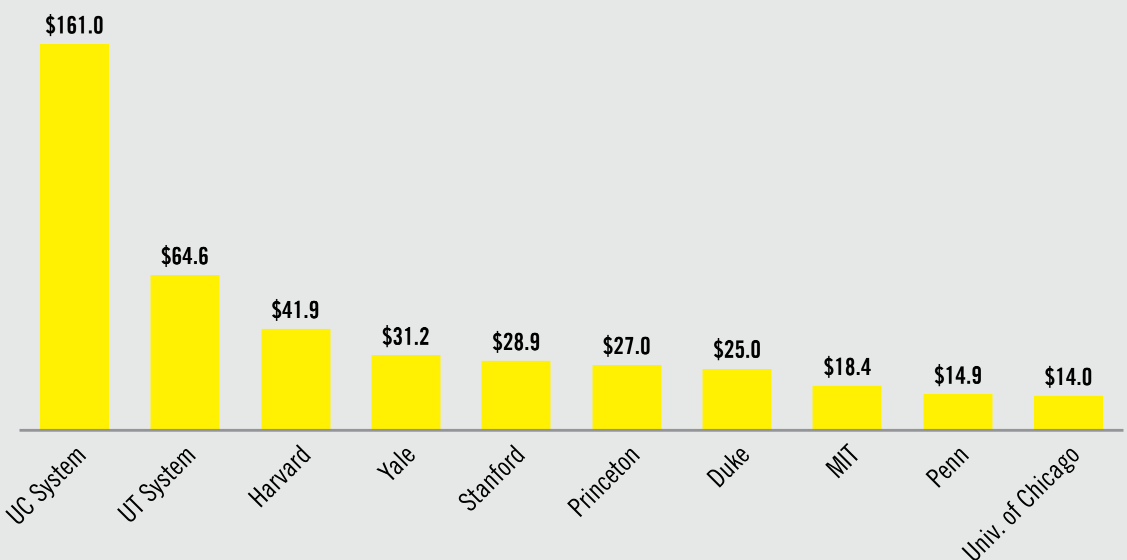
Venture capital firms make the majority of their money on a small number of their investments. Almost 70% of VC-backed startups fail to create a profitable exit for their VC investors.[19] It is estimated that less than 1% of ventures eventually reach "Unicorn" status – i.e. a privately-owned startup with a valuation over $1 billion.[20] To illustrate how this works, consider the following. The VC firm Accel Partners invested $12.7 million in Facebook in 2005 in return for approximately 10% of the then-startup's equity. The firm then made over $9 billion when Facebook went public in 2012.[21]

That said, venture capital firms are quite selective in determining which startups to support. In 2016 a group of professors at Harvard, the University of British Columbia, the University of Chicago and Stanford conducted a survey of 889 primarily US-based venture capitalists and found that "for each deal in which a VC firm eventually invests or closes, the firm considers roughly 100 potential opportunities."[22]

# University Investment Offices as Limited Partners in VC Funds

University investment offices – which manage university endowments – often invest in VC funds as Limited Partners. Endowments are "financial assets colleges and universities hold that provide long-term funding."[23] This represents a large pool of capital. The fifty largest university endowments in the US collectively have over $630 billion in assets under management.[24] The ten largest university endowments in the US as of 2021 – comprising the University of California (UC) system, the University of Texas and Texas A&M (UT) system, Harvard, Yale, Stanford, Princeton, Duke, the Massachusetts Institute of Technology (MIT), the University of Pennsylvania (Penn) and the University of Chicago – alone control $426.9 billion in assets under management.[25]

ENDOWMENT SIZE, ASSETS UNDER MANAGEMENT (AUM), $USD BILLIONS, FY ENDING 2020




Source: Bergman and Russell, 2021

The largest university endowments devote a substantial share of their portfolios to private investments including private equity and venture capital. According to the 2020 NACUBO-TIAA Study of Endowments, endowments greater than $1 billion hold on average 25.6% of their investments in private equity including venture capital.[26]

According to Business Insider, the largest university endowments have allocated considerable portions of their capital to venture capital funds.[27] While large university endowments typically allocate about 15% of their investments to venture capital funds, allocation at the very largest university endowments can be notably higher – for example Princeton University holds 30% of the endowment in venture capital.[28]

# Investor Responsibility and Human Rights

Companies and investors have a responsibility to respect all human rights wherever they operate in the world and throughout their operations. This is a widely recognized standard of expected conduct as set out in international business and human rights standards including the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles) and the Guidelines for Multinational Enterprises of the Organization of Economic Co-operation and Development (OECD Guidelines).[29] This corporate responsibility to respect human rights is independent of a state's own human rights obligations and exists over and above compliance with national laws and regulations protecting human rights.[30]

The responsibility to respect human rights requires companies and investors to avoid causing or contributing to human rights abuses through their own business activities, and address impacts in which they are involved, including by remediating any actual abuses. It also requires companies to seek to prevent or mitigate adverse human rights impacts directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.[31]

The UN Guiding Principles establish that to meet their corporate responsibility to respect human rights, companies and investors should have in place an ongoing and proactive human rights due diligence process to identify, prevent, mitigate, and account for how they address their impacts on human rights. When conducting human rights due diligence, a company may identify that it may cause or contribute to – or already be causing or contributing to – a human rights abuse. In these cases, companies must cease or prevent the adverse human rights impacts.[32] Where impacts are outside of the business enterprise's control but are directly linked to their operations, products or services through their business relationships, the UN Guiding Principles require the company to seek to mitigate the human rights impact by exercising leverage, or seek to improve leverage where leverage is limited, including through collaboration if appropriate.

In the financial sector, a relationship between an investor and investee company including a minority shareholder can be considered a "business relationship" under the OECD Guidelines. The UN Office of the High Commissioner for Human Rights has further clarified that the UN Guiding Principles apply to "institutional investors," which "refers to institutions invested in public…and private equities[.]"[33]

Thus, to meet their corporate responsibility to respect human rights under the UN Guiding Principles, investors must undertake proactive and ongoing human rights due diligence to avoid causing or contributing to human rights abuses through their operations and business activities and seek to prevent or mitigate impacts to which they are directly linked through their business relationships. In practice, for investors human rights due diligence entails identifying human rights impacts linked to their operations and investments (both potential and actual), taking effective action to prevent and mitigate against them, and being transparent about their efforts in this regard.[34] Principle 18 states that an impact could be potential (that is, a risk) or actual (that is, it has happened). This is not a one-off responsibility, but an ongoing and proactive process.[35]

For investors, this responsibility applies to their decisions about which VC funds they choose to invest in. (This responsibility also applies to VC firms themselves, as regards their own investments in start-ups.)[36] According to the OECD, investors should integrate responsible business conduct (RBC) requirements into their investment mandates, establish clear RBC conditions prior to investing (e.g. prohibiting investments in certain sectors), and screen potential investments to identify companies with significant risk.[37]

An investor's human rights responsibilities continue after making an investment, including monitoring their portfolio companies to identify any new or emerging human rights risks, especially in instances where the business nature of the entity changes through time. [38] Investors should also insist that their investees conduct their own human rights due diligence.[39]

Further, according to the OECD, "The degree of leverage an investor has over the company causing the adverse impact is useful in considering what it can do to persuade that entity to take action, but is not relevant to considering whether the investor should carry out due diligence and effectively exercise any leverage it may have."[40] Once an investor has identified potential or actual adverse impacts, they should engage with their investee company and exert their leverage to mitigate these adverse impacts.[41] In cases where the investor cannot prevent or mitigate the human rights impact identified (either because mitigation attempts have failed, mitigation is not feasible or the adverse impact is severe), then it must avoid or cease undertaking the relevant activity – for instance by ensuring that its funds are ring-fenced and do not finance the rights-abusing activity or, as a last resort, where necessary divesting responsibly from the company in accordance with the UN Guiding Principles.[42] The investor should also publicly and transparently provide information about the steps taken to ensure that divestment was done responsibly taking into consideration and carefully assessing any potential unintended consequences.

