

## CLERICAL NOTE:

At its June 2, 2018 meeting, the Board of Trustees laid down the Socially Responsible Investment Advisory Committee described in this policy. Instead of directly held securities in separate accounts, Earlham would prioritize investments in comingled funds to minimize administrative burden and cost.

# Policy of Earlham College and The Earlham Foundation Concerning Socially Responsible Endowment Investments

*Approved by Board of Trustees of Earlham College – June 3, 2017*

*Approved by the Foundation Board of Directors – May 19, 2017*

*Approved by Socially Responsible Investment Advisory Committee – March 30, 2017*

## I. Preamble

This policy states the investment principles for the Earlham College and Earlham School of Religion endowment as those principles apply to socially responsible investing. In brief, Earlham reaffirms the values and testimonies of the Religious Society of Friends by declining to directly invest in certain companies. In addition, Earlham hopes that this practical expression of values acting in conjunction with others of a similar mind may promote the common good as well as engage Earlham students for whom a fundamental part of an Earlham education is “the pursuit of truth, wherever that truth leads.” However, it is imperative to be honest about the reason for struggling mightily with developing and implementing a policy on socially responsible investing. Such investing rarely offers clear-cut choices between good and evil and is open to interpretation from many varying perspectives. This policy, and the procedures described, are intended to focus on enduring principles rather than to encourage political engagement on short-term issues.

This Policy Statement and its accompanying Procedures Manual comprise the governing agreement for the exclusive application of socially responsible investment (SRI) or environmental, social and governance (ESG) criteria to Earlham’s endowment investments.

## II. Our Vision

As an educational institution, Earlham should consider the impact of its financial investments upon the broader society. Because Earlham College was founded by Quaker yearly meetings, and, by design, Quakers still comprise a majority of the members of the Board of Trustees, it is fitting that Earlham’s investing principles and actions should reflect the values of the Religious Society of Friends.

These values include the belief that the life and dignity of every person should be equally respected. Growing out of this belief are the Quaker testimonies concerning peace, equality, integrity, simplicity, and goodwill between people and between nations.

Earlham hopes that, through the operation of its investment program and acting in concert with other like-minded investors, Earlham can give witness to the above values.<sup>1</sup> Contributions toward these objectives can

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<sup>1</sup> This suggestion comes from Wilmer Cooper’s *A Living Faith: An Historical Study of Quaker Beliefs* (1990) and attempts to reflect the Quaker concern for witnessing to the proper order of things as described by this statement: “Our testimonies are clearly rooted in our religious faith and experience and are not just rational projections” (pp. 101-102). Thus, witness to convictions serves as a complement to the articulated concern for improving the world.

perhaps be accomplished either (1) by means of not directly investing in the securities of particular corporations or governments or (2) through action as a share- or bond- holder, again acting in concert with others, within the corporate structure.<sup>2</sup> Admittedly, the majority of investments that Earlham and other buyers make in the equity<sup>3</sup> and fixed income<sup>4</sup> markets represent a transfer of funds between the buyer and the seller and have no direct impact – financial or otherwise – upon the corporation whose securities are being traded.

Management of an educational endowment must, of course, give high and sustained attention to the responsibility to generate maximum risk-adjusted returns in order to serve Earlham’s educational mission.<sup>5</sup> By delegation from the Earlham College Board of Trustees, the Earlham Foundation serves as the Investment Committee of the College Board to assist the Board in fulfilling its fiduciary responsibility to safeguard endowment assets, including quasi-endowment funds, and to achieve favorable returns on those investments to help defray current operating expenses and to assume the long-term financial health of the College and ESR through prudent investment practices and policies. The Earlham Board of Trustees is charged with the ultimate responsibility for the adoption and interpretation of socially responsible investment policies. The Earlham Foundation is expected to adhere to such policies, as they may apply, in managing the endowment but must consider their impact, overall or with respect to specific investments, on its charge to be a prudent and financially responsible overseer of the investment of endowment funds in making investment decisions. The Earlham Foundation is not obligated to adopt or maintain any investment or investment structure for the sole purpose of socially responsible investment, unless expressly directed to do so by the Board of Trustees. The Foundation is encouraged to consider investment strategies

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The former explains why we exclude certain companies – such as weapons manufacturers – from our investments.

