SUSTAINABLE INVESTMENT POLICY

(Updated November 2016)

Purpose

The purpose of this policy is to define the approach taken by Harvard Management Company ("HMC") to sustainable investment. Specifically, this policy provides an overview of how we seek to integrate environmental, social, and corporate governance ("ESG") factors into investments.

HMC will update this policy, as appropriate.

Overall Commitment and Scope

HMC commits to consider material ESG factors in the course of our underwriting, analysis, and monitoring of investments to the extent reasonably practical under the circumstances. For the purpose of this policy, HMC defines material ESG factors as those that we have determined, in our sole discretion, have, or have the potential to have, direct impacts on a company or asset's ability to create, preserve, or erode economic value.

This policy applies to all asset classes, sectors, and markets in which we invest and will be interpreted in accordance with local regulations.

What is ESG?

ESG is a term used to describe environmental, social, and corporate governance factors that, when material, have the potential to impact the value of our investments. ESG factors include, but are not limited to, such issues as energy consumption, greenhouse gas emissions, climate change, resource scarcity, water use, waste management, health and safety, employee productivity, diversity and non-discrimination, supply chain risk management, human rights (including respect for worker rights), and effective board oversight.

The degree to which ESG factors are relevant and material to an investment depends on the company or asset, the industry in which it operates, and the type of investment strategy and vehicle. For instance, ESG factors may have a direct impact on a company's profitability through increased regulation, such as changes to environmental laws or governance codes, which can lead to rising operating costs, or an indirect impact by affecting a company's long-term performance, such as its ability to attract talented employees, retain customer loyalty, and protect its reputation and brand.

Ethical Considerations and Investment Exclusions

As an academic institution, Harvard holds its endowment funds in trust to advance its programs of education and research, which constitute the University's distinctive way of serving society. These funds have been given to Harvard by generous benefactors over many years to advance academic aims, not to serve other purposes, however worthy. As such, the University maintains a strong presumption against divesting investment assets for reasons unrelated to the endowment's financial strength and its capacity to further Harvard's academic goals. Harvard conceives of the endowment fundamentally as an economic resource, not as a lever to advance political positions or to exert economic pressure for social purposes, which could entail serious risks to the independence of the academic enterprise and the ideal of free inquiry.

At the same time, the University recognizes that very rare occasions may arise when companies' activities are so deeply repugnant and ethically unjustifiable as to warrant the University's institutional dissociation from those activities. In recent decades, such ethical considerations have led the Harvard Corporation to instruct HMC not to own shares in certain companies involved in the perpetuation of apartheid in South Africa, in the manufacture of tobacco products, and in enabling genocide in Darfur.

When, on rare occasions, the University issues investment restrictions, limitations, and instructions to HMC, we extend these restrictions to direct holdings by our internal portfolio managers, as well as to direct holdings by investment advisers trading in the name of President and Fellows of Harvard College through separately-managed accounts. We do not extend these restrictions to investment advisers of commingled funds where Harvard is not the sole investor.

Roles and Responsibilities

Our investment professionals have overall responsibility for ensuring that ESG factors are considered and integrated into the investment decision-making process. We also work closely with the University's Corporation Committee on Shareholder Responsibility and Advisory Committee on Shareholder Responsibility on issues pertaining to proxy voting.

Our Approach to Sustainable Investment

As a long-term investor, we are focused on ESG factors that may affect the performance of our investments now and in the future. We include material ESG criteria in our due diligence, investment analysis, monitoring, asset management, and decision-making processes. We believe that these considerations and processes are aligned with our mission to provide strong long-term investment results to the University.

Our three-pronged approach guides our sustainable investment work and priorities.

1. ESG Integration

We approach ESG integration as a tailored asset-class process. We are focused on ESG factors that may have a material impact on our investment risk or return. How we consider ESG issues in our investment underwriting, analysis, and monitoring varies by asset-class and investment strategy.

For our fund investments we seek to integrate and manage ESG issues throughout the investment cycle. We use an operational due diligence framework to assess prospective fund investments in public equity, private equity, absolute return, real estate, and natural resources. This framework includes an ESG due diligence section in order to ensure that ESG-related questions are assessed and considered during the due diligence process.

During the pre-investment process, we conduct desk-based research on prospective investment managers to assess their oversight of ESG risks. We review how managers integrate material ESG factors into their investment strategies, and how they communicate with limited partners about ESG-related issues. We also meet with prospective managers to further understand how they are managing these risks. The identification of potential risks is an expected outcome of the due diligence process and supports our investment decision-making. Depending upon the nature of ESG issues identified, we may also seek to include ESG terms in the investment fund documents. After making an investment, we continue to monitor identified ESG risks and maintain a dialogue with external managers to ensure effective oversight.

For our direct investments in natural resources we are committed to environmental stewardship and social responsibility. We seek to conduct, as appropriate, on-site ESG due diligence to identify project-related ESG risks and impacts to ensure responsible oversight practices of our properties. We are committed to working with third-party organizations, such as the Forest Stewardship Council ("FSC"), which are devoted to encouraging responsible management of the world's forests.

2. Active Ownership

Being an engaged owner on behalf of the University is an important part of our approach to sustainable investment. We believe in supporting good corporate governance in the companies and other assets in which we are invested and, where appropriate, we seek to work with others to influence change. We perform our active ownership role on behalf of the University in two primary ways:

Engagement

As an investor, we recognize that a company's ability to identify and manage ESG risks effectively may affect a company's valuation. Therefore, engagement with companies held in our investment portfolio plays an important role in our approach to sustainable investment. We select companies for engagement based on ESG risks identified as having a direct impact on business operations and shareholder value, risk management oversight and disclosure practices, and the value of our holdings.

Proxy voting

As an institutional investor in publicly traded companies, the University regularly exercises its right to vote on shareholder resolutions, many of which present issues related to environmental, social, and governance matters. In considering proxies, we work closely with the University's Corporation Committee on Shareholder Responsibility and Advisory Committee on Shareholder Responsibility. Through the work of those committees, the University provides instructions on voting proxies related to environmental and social issues. Shareholder resolutions related to corporate governance matters are typically addressed by HMC. The University issues a publicly available annual report on the work of shareholder responsibility committees in regard to the voting of proxies.

3. Collaboration

Collaborating with like-minded investors is important to our work. We have joined initiatives that are aligned with — and help guide — our approach to sustainable investment, and we actively work with peers and investors to advance shared goals and develop and define sustainable investment best practices.

We are the first U.S. endowment signatory to the PRI, a network of global investors who are committed to integrating ESG issues into their investment practices. The PRI's voluntary Six Principles (listed below) are consistent with HMC's approach to sustainable investment and help guide our work.

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

Reporting

We provide the University with regular reporting on our sustainable investment activities. As part of our commitment to the PRI we will also report on an annual basis our progress in implementing the PRI's Six Principles.