> **An investor's human rights responsibilities continue after making an investment, including monitoring their portfolio companies to identify any new or emerging human rights risks, especially in instances where the business nature of the entity changes through time.**

# Scoring University Endowments on Human Rights

## Methodology

### Data Sources

To verify what activities related to ESG and human rights each endowment has undertaken, Amnesty International:

- Reviewed the endowment websites and collected any published statements, policies, annual reports, and other materials
- Reviewed the PRI signatory directory[43] to determine whether the endowment is a signatory
- Reviewed the Sustainability Tracking, Assessment and Ratings System (STARS) database[44] to determine what disclosures the university has made regarding its endowments ESG activities
- Reviewed the Intentional Endowment Networks (IEN) "List and Report on Committees on Investor Responsibility (CIR)"[45] database to determine the structure and activities of each CIR

Amnesty also wrote to each university investment office, requesting information. Copies of these letters are included in Annex B.

### Indicators

Amnesty scored each endowment as against four main categories, each of which includes a number of sub-indicators.

#### 1: Commitment to Responsible Investment

The three indicators under this category include:

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on Environmental, Social and Corporate Governance (ESG) or sustainability. Public communications are necessary to set the tone, set expectations and regularly communicate progress on meeting objectives and key decisions with stakeholders.

2. **PRI signatory** – is the endowment a signatory to the UN Principles for Responsible Investment (UNPRI).[46] As of 2021, more than 3400 investment firms representing $121 trillion in assets under management (AUM) are PRI Signatories.[47] PRI signatories commit to six principles which ensure a holistic approach will be taken to ESG integration in investment decisions and management.[48] This is in contrast to other approaches which may only cover a subset of issues or activities.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.[49] ESG policy statements make it clear what expectations are for actions and what issues will be prioritized.

## 2: ESG Integration and Due Diligence

ESG integration is defined as "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions."[50] The three indicators under this category include:

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions. An investment mandate is a contractual document with an asset manager describing ESG activities to be undertaken including a requirement to undertake ESG due diligence and exclusion screens where the manager may not invest.[51] Investment mandate documents are typically not publicly available, yet should be consistent with principles set out in a publicly available ESG Policy. Investment mandates set the actual contractual requirements to undertake due diligence and management of ESG issues, including human rights.
2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.[52] Private investments do not have the same level of disclosure requirements and do not have access to shareholder resolutions and proxy voting as publicly listed investments. Private equity and venture capital managers have often lagged behind in adoption of ESG and human rights due diligence and accordingly often need specific requirements set by their Limited Partners to ensure this occurs.
3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers. Human rights due diligence is "a continuation of those established risk management processes that takes the lens of risk to people, recognizing that where there are the most severe (i.e. salient) risks to human rights, there are material risks to business, including reputational harm, financial loss, and legal liabilities."[53] According to the Investor Alliance for Human Rights: "Financial reporting and voluntary risk assessment processes fail to warn investors of [human rights] risks. Proper and comprehensive human rights due diligence by companies, including mandatory and meaningful disclosure, enables us to identify the greatest risks to people in our portfolios and make more informed and responsible investment decisions. These types of processes also facilitate accountability tools that help investors answer increasing demands from beneficiaries regarding whether their money is being managed in line with their values."[54]

## 3: Stewardship and Engagement

Stewardship is defined as "the process of intervention to make sure that the value of the assets is enhanced over time, or at least does not deteriorate through neglect or mismanagement."[55]

Institutional investors engage in stewardship via two primary mechanisms: proxy voting and dialogue. Proxy voting is only available for publicly-listed companies. Proxy voting is often done via a third-party organization that advises on voting and votes on behalf of the asset owner based on guidelines. Dialogue can occur with both public and private companies. Dialogue is defined as "active discussions between companies and investors." There are two principal forms of dialogue: monitoring and engagement. First, "monitoring" is dialogue for investment purposes in order to understand the company, its stakeholders and performance. Typically monitoring dialogues are used to inform buy or sell decisions or better assess firm risk or valuation. Second, "engagement" is "purposeful dialogue with a specific and targeted objective to achieve change."[56] Engagement may occur between a single endowment and a company or as part of a larger coalition of asset owners and may address specific issues or concerns such as human rights due diligence in supply chains or content moderation on social media platforms.

The five indicators under this category include:

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues. Proxy voting gives shareholders a voice in the company's strategy and practices. Proxy voting has played an important role in driving change in recent years including driving climate action, improving corporate governance, workplace practices, and requiring greater supply due diligence for human rights.[57] An engagement policy gives guidance for how the endowment will vote on specific types of shareholder resolutions and when actions will be taken such as divestments. Engagement policies adopted by endowments have addressed many other human rights issues over the years including divestment from companies involved with Russia's invasion of Ukraine, the situation in Darfur, apartheid in South Africa, and profiting from private prisons and assault weapons sales.
2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights abuses. The engagement policy should specifically mention human rights and gives guidance on which human rights issues may be addressed through engagement activities.
3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders. The CIR is "a committee created by an institution to ensure that the social and environmental aspects of the institution's investments are aligned with its mission and goals—both financial and otherwise."[58] According to Intentional Endowments Networks, there are two characteristics that define a strong CIR: "the committee makes recommendations to fund decision makers on socially and environmentally responsible investment opportunities across asset classes, including proxy voting on a regular basis; and multi-stakeholder representation - including faculty, staff, alumni, students."[59]
4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR. In particular, the CIR has published a clear process to follow including whom to contact, how a decision will be made, and what communications will be made to the reason for the decision. Such clear processes are necessary to ensure that stakeholders know whom to contact to raise concerns and what the process will be to arrive at a decision.
5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in the last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices. For meaningful impact to be achieved, CIRs must demonstrate a track record of identifying and taking appropriate action on human rights issues. This means the endowment is actively screening for potential human rights issues and is taking meaningful action to address these though setting exclusion screens, engaging in dialogue with company leadership, voting on shareholder resolutions, and implementing divestments, when appropriate.

## 4: Disclosure & Transparency

The three indicators under this category include:

1. **Investment holdings** – the endowment discloses its investment holdings to the public. University endowments should disclose their investment holdings including names of fund managers and names of company holdings. The disclosure of investment holdings is essential so that university stakeholders and human rights defenders may monitor for compliance with ESG policies and to quickly identify and address any potential human rights risks and abuses in companies in which the endowment is invested.

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report. University endowments should report on an annual basis their progress towards implementation of ESG activities and key performance indicators such as the percentage of asset managers integrating ESG and the percentage of AUM managed by firms that are female- or minority- owned. Transparency on ESG activities is essential to demonstrate the endowment is following through on its stated commitments and there is improvement in ESG performance of investments over time.
3. **Proxy voting records** – the endowment discloses its proxy voting records to the public. Proxy voting records are annual disclosures that show the full voting activities on shareholder resolutions. Proxy voting records are important to demonstrate accountability for following stated commitments to Investor Responsibility.