<sup>2</sup> *The Journal of Deferred Compensation* notes that certain mechanisms can be more effective than excluding companies in producing change: “The prerogatives of ownership [such as proxy voting, shareholder advocacy, and community development investing], rather than the tool of divestment, are most likely to raise the bar of corporate responsibility for all companies” (Gay and Klaassen, “Retirement Investment, Fiduciary Obligations, and Socially Responsible Investing” p. 36, Summer 2005).

<sup>3</sup> Equities are shares of stock in publicly traded corporations.

<sup>4</sup> Fixed income investments are bonds issued by corporations, governments or governmental agencies.

<sup>5</sup> There is an ongoing and unresolved discussion about the impact of any investment restrictions upon financial returns. Economists and investment managers generally agree that imposing restrictions of any kind upon the set of investment opportunities will reduce investment returns over very long time periods. Nevertheless, over shorter time periods a constrained portfolio may outperform the unconstrained portfolio. The actual investment returns since socially screened mutual fund investments were first introduced in 1971 are ambiguous in confirming or denying the hypothesis of differential returns. The evidence does confirm the cyclicity of under- and over-performance.

As a general indication of the potential impact of lower investment returns, the illustration below assumes that the unconstrained investments have a total return of 9% and the constrained portfolio of 8%. Note that this illustration does not predict a particular return shortfall, only the implications of what such a shortfall of a particular magnitude might be. A 4.5% spending rate is assumed in calculating the income available for operating budgets. The below example shows how a 1% difference in returns results in only \$106,000 in annual income rather than \$135,000 after 25 years. A 4.5% spending rate allows the current generation to use the maximum income while allowing the principal to grow for use by future generations.

Portfolio	Value Year 0	Value Year 10	Value Year 25	
Unconstrained	\$1,000,000	1,553,000	3,005,000	ending market value
Annual Income	45,000	70,000	135,000	
Constrained	\$1,000,000	1,411,000	2,363,000	ending market value
Annual Income	45,000	63,000	106,000	

that express the social responsibility witness of this policy through individual stock holdings, socially responsible mutual funds, or other investments as it deems appropriate. Both the Board of Trustees and the Foundation look to the SRIAC for guidance in meeting these responsibilities. The Directors of the Earlham Foundation have the responsibility for selecting managers with whom investments are made and for determining actions taken as to each such investment. The Earlham Foundation will adopt or maintain investments or investment structures for the sole purpose of socially responsible investment if directed by the Board of Trustees. To assist the directors and investment managers in carrying out these responsibilities in light of the societal concerns mentioned above, the boards of Earlham College and the Foundation have established the Socially Responsible Investment Advisory Committee (“SRIAC”).

### **III. Elaboration of our Vision**

The long-term integrity of Earlham will be enhanced by an investment program that secures a maximum risk-adjusted return while being attentive to Earlham values and interests. Investment management entails close and sustained attention to providing maximum return currently and for the future. At the same time, investment choices are not made in a vacuum without consideration of the impact that the investments may have, both positive and negative, for Earlham and its mission within the world. Investment choices must be made with an awareness of both considerations (i.e., maximum return and reflection of values/interests) in an effort to maximize the benefits of both for the long-term integrity of the institution.

There will be situations with heightened degrees of tension in balancing these considerations. By providing guidance through clear expressions of Earlham's mission and its values, this policy is intended to provide some insights to Earlham in how to balance that tension. There will be some situations that raise sufficient concerns to dictate that Earlham should not invest in a specific activity or company or investment option. In many instances, however, the decision will not be clearly defined. This balancing of considerations may lead Earlham to proceed with or retain an investment that conflicts to some degree with certain values because the conflict is perceived to be minimal or there is a credible ability to address Earlham's concerns as an investor. This balancing may also lead Earlham to proceed with an investment that produces a less-favorable potential return but provides a greater assurance of other positive benefits in support of Earlham's values, within the context of its investment portfolio management objectives.