## Scoring Criteria

For each indicator, the university investment offices were graded on a 0 – 3 scale.

- A score of "0" means that no activity was identified from public sources or no evidence was provided in response to questions put forward by Amnesty.
- A score of "1" means that the university meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation. Or there is only a yes/no outcome. Yes: 1, No: 0. This is relevant for criteria ii.
- A score of "2" means that the university partially meets good practice standards, with some elements missing or incomplete.
- A score of "3" means that the university generally meets good practice standards.

## Grades

The following key is used to determine the grade:

| PERCENTAGE OF POINTS SCORED | GRADE |
|---|---|
| 100 to 85 % | A |
| 84 to 70 % | B |
| 69 to 50 % | C |
| 49 to 30 % | D |
| 29 to 0 % | F |

We then use the indicators to generate a composite grade for each of the four main indicators. If the university earned 85% or more of the possible total points for the various sub-indicators under a given indicator, it received an "A" grade. If it received 70-84% of the possible points, it received a "B" grade. If it received 50-69% of the possible points, it received a "C" grade. If it received 30-49% of the possible points, it received a "D" grade. And if it received under 30% of the possible points under a given indicator, it received an "F" grade. We then added up all possible points across all indicators to give the final, overall grade. The highest possible score adding together all indicators is 40.

## Verification

We based our assessment upon a review of two key sources: first, publicly available information available from each university, including on their website, available policies, etc. Second, direct communication with each university. Ahead of publishing the Scorecard, Amnesty International wrote to each university seeking additional information, and providing each university the right to respond to our analysis. Copies of these letters are included in Annex B.

A full description of each university's score against each indicator is included in Annex A. Each university's response to Amnesty International's right of response letter is included in Annex B.

**Final Grades**

| | | Score |
|---|---|---|
| UC System | A | 39 / 40 |
| Harvard | B | 33 / 40 |
| Yale | C | 24 / 40 |
| Penn | D | 18 / 40 |
| Stanford | D | 18 / 40 |
| Duke | D | 17 / 40 |
| Princeton | D | 14 / 40 |
| MIT | D | 13 / 40 |
| UT System | F | 3 / 40 |
| University of Chicago | F | 0 / 40 |

## Annex A

# University Score Cards

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   UC System has a comprehensive website on its ESG and sustainability activities.60

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI). Score 1 = Yes, 0 = No

   **Score: 1 (Score 1 = Yes, 0 = No)**

   UC System is a PRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 3 (University generally meets good practice standards)**

   UC System has described its ESG Policy in the Sustainability impacts investing report.[61] Additional information included in the STARS disclosure: "The Office of the Chief Investment Officer shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making. The Office of the Chief Investment Officer uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The Office of the Chief Investment Officer manages the [endowment] consistent with these sustainability principles. The Framework can be found on the Office of the Chief Investment Officer website in the sustainability section."[62]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 3 (University generally meets good practice standards)**

   UC System's website states: "We have also added a description of our Sustainable Investing Framework into our standardized external manager contracts and communications, including specific information about securities that should not be purchased on our behalf. As part of our implementation of our Sustainable Investing policies, we have added ESG factors more systematically into our evaluation and due diligence processes both for our internally managed fixed income and for investment evaluation processes for private equity opportunities. For our real estate holdings, a particular emphasis is being given to energy efficiency, water management and additional sustainability factors."[63] According to the STARS disclosure: "Integration of Environmental and Social Factors: In 2018, the Regents voted to amend the endowment's Investment Policy Statement to require that environmental and social factors be given the same weight as other material risk factors in our investing process. Adding Resources to ESG Integration: In 2019, the Regents approved UC Investments' hiring of its first Director of ESG Integration, who is fully dedicated to integrating environmental, social and governance issues into UC Investment's processes and decisions."[64]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   UC System's *Sustainability impacts investing* report states: "We have also added a description of our Sustainable Investing Framework into our standardized external manager contracts and communications, including specific information about securities that should not be purchased on our behalf. As part of our implementation of our Sustainable Investing policies, we have added ESG factors more systematically into our evaluation and due diligence processes both for our internally managed fixed income and for investment evaluation processes for private equity opportunities."[65]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 3 (University generally meets good practice standards)**

   Human rights is a distinct pillar in the Sustainable Investing Framework (p. 6) : "Human Rights: Businesses whose profits are derived from direct harm to public safety, the unlawful deprivation of human dignity, or the exploitation of children or other vulnerable workers undermine universally approved United Nations principles and create a serious threat to the conditions needed for a well-functioning, marketbased global system."[66]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 3 (University generally meets good practice standards)**

   UC System publishes its Proxy Voting Guidelines. The guidelines state, "We retain a third-party proxy advisory and voting service, Institutional Shareholder Services (ISS), to vote our proxy using our proxy voting guidelines. These guidelines are not intended as mandatory — UC Investments retains the authority to override any recommendation, consistent with our fiduciary duty. UC Investments' proxy voting guidelines are a combination of ISS Socially Responsible Investment (SRI) Guidelines and our custom enhancements."[67]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 3 (University generally meets good practice standards)**

   UC system states its follows the *SRI US Guidelines and SRI International Guidelines*, which state: (p. 31-32) "Generally vote for social and environmental shareholder proposals that seek greater disclosure on topics such as human/labor rights, workplace safety, environmental practices and climate change risk, sustainable business practices etc. Vote all other social and environmental proposals on a case-by-case basis, taking into account the considerations outlined above."[68]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   The CIR information is available on the University of California website.[69]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   According to the STARS disclosure: "Public Access and Comment: Our CIR's thrice-annual meetings are open to the public and allow public comment. In the past three years, members of the public including students, faculty, staff and alumni, have provided comments on a wide range of environmental and social issues pertaining to UC investments, including for example: climate change and fossil fuel divestment, human rights in Turkey and the private prison industry."[70]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 3 (University generally meets good practice standards)**

   UC System has voted on more than 100 human rights/social shareholder resolutions in recent years.[71]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 3 (University generally meets good practice standards)**

   UC System discloses its investment holdings to the public, including venture capital and private equity fund managers.[72]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 3 (University generally meets good practice standards)**

   UC System has an ESG Dashboard on its homepage tracking its progress towards measurable targets.[73]

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 3 (University generally meets good practice standards)**

   Proxy voting records are publicly available on the University of California Proxy Voting Dashboard.[74]

**Total Score: 39 / 40 A**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   Harvard has a comprehensive website for sustainable investing.[75]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).

   **Score: 1 (Score 1 = Yes, 0 = No)**

   Harvard is a PRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 3 (University generally meets good practice standards)**

   Harvard has a comprehensive ESG policy: *HMC Sustainable Investing Policy*.[76]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 3 (University generally meets good practice standards)**

   Harvard publishes clear guidance to fund managers on ESG integration expectations.[77]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Harvard states it uses the PRI Limited Partners DDQ, but the policy does not explicitly state that private equity and venture capital fund managers are subject to the ESG policy: "HMC is fortunate to collaborate with outstanding external managers, many of whom it has partnered with for years. When HMC engages with external managers, they are expected to consider relevant ESG factors that may have a material impact on the financial performance of their portfolios and to have a willingness to engage with HMC in a dialogue on sustainable investing. The approach to engagement with external managers is not proscriptive and HMC does not seek to limit its managers' investment universe. The goal is to understand how managers integrate material ESG factors into their investment strategies, how they communicate ESG-related issues with limited partners, and the weight they give those considerations in light of HMC's stated ESG priorities and objectives. HMC utilizes the PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire as a framework for ESG due diligence."[78]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Harvard does not mention human rights by name but does consider a broad range of social factors which overlap with human rights.[79]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 3 (University generally meets good practice standards)**

   Harvard has detailed Proxy Voting Guidelines.[80]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 3 (University generally meets good practice standards)**

   Harvard has issued specific guidance on human rights issues including: 1. Anti-Genocide 2. Supply Chain Due Diligence and 3. Civil Rights or Racial Equity.[81]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Harvard has an active CIR.[82]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   Harvard provides contact information for the CIR and a very clear process for how issues are advanced within the CIR.[83]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 3 (University generally meets good practice standards)**

   Harvard voted in favor of a shareholder resolution on Facebook on content management and on child sexual exploitation.[84]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   Harvard does not disclose its investment holdings to the public.[85]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Harvard publishes an annual Climate Report and an annual Sustainable Investment Update detailing collaborations and activities. It does not currently publish data on the percentage of fund managers integrating ESG or diversity of fund managers.[86]

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Harvard publishes annual reports for its CIR activities including shareholder resolutions on human rights, but not a comprehensive record of all proxy voting activities.[87]

**Total Score: 33 / 40** **B**

Yale

**Endowment Name:**
**Yale Investments Office**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   Yale has a webpage on ethical investing.[88]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI). Score 1 = Yes, 0 = No

   **Score: 0 (Score 1 = Yes, 0 = No)**

   Yale is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 3 (University generally meets good practice standards)**

   Yale has an Ethical Investing Policy.[89]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Yale's STARS disclosure states Yale considers climate change when selecting fund managers, but does not mention a broader approach to ESG.[90]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 3 (University generally meets good practice standards)**

   "The Yale Corporation has articulated the following policy with regard to private investments: When the Yale Corporation, upon recommendation of the Corporation Committee on Investor Responsibility after its consultation with the Advisory Committee on Investor Responsibility, adopts policies regarding ethical investing, those policies will apply to both public and private investments. In the event that the Corporation concludes that Yale's private investment managers have engaged in socially injurious activity, the University will fashion an appropriate remedy including use of voice, disassociation from the offending investment manager, and, as a last resort, disposition of the tainted partnership interests."[91]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No evidence was provided in Yale's STARS disclosure that fund managers are required to consider human rights.[92]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Yale provides guidance on proxy voting but does not go into detail on specific issues.[93]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 3 (University generally meets good practice standards)**

   The Yale University *Guidelines for Proxy Voting and Divestment* state: "The Yale Corporation has adopted the 'Suggested Guidelines for the Consideration of Factors Other than Maximum Return in the Management of the University's Investments' contained in The *Ethical Investor* (the Guidelines). At the heart of the policy's approach to voting and divestment procedures, as recommended by the Guidelines, is the concept of *social injury*:

   - Social injury is the injurious impact which the activities of a company are found to have on consumers, employees, or other persons, 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 freedoms; for purposes of these Guidelines, social injury shall not consist of doing business with other companies which are themselves engaged in socially injurious activities.
   - The university will not vote its shares on any resolution which advances a position on a social or political question unrelated to the conduct of the company's business or the disposition of its assets.
   - The university will vote for 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 has been made that the activities which are the subject of the proposition cause social injury. This paragraph will not apply to any proposition which seeks to eliminate or reduce social injury by means which are found to be ineffective or unreasonable."[94]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Yale has a CIR. "The Corporation Committee on Investor Responsibility (CCIR) considers and makes recommendations to the board of trustees on policy matters related to ethical investing. It is supported by the work of the Advisory Committee on Investor Responsibility (ACIR), whose membership consists of Yale alumni, staff, faculty, and students. The Investments Office works with the ACIR and CCIR to implement policies adopted by the board of trustees."[95]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Yale provides contact information to committee members, but no additional details on process or activities.[96]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 3 (University generally meets good practice standards)**

   Yale has engaged in the following actions on human rights: Assault Weapons: The Yale board of trustees has adopted a policy prohibiting investment in assault weapon retailers. Specifically, Yale will not invest in any retail outlets that market and sell assault weapons to the general public. Private Prisons: Based on the recommendation of the Advisory Committee on Investor Responsibility, the Yale board of trustees adopted a policy making ineligible for investment CoreCivic and GEO Group, the two largest private prison companies, which dominate the industry. Yale does not have any investments in these two companies (or in any other private prison company), and this policy makes investment in these two companies impermissible.[97]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   Yale does not disclose its investment holdings to the public.

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 24 / 40** **C**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   The Penn Endowment has information on sustainability on its website.[98]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI). Score 1 = Yes, 0 = No

   **Score: 0 (Score 1 = Yes, 0 = No)**

   Penn is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   The Penn Endowment website states a commitment to a transition to a Net Zero portfolio but does not have a broader ESG policy.[99]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions. /

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   No investment mandate for ESG integration was identified beyond Net Zero.

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No statement regarding the application of the ESG policy to private investments was identified.

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   Penn does not mention human rights due diligence is expected of fund managers.

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 3 (University generally meets good practice standards)**

   Penn has a proxy voting policy.[100]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 3 (University generally meets good practice standards)**

   The CIR has advised the following in regards to it voting on Human Rights: "Support resolutions requesting companies to incorporate human rights criteria into their global operations. Support resolutions requesting corporate reports or a response from management on a company's impact of operating in regions that do not uphold the Declaration of Human Rights or areas that raise concern to indigenous populations. Abstain on resolutions that encourage divestment or ceasing to operate in a particular region if the company's operations do not contribute directly to violations of the Declaration of Human Rights (e.g., telecommunication or pharmaceutical companies in Sudan). Abstain on resolutions requesting the company join specific associations or partnerships that address human rights, such as the United Nations Global Compact, Fair Labor Association or working with Amnesty International."[101]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Penn has a CIR: Penn Social Responsibility Advisory Committee (SRAC).[102]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   The CIR website provides clear steps on how stakeholders may engage.[103]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   According to the STARS disclosure, Penn's recent engagement has been on advancing sustainability reporting. No engagement on human rights issues was disclosed, however Penn does not fully disclose its proxy voting activity so it is possible there was non-disclosed activity in alignment with the proxy voting policy on human rights. From the STARS disclosure: "Examples of CIR actions during the previous three years: In the past three years, besides their proxy recommendations, the SRAC has revised two guidelines and added a new guideline."[104]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   According to STARS disclosure, Penn does not publicly disclose its investment holdings or fund managers.[105]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   The disclosure policy stated on Penn's website is: "Upon written request, the University will release the social issues related to proxy voting and whether these issues were supported or rejected. The University will not release the holdings related to these votes."[106]

**Total Score: 18 / 40 D**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   Stanford includes sustainability information on its website.[107]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI). Score 1 = Yes, 0 = No

   **Score: 0 (Score 1 = Yes, 0 = No)**

   Stanford is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Stanford has published a *Statement on Investment Responsibility*108 and *Ethical Investment Framework*.[109] In 2018, the University adopted the Ethical Investment Framework to govern the endowment and compliment the Board of Trustees' existing Statement on Investment Responsibility. The University also developed and applied certain investment responsibility proxy voting guidelines which address many current Environmental, Social and Corporate Governance (ESG) issues. For example, the University adopted a climate change proxy voting guideline that states the following: "Stanford votes 'Yes' on resolutions that companies analyze levels of greenhouse gas emissions, develop action plans to reduce them, report on significant company actions to remediate, reduce and/or eliminate them, and continually assess and report on material impacts caused by company action and/or inaction with respect to greenhouse gas emissions."[110]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions. /

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   According to the STARS disclosure, Stanford uses exclusions on certain categories of companies. It does not mention ESG integration. "Stanford has also adopted investment policies which preclude owning specific companies with operations in Sudan, companies in the tobacco industry and companies whose principal business is the mining of coal for use in energy generation. Additionally in 2018, Stanford University committed $10 million over a 10-year period for a new initiative that will develop an expanded platform of educational and research opportunities for students and faculty with interests in responsible, sustainable and impact investing and governance."[111]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No policy stating the ESG investment mandate applies to private investments was identified.