Given the amount of the investible assets, limited staff time and resources, management costs, and trends in modern portfolio management; as well as the purpose of achieving increased return and decreased volatility, the Earlham Foundation and the Board of Trustees have determined it prudent to invest predominately in commingled vehicles<sup>6</sup> and limited partnerships.<sup>7</sup> Although the rules, guidelines, and structure of these vehicles commonly do not allow for an investor's expressions of social concern,

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<sup>6</sup> A commingled fund is an investment pool in which Earlham's investment is commingled with funds from other investors and managed as a single fund by an investment manager. A mutual fund is an example of a commingled fund. All investors, including Earlham, are required to agree in advance to the investment manager's guidelines. Those guidelines may not include socially responsible provisions. As of September 30, 2015 39% of the Earlham College Endowment was invested in commingled accounts compared to 41% at the time the original policy was adopted.

<sup>7</sup> Limited partnerships are formed by general partners who are empowered to make all investment decisions. Earlham invests as a limited partner who legally cannot influence investment decisions. Limited partnerships are formed in order to invest in a variety of different areas including venture capital, merger and buyout firms, natural resources, distressed securities and real estate. Partnerships begin with only a sense of the types of investments in which the general partner intends to invest. Once the partnership has been created then it has a fixed investment period – typically of 15 years – during which the limited partnership may not withdraw funds. As of September 30, 2015 57% of the Earlham College Endowment was invested in limited partnerships compared to 23% at the time the original policy was adopted.

investment in these vehicles is selected with an intent to provide increased financial support for Earlham's educational mission, while reducing investment risk through diversification.

Within the broader context outlined above, Earlham's socially responsible investment commitment draws on the testimonies of the Religious Society of Friends:

A. Based on Quaker Testimonies: Avoidance of some investments

1. Peace: Screens<sup>8</sup> related to Instruments of War<sup>9</sup>

Because Quakers believe that war-making is contrary to the desired order for which Friends have historically worked and witnessed, certain war-related companies are defined as outside the range of those companies in which Earlham desires to invest and derive profit.

2. Screens related to Simplicity

Because Earlham believes that certain behaviors are contrary to the desired order for which Friends have historically worked and witnessed, certain industries are defined to be outside the range of those in which Earlham desires to invest and derive profit. For these reasons, Earlham does not knowingly directly invest in securities of companies significantly involved with tobacco, alcohol, and/or gambling.<sup>10</sup>

B. Criteria related to Improving Human Society - Criteria related to Integrity, Equality, Justice and Respect for Persons

Because Earlham believes that certain behaviors are contrary to the desired order for which Friends have historically worked and witnessed, the behavior of certain companies is deemed to be outside the range of those companies in which Earlham desires to invest and derive profit. For these reasons, Earlham seeks to minimize investing in the securities of companies whose overall behavior results in irresponsible use of the natural environment and/or results in harm to groups or communities, often historically marginalized, that bear a disproportionate burden of the negative effects of irresponsible corporate activity.

For these reasons, Earlham does not knowingly directly invest in securities of companies significantly involved with the production of coal from the process of mountain top removal or the production of oil sourced from oil sands or tar sands.

#### **IV. Investment Procedures and Manager Guidelines**

With the following guidelines, this policy identifies some of the ways in which the Board of Directors of the Earlham Foundation and their investment managers may balance the potential tension between Earlham's vision for socially responsible investment and the goals for managing the endowment to benefit the undergraduate college and the seminary financially.

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<sup>8</sup> A "screen" is the name for the process in which the securities of some companies are "screened out" and cannot be considered for inclusion in any Earlham separately managed account.

<sup>9</sup> The committee thought that "instruments of war" offers a clear definition of intent and improves the ability to make decisions rather than a more general term, e.g. "violence."

<sup>10</sup> While led by Friends testimonies on simplicity, this policy has focused on these three – of many possible – expressions of that testimony.