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No information stating the endowment expects human rights due diligence by its fund managers was identified.

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 3 (University generally meets good practice standards)**

   Stanford has issued specific guidance on voting on social issues.[112]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   Stanford's policy is designed to limit actions on addressing human rights: "We consider a strong moral framework to be an important aspect of an alignment of interests with the University. Nevertheless, while we ask our partners to demonstrate strong moral sensibility, it would not be appropriate to insist they advance a particular social or political agenda for its own sake. Such insistence would contravene a guiding tenet of Stanford as an educational institution to avoid taking political and ideological stances. It would also likely lead to material adverse selection in our external partners. SMC's approach to social and ethical matters is strongly supported by state and federal laws governing trust fiduciaries, under which SMC is bound. Popularly known as the "prudent investor" rules, this legislation requires trustees of financial assets to consider any factors as may affect the long-term economic interests of their beneficiaries. Therefore, in managing Stanford's endowment, which is capital held in trust for the benefit of current and future generations of Stanford students and scholars, SMC is obliged to place proper weight on ethical issues that can have a bearing on economic results, but not to use the endowment to pursue other agenda"[113]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Stanford has a CIR.[114]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   According to Stanford's STARS disclosure: "Following a year of review and input from the campus community, Stanford's Board of Trustees adopted an updated approach to investment responsibility in December 2018. Under the new process, an individual or group with an investment responsibility concern will be able to submit a proposal to the Investment Responsibility and Stakeholder Relations (IRSR) office and to the Special Committee on Investment Responsibility (SCIR) of the Board of Trustees. The SCIR will review the proposal in the context of the Statement on Investment Responsibility. In doing so, the SCIR will form an ad-hoc, issue-based fact-finding committee, which would include faculty and staff subject-matter experts, responsible for research and campus engagement where needed. The Board of Trustees would make the final decision on what action, if any, should be taken on the request."[115]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Stanford has engaged on one human rights issue on Sudan. According to the STARS Disclosure: "Examples of CIR actions during the previous three years: Conducted community outreach for Investment Responsibility update; created Recommendations Reports to the Board of Trustees; adopted new Investment Responsibility Policies; evaluated a request to further divest from other fossil fuel companies including conducting more than 50 outreach meetings and expert presentations." [116] Also: "Human Rights – Stanford adopted investment policies which preclude directly owning securities in specific companies with operations in Sudan."[117]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   According to STARS disclosure, Stanford does not make investment holdings available to public.[118]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   According to the STARS disclosure, Stanford does not make its proxy voting records available to public.[119]

**Total Score: 18 / 40** **D**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   Duke has a statement to for commitment to responsible investment.[120]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI). Score 1 = Yes, 0 = No

   **Score: 0 (Score 1 = Yes, 0 = No)**

   Duke is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Duke has a Guideline on Investment Responsibility.[121]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   The language in the policy is vague and does not clearly state ESG or human rights are a priority. "Pursuant to this objective, the trustees created DUMAC, Inc. to manage the university's investments. Its primary objective is to provide the best risk-adjusted returns possible, and it invests mostly through managers of funds, rather than through direct investments. As part of Duke University, DUMAC upholds Duke's institutional values and is committed to responsible investing, taking into account issues of integrity, quality, environmental impact, ethics, and governance. Investments provide financial support to advance the university's mission. Just as the university does not have a particular political agenda, neither do its investment decisions."[122]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   There is no mention that private equity and venture capital funds are held to the policy.[123]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   The policy does not mention expectations for human rights due diligence by fund managers.[124]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 3 (University generally meets good practice standards)**

   Duke's Proxy Policy issues guidance to vote favorable on ESG issues.[125]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Duke policy states: "In rare cases, the Duke community may call upon ACIR to review investment that is engaged in activity considered morally abhorrent, such as apartheid, genocide, or slavery. If there is broad and deep support across the Duke community, the ACIR will alert the president, who may then seek professional advice on the issue in question. After deliberating, the president may bring the issue to the Board of Trustees for consideration of divesting any relevant assets held by DUMAC."[126] The Proxy Voting policy goes further to explain the conditions under which Duke votes on ESG Issues: "1. ESG Issues. Except as may otherwise be required under ERISA, we generally support shareholder proposals that encourage companies to act sustainably and responsibly across the spectrum of environmental, social, and governance (ESG) unless such actions would have a negative financial effect on shareholder value or would be burdensome or impose unnecessary or excessive costs on the issuer. The ESG proposals DUMAC generally supports often result in an increased investigation, reporting, and disclosure. This deepens our understanding of the risks and opportunities of a specific company and industry and allows us to make better decisions to advance our clients' economic interests. Although policy decisions are typically better left to management and the board, in cases where we believe a company has not adequately mitigated significant ESG risks, we may vote against directors or proposals. We generally support proposals that encourage companies to consider integrity, quality, environmental impact, ethics, and governance and promote social awareness, racial equity, and environmental stewardship."[127]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Duke has a CIR.[128]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   Duke discloses its process for engagement with the CIR.[129]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No evidence was provided that the ACIR has engaged in human rights activities in recent years.

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No evidenced was provided that Duke University makes a disclosure of its investment holdings to the public.[130]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG performance information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 17 / 40** **D**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   Princeton does not have a website discussing ESG or sustainability.

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).

   **Score: 0 (Score 1 = Yes, 0 = No)**

   Princeton is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   Princeton issues a policy on university resources that focuses primarily on *Guidelines For Resources Committee Consideration of Investment-Driven "Social Responsibility" Issues.*[131]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Princeton's STARS disclosure states that Princeton requires all fund managers to undertake ESG integration but no policy or evidence was provided in support: "Notably, PRINCO takes social responsibility considerations into account on a regular basis in overseeing the investment of Princeton's Endowment, and all of the external managers with whom PRINCO partners consider environmental, social, and governance factors when making investments. We believe that the figures above understate our exposure to investments that promote environmental sustainability, but they represent a literal interpretation of the categories' descriptions."[132]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   Princeton's STARS discolsure states "all of the external managers with whom PRINCO partners consider environmental, social, and governance factors when making investments" which would imply venture capital and private equity. However, no specific policy or evidence was provided to demonstrate this is being enforced.[133]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   Princeton's STARS disclosure does not explicitly mention human rights among the criteria used, however human rights would fall under the scope of 'social issues'.[134]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   Please see *Guidelines For Resources Committee Consideration of Investment-Driven "Social Responsibility" Issues.*[135]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   Princeton's policy has substantially limited the ability to engage with companies on issues of human rights. From STARS disclosure: "The guidelines state clearly: "There is a strong presumption against the University taking a political position or playing an active role with respect to external issues of a political, social, or moral character."[136] The Resources Committee has the responsibility to determine when the strong presumption not to take a position regarding issues of broader social concern must be tempered by other considerations. The 1997 guidelines contain criteria for considering exemptions from the presumption and reflect the view that exceptions from maximizing return should be considered in limited circumstances.[137]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 3 (University generally meets good practice standards)**

   Princeton has a CIR.[138]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 3 (University generally meets good practice standards)**

   Princeton describes its process in *Guidelines For Resources Committee Consideration of Investment-Driven "Social Responsibility" Issues.*[139]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   According to Princeton's STARS disclosure 2022: the Committee considered a proposal on private prisons and "declined to recommend any action to the University's Trustees."[140]

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   Princeton does not publicly disclose its investment holdings.

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 14 / 40** **D**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 3 (University generally meets good practice standards)**

   MIT has a web page dedicated to ESG.[141]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).

   **Score: 0 (Score 1 = Yes, 0 = No)**

   MIT is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   MIT has provided many concrete examples of how they apply their investment philosophy of ESG to specific cases, but has not released an actual ESG policy.[142]

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   MIT provides anecdotal evidence of ESG due diligence in fund managers selection. "Our primary line of defense today is to choose investment managers who apply an ethical lens to their activity. We have turned down numerous managers based on this filter. Some decisions are easy. In recent years, for example, we passed on a manager who was cavalier about the possibility that a portfolio company was using child labor, a manager who had an executive linked to a stock-option backdating scheme, a manager who had purchased a company and tried to avoid paying pension liabilities, and a manager who, according to a reference, sought potentially illegal information about upcoming quarterly earnings from a company director."[143]

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   MIT has not explicitly stated private investments are covered in its ESG policy, however, its examples are drawn from private investments.[144]

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 2 (University partially meets good practice standards, with some elements missing or incomplete)**

   MIT does not formally mention human rights yet cites several examples of activities that involve human rights issues.[145]

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   MIT did not provide evidence of a formal policy or guidance on voting.

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   MIT did not provide evidence of a formal proxy voting policy or guidance on voting.

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   MIT states it has a CIR, but no additional details were shared: "When important and complex social investment issues arise, MIT convenes members of the community to discuss the Institute's position and to make recommendations to the administration and the MIT Executive Committee."[146]

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   MIT states it has a CIR, but no additional details were shared: "When important and complex social investment issues arise, MIT convenes members of the community to discuss the Institute's position and to make recommendations to the administration and the MIT Executive Committee."[147]

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 1 (University meets the minimum definition of the indicator, but with concerns to quality or integrity, or the endowment has stated the activity is currently in progress of implementation)**

   MIT provides anecdotal evidence of divestments on their website but no formal disclosure of actions was made.

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   MIT does not disclose its investment holdings to the public.

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 13 / 40** **D**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No information on ESG or sustainability was located on the website.

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).

   **Score: 0 (Score 1 = Yes, 0 = No)**

   UT System is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG policy was identified.

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No investment mandate for ESG integration was identified.

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No investment mandate for ESG integration was identified.

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No investment mandate for human rights was identified.

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   The proxy voting policy provides no guidance on ESG issues.[148]

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   The proxy voting policy provides no guidance on human rights issues.[149]

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No CIR was identified.

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No CIR was identified.

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No stewardship activities on human rights were identified.

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   **Score: 3 (University generally meets good practice standards)**

   According to STARS disclosure, UT System provides a list of investment holdings and fund managers.[150] These reports disclose the number of shares (or other unit) and value of 100% of investments and includes company names, foreign currency, other equities, etc. Independent auditors report is available.[151]

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 3 / 40** **F**

## 1: Commitment to Responsible Investment

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on ESG or sustainability.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No information on ESG or sustainability was located on the website.[152]

2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).

   **Score: 0 (Score 1 = Yes, 0 = No)**

   University of Chicago is not a UNPRI signatory.

3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG policy was identified.

## 2: ESG Integration and Due Diligence

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No investment mandate for ESG integration was identified.

2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No information was identified.

3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No information was identified.

## 3: Stewardship and Engagement

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting policy was identified.

2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting policy was identified.

3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No CIR was identified.

4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No CIR was identified.

5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in last 3 years that resulted in a divestment, new exclusion screens or voted on shareholder resolutions that passed that led to improvement in company practices.

   **Score: 0 (No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No stewardship activities on human rights were identified.

## 4: Disclosure & Transparency

1. **Investment holdings** – the endowment discloses its investment holdings to the public.

   Score: 0 **(No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No evidence of disclosure of investment holdings was identified.

2. **ESG performance data** – the endowment discloses ESG performance data in an annual report.

   Score: 0 **(No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No ESG information was identified.

3. **Proxy voting records** – the endowment discloses its proxy voting records to the public.

   Score: 0 **(No activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken)**

   No proxy voting records were identified.

**Total Score: 0 / 40** **F**

## Annex B
# Right of Response Letters

*Delivered via email*

28 February 2022

[Addressee at University Investment Office]

**RE: University Endowment Fund Human Rights Due Diligence Responsibilities When Investing in Venture Capital Funds**

Dear [Addressee],

On behalf of Amnesty International USA, I am writing to you regarding socially responsible investment. We are researching the factors that investment teams overseeing university endowment consider in the selection and reporting requirements of venture capital fund managers. Specifically, we are writing to determine whether your university's investment team requires that the venture capital funds in which it invests have an explicit human rights due diligence policy to guide their investment decisions?

Amnesty International is an independent, Nobel Peace Prize-winning, global human rights movement of more than ten million people.[153] Amongst other issues, Amnesty International campaigns to make sure that governments honor their legal obligation to protect human rights. Amnesty International also campaigns for corporations to respect human rights in their operations, wherever they operate.

Amnesty International recently conducted research into whether the world's largest venture capital (VC) firms are meeting their responsibility to respect human rights, focusing on the extent to which venture capital firms have implemented human rights due diligence process to guide their investment decisions.[154] Of the fifty VC firms and three start-up accelerators surveyed, 83% lacked evidence of having any human rights due diligence process at all, while another 15% had processes in place, albeit processes that did not meet the standards set forth in the UN Guiding Principles on Business and Human Rights.[155] Only a single firm had adequate human rights due diligence processes.[156]

This lack of human rights due diligence has, in turn, led to VC firms directly investing in companies implicated in human rights abuses, as well as investing in companies whose business models undermine human rights such as the right to privacy and labor rights.[157]

We are now working on a follow-up report, looking at the human rights responsibilities and due diligence processes of Limited Partners (LPs) when investing in VC funds, with an initial focus on university endowments. We are reaching out to the investment teams managing the fifty largest university endowments in the United States to gather this data and will use this information in an upcoming report. To that end, we are particularly interested in whether your investment team requires that general partners (GPs) of a venture capital firm in which you invest have an explicit human rights due diligence process and, if not, why you do not see this as necessary.