Earlham's SRI procedures apply to directly held securities in separate accounts<sup>11</sup> over which Earlham can exercise control of the investment guidelines. Portfolio management decisions related to the number of separate accounts, if any, and the percentage of the portfolio held in separate accounts is at the discretion of the Earlham Foundation, unless specifically directed by the Board of Trustees. With commingled funds<sup>12</sup> and limited partnerships,<sup>13</sup> Earlham cannot exercise control of the investment guidelines because the investment manager or general partner is required to treat all investors and partners under the same set of investment policies. When searching for new, long- only public equity or public debt managers offering commingled funds, the Earlham Foundation may consider managers or funds who incorporate SRI or ESG investment policies or strategies. However, it is just one of many criteria for consideration including but not limited to relative performance, relative cost of fees, and relative risk. There is no requirement to select a manager incorporating SRI or ESG criteria.

The following guidelines will be used by the SRIAC to provide our investment managers who oversee the separately managed investments with a list of excluded securities that may not be included in our investments. Our managers are then free to invest in all other companies. If an equity or fixed income manager has invested in a corporation involved in an activity of which we do not approve, then we try to persuade the corporation to change its behavior through action by the SRIAC. Based on this, our socially responsible investment commitment currently takes two different forms:

## **V. Guidelines Governing Earlham's separately managed investments:**

### **A. Based on Quaker Testimonies: Avoidance of some investments**

#### **1. Peace: Screens related to Instruments of War**

Equity and fixed income separate account managers cannot invest in the securities of companies, identified by the SRIAC, whose sales derive significantly from the production, distribution or sale of instruments of war and armaments. [Significantly is defined as greater than 33 percent<sup>14</sup>.] Companies that are among the top 100 defense contractors shall be

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<sup>11</sup> As of September 30, 2016, 4% of the Earlham College Endowment is separately invested (separate accounts) compared to 13% as of the last SRI Policy review in 2011-2012 and 36% at the time the original policy was adopted. The primary reason for the reduction in separate accounts, is the greater diversification of the portfolio over the past decade into "alternative" investments such as private equity and hedge funds which are typically structured as limited partnerships. Earlham's allocation to "alternatives" is similar to other endowments of comparable or somewhat larger size. The SRI Policy was adopted in 2007. In December 2006, the allocation to total public equity was 62%, with approximately 46% in domestic public equity. As of the last update to the SRI Policy in 2011-12, the asset allocation to domestic public equity was down to 26% (from 46%). As of 9/30/15, the allocation to domestic public equity was down to 18%, with 4% in separate accounts. Thus, of the total reallocation from directly-held securities in separate accounts (from 36% to 4%), most was due to decreasing the domestic public equity allocation from 46% to 18%. In 2013, one investment manager also converted Earlham's account from a separate account, with directly-held securities, to a commingled mutual fund, reducing fees and administrative expenses.

<sup>12</sup> See footnote 6 for a discussion of commingled funds.

<sup>13</sup> See footnote 7 for a discussion of limited partnerships.

<sup>14</sup> The committee which developed the SRI policy that was adopted in June 2007 recognized that because of the complex nature of investing and limitations in staff resources, the implementation of any percentage greater than zero would fall short of ethical purity. Nevertheless, the committee wanted to select a percentage that expresses a commitment to the Peace Testimony and that balances that commitment against the need for increased research and staffing as the percentage is lowered. The committee deliberately approved this non-standard percentage as recognition that any percentage threshold is inherently arbitrary. Another consideration for this level of percentage was to keep the community focused on the issue of what an acceptable threshold percentage might be. The committee also recognizes that identifying all companies with very low thresholds of investment in war-related activities would be very difficult and staff-intensive.

scrutinized for investment avoidance based on amount of revenues derived from defense. [We do not consider the sale of off-the-shelf consumer or business products or services to be instruments of war.<sup>15</sup>]