Companies and investors have a responsibility to respect all human rights wherever they operate in the world and throughout their operations. This is a widely recognized standard of expected conduct as set out in international business and human rights standards including the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines).[158] This corporate responsibility to respect human rights is independent of a State's own human rights obligations and exists over and above compliance with national laws and regulations protecting human rights.[159]

The responsibility to respect human rights requires companies and investors to avoid causing or contributing to human rights abuses through their own business activities, and address impacts in which they are involved, including by remediating any actual abuses. It also requires companies to seek to prevent or mitigate adverse human rights impacts directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.[160]

The UN Guiding Principles establish that to meet their corporate responsibility to respect, companies and investors should have in place an ongoing and proactive human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights. When conducting human rights due diligence, a company may identify that it may cause or contribute to – or already be causing or contributing to – a serious human rights abuse. In these cases, companies must cease or prevent the adverse human rights impacts.[161] Where impacts are outside of the business enterprise's control but are directly linked to their operations, products or services through their business relationships, the UN Guiding Principles require the company to seek to mitigate the human rights impact by exercising leverage, or seek to improve leverage where leverage is limited, including through collaboration if appropriate.

In the financial sector, a relationship between an investor and investee company including a minority shareholder can be considered a "business relationship" under the OECD Guidelines. The UN Office of the High Commissioner for Human Rights has further clarified that the UN Guiding Principles apply to "institutional investors," which "refers to institutions invested in public equities, fixed income, and private equities[.]"[162]

Thus, to meet their corporate responsibility to respect the UN Guiding Principles, investors must undertake proactive and ongoing human rights due diligence to avoid causing or contributing to human rights abuses through their operations and business activities and seek to prevent or mitigate impacts to which they are directly linked through their business relationships. In practice, for investors human rights due diligence entails identifying human rights impacts linked to their operations and investments (both potential and actual), taking effective action to prevent and mitigate against them, and being transparent about their efforts in this regard.[163] This includes addressing high-level risks of adverse human rights impacts prevalent within a sector because of its characteristics. Principle 18 states that an impact could be potential (that is, a risk) or actual (that is, it has happened). This is not a one-off responsibility, but an ongoing and proactive process.[164]

For investors, this responsibility applies to their decisions about which VC funds they choose to invest in. According to the OECD, investors should integrate responsible business conduct [RBC] requirements into their investment mandates, establish clear RBC conditions prior to investing (e.g. prohibiting investments in certain sectors), and screening potential investments to identify companies with significant risk.[165]

An investor's human rights responsibilities continue after making an investment, including monitoring their portfolio companies to identify any new or emerging human rights risks, especially in instances where the business nature of the entity changes through time. [166] Investors should also insist that their investees conduct their own human rights due diligence.[167]

Further, according to the OECD, "The degree of leverage an investor has over the company causing the adverse impact is useful in considering what it can do to persuade that entity to take action, but is not relevant to considering whether the investor should carry out due diligence and effectively exercise any leverage it may have."[168] Once an investor has identified potential or actual adverse impacts, they should engage with their investee company and exert their leverage to mitigate these adverse impacts.[169] In cases where the investor cannot prevent or mitigate the human rights impact identified (either because mitigation attempts have failed, mitigation is not feasible or the adverse impact is severe), then it must avoid or cease undertaking the relevant activity – for instance by ensuring that its funds are ring-fenced and do not finance the rights-abusing activity or, as a last resort, where necessary divesting responsibly from the company in accordance with the UN Guiding Principles.[170] The investor should also publicly and transparently provide information about the steps taken to ensure that divestment was done responsibly taking into consideration and carefully assessing any potential unintended consequences.

In the light of Amnesty International's concerns, and to have a better understanding of your position, I would be grateful for information on the following:

1. **Policy & Commitments**
   - Does your investment team have an overarching ESG policy? Does your investment team make their ESG policy publicly available? If not why not?
   - Does your investment team have any exclusionary screens (product categories or customer markets that will not be served)? Which exclusionary screens does your investment team use?
   - Does your investment team have an investment policy to respect human rights? What commitments to respect human rights have been developed within your investment team? If your investment team has elected not to include a policy to respect human rights, why do you not believe it is not necessary to do so?
   - Who in the senior leadership team of your investment team is responsible for ensuring compliance with ESG and internal human rights policies?

2. **Venture Capital General Partner (GP) Selection**
   - Does your investment team apply its ESG and human rights policy in the selection of venture capital fund managers? If not, why not?
   - Under what circumstances does your investment team decline to invest in a venture capital fund due to human rights risks?

3. **Limited Partnership Agreements (LPAs)**
   - Does your investment team include ESG criteria in LPAs or a Side Letter Issued to venture capital GPs? If not, why not?
   - Does your investment team include obligations to respect human rights in LPAs or Side Letters Issued to venture capital GPs? If not, why not?
   - What actions are taken with venture capital GPs who fail to uphold these criteria?

4. **Reporting**
   - Does your investment team require venture capital GPs to report performance on ESG and / or human rights criteria on a regular basis? If not, why not?
   - Does your investment team require GPs to report incidents of investee companies in violation of ESG criteria or human rights responsibilities? If not, why not?
   - What actions are taken with GPs that fail to report?

As mentioned above, Amnesty International intends to publish a report on this topic and may include part or all of your response in our publication.  We will also note those funds which decline to respond. Please respond by email to mkleinman@aiusa.org by the close of business on 15 March 2022.

Thank you for your time,

Michael Kleinman
Director, Technology and Human Rights
Amnesty International USA

*Delivered via email*

15 March 2022

[Addressee at University Investment Office]

**RE: Right of Response to Upcoming Amnesty International USA Scorecard Grading University Endowment Fund Human Rights Due Diligence Practices Regarding Venture Capital Funds**

Dear [Addressee],

On behalf of Amnesty International USA, I am writing to you regarding your university endowment's human rights due diligence practices when investing in venture capital funds. We are writing a report on the extent to which university investment offices conduct human rights due diligence as part of the process of deciding whether to invest in venture capital fund managers. We are providing you a copy of your scorecard so you may have an opportunity to respond to our analysis. This is a follow-up to the initial letter we sent to you in February of last year, included as an Annex to this letter.

Amnesty International is an independent, Nobel Peace Prize-winning, global human rights movement of more than ten million people.[171] Amongst other issues, Amnesty International campaigns to make sure that governments honor their legal obligation to protect human rights. Amnesty International also campaigns for corporations to respect human rights in their operations, wherever they operate.

Amnesty International recently conducted research into whether the world's largest venture capital (VC) firms are meeting their responsibility to respect human rights, focusing on the extent to which venture capital firms have implemented a human rights due diligence process to guide their investment decisions.[172] Of the fifty VC firms and three start-up accelerators surveyed, 83% lacked evidence of having any human rights due diligence process at all, while another 15% had processes in place, albeit processes that did not meet the standards set forth in the UN Guiding Principles on Business and Human Rights.[173] Only a single firm had adequate human rights due diligence processes.[174]

This lack of human rights due diligence has, in turn, led to VC firms directly investing in companies implicated in human rights abuses, as well as investing in companies whose business models undermine human rights such as the right to privacy and labor rights.[175]

As mentioned above, we are now finalizing a follow-up report, looking at the human rights responsibilities and due diligence processes of Limited Partners (LPs) when investing in VC funds, with an initial focus on university endowments.

Amnesty International surveyed the university investment offices responsible for managing the ten largest university endowments in the United States.

For this report, we scored each endowment as against four main indicators, each of which includes a number of sub-indicators.

## 1: Commitment to Responsible Investment

The three sub-indicators under this category include:

1. **Public commitment** – has the endowment developed a section on its website dedicated to explaining its commitments and activities on Environmental, Social and Corporate Governance (ESG) or sustainability. Public communications are necessary to set the tone, set expectations and regularly communicate progress on meeting objectives and key decisions with stakeholders.
2. **PRI signatory** – is the endowment a signatory to the UN Principles on Responsible Investment (UNPRI).[176] As of 2021, more than 3400 investment firms representing $121 trillion in assets under management (AUM) are PRI Signatories.[177] PRI signatories commit to six principles which ensure a holistic approach will be taken to ESG integration in investment decisions and management.[178] This is in contrast to other approaches which may only cover a subset of issues or activities.
3. **ESG policy** – the endowment has made publicly available an ESG Policy statement that demonstrates clear actions and expectations, including exclusion screens and selection and monitoring of external asset managers that is publicly available.[179] ESG policy statements make it clear what expectations are for actions and what issues will be prioritized.

## 2: ESG Integration and Due Diligence

The three sub-indicators under this category include:

1. **Investment mandate** – the endowment has an investment mandate requiring fund managers to do ESG integration in investment due diligence and decisions. An investment mandate is a contractual document with an asset manager describing ESG activities to be undertaken including a requirement to undertake ESG due diligence and exclusion screens where the manager may not invest.[180] Investment mandate documents are typically not publicly available, yet should be consistent with principles set out in a publicly available ESG Policy. Investment mandates set the actual contractual requirements to undertake due diligence and management of ESG issues, including human rights.
2. **Private investments** – the endowment has publicly stated that private equity and venture capital fund managers are subject to its ESG investment mandate.[181] Private investments do not have the same level of disclosure requirements and do not have access to shareholder resolutions and proxy voting as publicly listed investments. Private equity and venture capital managers have often lagged behind in adoption of ESG and human rights due diligence and accordingly often need specific requirements set by their Limited Partners to ensure this occurs.
3. **Human rights due diligence** – the endowment explicitly mentions human rights among the ESG issues to be considered by fund managers. Human rights due diligence is “a continuation of those established risk management processes that takes the lens of risk to people, recognizing that where there are the most severe (i.e. salient) risks to human rights, there are material risks to business, including reputational harm, financial loss, and legal liabilities.”[182] According to the Investor Alliance for Human Rights: “Financial reporting and voluntary risk assessment processes fail to warn investors of [human rights] risks. Proper and comprehensive human rights due diligence by companies, including mandatory and meaningful disclosure, enables us to identify the greatest risks to people in our portfolios and make more informed and responsible investment decisions. These types of processes also facilitate accountability tools that help investors answer increasing demands from beneficiaries regarding whether their money is being managed in line with their values.”[183]

### 3: Stewardship and Engagement

The five sub-indicators under this category include:

1. **Proxy voting and engagement policy** – the endowment has a publicly available policy providing clear guidance on proxy voting and engagement on ESG issues. Proxy voting gives shareholders a voice in the company's strategy and practices. Proxy voting has played an important role in driving change in recent years including driving climate action, improving corporate governance, workplace practices, and requiring greater supply chain due diligence for human rights. [184] An engagement policy gives guidance for how the endowment will vote on specific types of shareholder resolutions and when actions will be taken such as divestments. Engagement policies adopted by endowments have addressed many other human rights issues over the years including divestment from companies involved with conflicts including Russia's full-scale invasion against Ukraine, Sudan-Darfur, apartheid in South Africa, and profiting from private prisons and assault weapons sales.
2. **Policy on engagement on human rights** – the policy gives broad coverage to engage with companies, vote positively on shareholder resolutions and divest in cases involving human rights abuses. The engagement policy should specifically mention human rights and gives guidance on which human rights issues may be addressed through engagement activities.
3. **Committee on Investment Responsibility (CIR)** – the endowment has a Committee on Investment Responsibility (CIR) that includes university stakeholders. The CIR is "a committee created by an institution to ensure that the social and environmental aspects of the institution's investments are aligned with its mission and goals—both financial and otherwise." [185] According to Intentional Endowments Networks, there are two characteristics that define a strong CIR: "the committee makes recommendations to fund decision makers on socially and environmentally responsible investment opportunities across asset classes, including proxy voting on a regular basis; and multi-stakeholder representation - including faculty, staff, alumni, students.[186]
4. **Clear process for CIR** – the endowment has created a clear process for stakeholders such as students, faculty, alumni or human rights defenders to raise concerns within the CIR. In particular, the CIR has published a clear process to follow including whom to contact, how a decision will be made, and what communications will be made as to the reason for the decision. Such clear processes are necessary to ensure that stakeholders know who to contact to raise concerns and what the process will be to arrive at a decision.
5. **Human rights defense by CIR** – the endowment engaged in stewardship activities on human rights issues in the last three years that resulted in a divestment, new exclusion screens or votes on shareholder resolutions that passed that led to improvement in company practices. For meaningful impact to be achieved, CIRs must demonstrate a track record of identifying and taking appropriate action on human rights issues. This means the endowment is actively screening for potential human rights issues and is taking meaningful action to address these through setting exclusion screens, engaging in dialogue with company leadership, voting on shareholder resolutions, and implementing divestments, when appropriate.

### 4: Disclosure & Transparency

The three sub-indicators under this category include:

1. **Investment holdings** – the endowment discloses its investment holdings to the public. University endowments should disclose their investment holdings including names of fund managers and names of company holdings. The disclosure of investment holdings is essential so that university stakeholders and human rights defenders may monitor for compliance with ESG policies and to quickly identify and address any potential human rights risks and abuses in companies in which the endowment is invested.
2. **ESG performance data** – the endowment discloses ESG performance data in an annual report. University endowments should report on an annual basis their progress towards implementation of ESG activities and key performance indicators such as the percentage of asset managers integrating ESG and the percentage of AUM managed by firms that are female- or minority- owned. Transparency on ESG activities is essential to demonstrate the endowment is following through on its stated commitments and there is improvement in ESG performance of investments over time.
3. **Proxy voting records** – the endowment discloses its proxy voting records to the public. Proxy voting records are annual disclosures that show the full voting activities on shareholder resolutions. Proxy voting records are important to demonstrate accountability for following stated commitments to Investor Responsibility.

For each sub- indicator, the university investment offices were graded on a 0 – 3 scale.

- A score of "0" means that no activity was identified from public sources or no evidence was provided in response letter from endowment to support any action is being taken.
- A score of "1" means that the university meets the minimum definition of the indicator, but with concerns as to quality or integrity, or the endowment has stated the activity is currently in progress of implementation.
- A score of "2" means that the university partially meets good practice standards, with some elements missing or incomplete.
- A score of "3" means that the university generally meets good practice standards.

We based our assessment upon a review of two key sources: first, publicly available information available from each university, including on their website, available policies, etc. Second, direct communication with each university.

Based on our analysis, your university received a score of XX / 40 across all the indicators above.

We are including the detailed analysis for your university as Annex B. We would like to provide you the opportunity to respond to this analysis, including if there is any further information you think we should consider. Please send your response by March 29th, addressed to mkleinman@aiusa.org. Please note that we will include your full response as an Annex to the report. Also, do not hesitate to reach out if you have any questions.

Thank you for your time and attention,

Michael Kleinman
Director, Technology and Human Rights
Amnesty International USA

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