## 2. Screens related to Simplicity<sup>16</sup>

Equity and fixed income separate account managers cannot invest in the securities of companies, identified by the SRIAC, whose sales derive significantly from the production, distribution or sale of tobacco, alcohol, or gambling. (Primarily is defined as greater than 33 percent.<sup>17</sup>)

## B. Criteria related to Improving Human Society - Integrity, Equality, Justice and Respect for Persons

Equity and fixed income separate account managers cannot invest in the securities of companies, identified by the SRIAC, whose persistent and widespread behavior results in any of the following: [1] irresponsible use of the natural environment; [2] results in harm to groups or communities, often historically marginalized, that bear a disproportionate burden of the negative effects of irresponsible corporate activity; [3] violations of local, state, and national regulations, laws, and statutes and/or [4] active involvement with governments in the violation of human rights – companies found to be in violation of trading with countries under US sanctions<sup>18</sup>. Identification of this behavior is delegated in the first instance to the Socially Responsible Investment Advisory Committee that is described below. We are particularly concerned about systemic issues or repeated occurrences, since some of the identified behavior could be isolated and relatively minor.

### 1. Improving Human Society: Screens related to Irresponsible Use of the Natural Environment

Equity and fixed income separate account managers cannot invest in the securities of companies, identified by the SRIAC, whose sales derive significantly from the production of coal from mountain top removal or oil from oil sands or tar sands. (Significantly is defined as greater than 33 percent.)

## **Proposals for Divestment**

When Earlham is directly invested in a company whose behavior may not align with Earlham's values, the strongly preferred approach is to express opposition through proxy votes or company engagement, perhaps together with other like-minded investors. It is believed that remaining invested and retaining one's voice as a shareholder, is more effective toward changing behavior than divesting and losing that voice.

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<sup>15</sup> We offer the following examples. If Apple Computer sells sufficient consumer electronics to the Department of Defense, then Apple may be listed as one of the top 50 defense contractors; however, if these are essentially the same products offered to the general public, then the SRIAC may decide that Apple should not be an excluded company. Similarly, if Humana provides health services solely to military dependents and is on the list of the top 50 defense contractors, then the SRIAC may decide that Humana should not be an excluded company.

<sup>16</sup> See note 10.

<sup>17</sup> Again, the committee recognizes that any percentage threshold is arbitrary and adopted 40% as a symbolic threshold since companies with more than 40% of their sales or profits from alcohol, gambling or tobacco are committed in a substantial way to producing those products that we consider to be contrary to the testimony of Friends to simplicity.

<sup>18</sup> <http://www.bscn.nl/sanctions-consulting/sanctions-list-countries>

However, some behaviors are so extreme as to be contrary to the desired order for which Friends have historically worked and witnessed, and may call for an extraordinary response such as divestment.

Proposals for divestment from directly-held securities will be considered if the following conditions are met:

1. Such investment supports activities that materially contribute to conditions that are contrary to the desired order for which Friends have historically worked and witnessed.
2. The proposed divestment is likely to have financial, reputational, or other adverse impacts on the target of the divestment that may influence its behavior or the behavior of other similarly situated entities. In this regard, Earlham will take into account but not require the actions of other like-minded institutions.
3. The proposed divestment will be generally understood by and acceptable to the greater Earlham community, based on the Board of Trustees' best understanding of the community's opinion.
4. Earlham College has declared that it will not be a consumer of the proposed divestment target's product and/or, has prohibited its use on campus whether directly or as an input to an end product.<sup>19</sup> If a divestment proposal is targeting an industry, or multiple companies within an industry, the criteria would apply to the industry's product.

If a divestment proposal is based on new information and criteria #4 has yet to occur, the product ban would accompany the divestment proposal as a condition of divestment.

If an individual company's behavior is such that criteria #1-3 is satisfied, criteria #4 may be waived for unique circumstances.<sup>20</sup>

The Socially Responsible Investment Advisory Committee will review each divestment proposal to determine if it meets the criteria. If SRIAC concludes that it does, it shall first refer the proposal to the Foundation Board.

The Foundation Board will then report to the Board of Trustees regarding the potential impact of the proposed divestment on the College's Endowment. The Board of Trustees shall carefully balance the reason advanced to divest against its moral, legal, and fiduciary responsibilities, keeping in mind that:

1. The purpose of the Endowment is to support the College's mission through prudent investments and judicious expenditures for the benefit of current and future generations of Earlham students; and
2. The Endowment is carefully invested to produce the maximum long-term risk-adjusted returns to the College, consistent with the risks that the Foundation Board and Board of Trustees deems appropriate; and
3. That the College's investment in the offending company may not only be direct, but may also reside in a commingled vehicle that cannot be divided. It may occur that following direct divestment, the College may still have exposure to the company indirectly.

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<sup>19</sup> For example, as of July 1, 2016, Earlham College will be a smoke and tobacco-free campus. An example of an input may be corn syrup as a beverage ingredient.

<sup>20</sup> For example, if a chemical company is found to be producing chemical weapons but its product may exist on campus, or it may not be possible to know with certainty.

A final decision to divest resides exclusively with the Board of Trustees (“Board”). In making such a determination, the Board shall consider its full range of moral, legal, and fiduciary responsibilities to the College and to current and future generations of students. Because the decision to divest is an extraordinary one, a divestment decision shall require approval by the full Board.

## **VI. Socially Responsible Investment Advisory Committee – Its Structure**

The Socially Responsible Investment Advisory Committee is a committee that is accountable to both the Earlham Board of Trustees and the Earlham Foundation Board of Directors. The SRIAC is charged with the responsibility for proxy voting on corporate governance and social responsibility issues, for monitoring securities held by investment managers in separately managed accounts, for maintaining a list of excluded companies, for engaging corporations in order to change corporate behavior and improve society, and for engaging its constituent communities in education and consultation.

The SRIAC has nine members. The nominations for membership should take into account the desire both for continuity and for diversity on the SRIAC.

- 3 Trustees/Directors appointed by the Earlham Board of Trustees and the Earlham Foundation Board of Directors with at least one representative from each body. A representative who is both an Earlham Board of Trustee member and an Earlham Foundation Board of Directors member may fill two of these three positions.
- 2 Earlham Students appointed by Earlham Student Government.
- 1 Earlham School of Religion representative. Such representative may be a student, a faculty member or a staff member appointed by the Dean of the ESR.
- 2 Earlham Faculty (Teaching or Administrative) appointed by the Faculty Nominating Committee.
- The Chief Financial Officer of the College. The Chief Investment Officer will be an ex-officio member of the SRIAC and will be encouraged to attend all meetings.

The clerk of the committee will be either one of the Trustee/Director representatives or the chief financial officer of the college, to be determined by the committee. A non-participating recording clerk will attend all meetings and prepare draft minutes of the meetings. If unavailable, a committee member will prepare the draft minutes. All decisions of the SRIAC are made by the members by consensus in accordance with the usual Earlham meeting procedures. Copies of the approved SRIAC meeting minutes will be sent to the Earlham Foundation Board of Directors and to the Earlham Board of Trustees. Similarly, once approved, copies of the meeting minutes of the Earlham Foundation will be sent to the SRIAC. The minutes of the SRIAC will be posted on the Earlham intranet website for Earlham community access.

## **VII. A Procedure Manual**

A Procedure Manual has been developed by the SRIAC and is separate from this Policy. This manual details how the SRI policy is to be implemented and reviewed by the SRIAC at least annually. Matters to be addressed in the manual include but may not be limited to:

- A. Proxy issues to be within the oversight of SRIAC and to be within the oversight of the Foundation Board.
- B. General guidelines and “rules of thumb” that can be used by the chief financial officer of the college or the investment officer of the college in deciding how to vote proxies that are the same or similar to proxy issues previously voted. Issues such as corporate transparency and independence of company officers from boards of directors would be addressed.
- C. Frequency of updating the security holdings.



- D. Role of the investment staff
- E. Role of the recording clerk

The Procedure Manual will be communicated to the Earlham Trustees, the Foundation Board and the Earlham community. It can be revised by action of the SRIAC and any such revisions will be similarly communicated.

## VIII. SRIAC Activities

- A. **Proxy Voting.** The Socially Responsible Investment Advisory Committee monitors the voting of corporate proxies, which Earlham generally votes directly.<sup>21</sup> The SRIAC meets as a full committee in the spring to decide general guidelines for voting on anticipated proxy issues and to determine the delegation, if any, to a subcommittee or Earlham investment staff. The actions will be in a manner consistent with the long-term interests, objectives, and philosophy of the Earlham Investment Policy Statement. Proxy voting guidelines are included in the Procedures Manual.
- B. **Monitoring separately managed investments.** The Earlham Board of Trustees and the Earlham Foundation have delegated the identification of excluded companies and the monitoring of the separately invested equity and fixed income portfolios with respect to the criteria related to the Peace, the Simplicity, and the Integrity, Equality, Justice and Respect for Persons Testimonies to the Socially Responsible Investment Advisory Committee. If a company appears to be an inappropriate investment based upon the foregoing criteria (or if the SRIAC feels that a previously excluded company should be eligible for investments), then the SRIAC will add that company to (or delete the company from) the list of excluded companies and notify the Earlham Foundation. If the Earlham Foundation concurs in that judgment, then it will notify their investment managers. If either an investment manager or the Earlham Foundation disagrees with that judgment, then they will notify the SRIAC in writing, stating the reasons for the disagreement. The final arbiter of disagreements between the SRIAC and the Earlham Foundation will be the Earlham Board of Trustees.
- C. **Shareholder advocacy.** In cases in which there are concerns about issues of corporate social responsibility, then the SRIAC, acting on its own behalf or in concert with other socially responsible investors, may engage corporations to change that behavior. An example of such engagement is the sponsoring of shareholder resolutions. The SRIAC may participate with organizations such as the Interfaith Center for Corporate Responsibility (ICCR) or Friends Fiduciary Corporation. The SRIAC shall notify the Earlham Board of Trustees and the Earlham Foundation of its intent to act with a specific company on a given issue. Either the Earlham Board of Trustees or the Earlham Foundation may refuse to approve such action. The refusal and the rationale shall be provided in writing to the other two bodies. If efforts to reconcile differences of opinion among the three bodies are not successful, the Trustees will again be the final arbiter.
- D. **Community Education and Consultation.** The SRIAC should engage the faculty, staff and students of Earlham College and Earlham School of Religion so that individual members of the Earlham community can become more knowledgeable about the Earlham endowment and so that individuals can address members of the SRIAC with their concerns about policy matters and/or individual companies. Community members may wish to contact either individual committee members or the SRIAC as a body to communicate concerns about the implementation of this policy. Minutes of the meetings of the SRIAC will be posted publicly on the Earlham website in Community Documents along with copies of current policy statements. This policy of Earlham College and the Earlham Foundation concerning socially responsible investments will be posted on the Earlham website.

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<sup>21</sup> See note 2.

- E. **Measuring our effectiveness in living up to the “Preamble” and “Vision” of our Socially Responsible Investment Policy.** The SRIAC should give consideration to using a set of metrics to measure our effectiveness. Such systems as STARS (<https://stars.aashe.org/>) or Sustainable Endowment Institute should be studied and considered.
- F. The SRIAC will in January each year submit to the Trustees and the Foundation a summary of SRIAC actions taken during the prior year.

## **IX. Policy Review**

This policy should be reviewed every four years by the Earlham Board of Trustees with input from the SRIAC and the Earlham Foundation Board of Directors. This policy was reviewed and initially approved in June 2007. The policy was last reviewed, revised, and approved in June 2012, and subsequently reviewed, revised and approved in June 2017. This policy may be amended by joint agreement among the Socially Responsible Investment Advisory Committee, the Earlham Board of Trustees, and the Earlham Foundation Board of Directors or by sole action of the Earlham College Board of Trustees. The amendment process may be initiated by any of the three bodies.