

**Minutes of Meeting  
Of  
COLORADO STATE UNIVERSITY FOUNDATION  
Committee on Investor Responsibility  
February 11, 2021**

The meeting of the Colorado State University Foundation (CSUF) Committee on Investor Responsibility (CIR) was called to order at 1:02 p.m. online via Zoom Meetings. A quorum was established.

Those in Attendance:

Board of Directors:

- James A. Martell, Chair
- Cherí O'Neill, Director
- David Diehl, Director
- Deb DeMuth, Director
- Jim Detterick, Director
- Luke Daniel, Director
- Mark Smith, Director
- Michelle Martinez, Director
- Morris Price, Director
- Ric Thomas, Director
- Scott Thisted, Director

Ex-Officio Members:

- Joyce McConnell, President of CSU
- Kim Jordan, Board of Governors
- Kim Tobin, VP of University Advancement
- Lynn Johnson, VP of University Operations

CSUF:

- Allen Padilla, CFO/Treasurer
- Jill Higham, General Counsel & Communications Strategist
- Sara Campbell, Director of Operations/Board Secretary
- Terilyn Larson, Controller

NEPC:

- Chena Edwards, Partner
- KC Connors, Partner
- Rick Ciccione, Senior Consultant
- Sam Pollack, Partner

Others in Attendance:

- Adam Gray, CSU Summit Student Fund Representative
- Nate Akers, CSU Summit Student Fund Representative
- Justice Oglesby, CSU Summit Student Fund Representative

- Chris Stein, CSU Faculty
- Hilla Skiba, Department Chair & Associate Professor, CSU
- Chris Hutchinson, CEO of Trebuchet Group
- Katie Huey, Director of Operations of Trebuchet Group
- Ann Claycomb, Chief of Staff and Director for Presidential and Administrative Communications, CSU

*The Committee on Investor Responsibility consists of students, members of the CSUF Board and staff, CSU faculty (CSU College of Business sponsoring faculty), alumni (CSUF Board and Committee members who are alumni), CSU Governing Board members, and community members.*

### **Summit Fund Student Presentation**

Padilla provided a brief recap of the history and purpose of the Summit Fund. The Summit Fund, which currently has over \$1 million in assets across three funds, provides real investment experience for students. Padilla introduced the three Summit Fund student analysts from the CSU College of Business, their accompanying faculty advisor, and department chair. The students presented information regarding the Summit Fund and their investment screening process. The students' investment screening process involves selecting a security, performing analysis, discussion of sustainability standards, and final selection.

The students presented a detailed analysis of Alexion Pharmaceuticals, a company specializing in developing and marketing drugs for rare life-threatening medical conditions. Although considered a high-risk, high-reward investment, due-diligence research supported moving forward with the investment. Regarding environmental, social, and corporate governance or (ESG), Alexion performed well in employee benefits, pay, and compensation among peers in their sector. Alexion demonstrates a commitment to diversity. Seven of ten executive team members are women and 53% of Alexion's total workforce are female. Additionally, a new chief diversity officer was hired. The company's vendor code of conduct serves to ensure vendors are ethical in their operations. Alexion achieved *zero process waste-to-landfill* status enterprise wide in 2019. They now have LEED certified buildings in the U.S., and their plants in Ireland are powered by 100% renewable energy. A question-and-answer session followed the presentation.

### **NEPC Presentation**

Ciccione began with a brief overview of CSUF's Socially Responsible Investing Policy, which was established in 2010 and has since been revised. CSUF recognizes there are social and environmental issues that have adverse impacts on humanity and the world. While the foundation has a primary fiduciary responsibility to its donors and the university to manage each gift prudently, factors such as ESG and diversity, equity, and inclusion or (DEI) play a larger role in decision making now than in the past.

### *ESG Landscape*

Ciccione shared NEPC's view of impact investing and various approaches to consider. Negative screening is a simple approach which yields minimal impact. The ESG integration approach involves building ESG factors into the investment process and has a low/medium level of impact. Thematic investing, which is generally achieved through private markets, has a high level of impact. Shareholder engagement, i.e. getting seats on the board, has the highest level of impact. NEPC has developed a proprietary ESG rating

system with 1 being best in class in terms of integrating ESG into the investment process and 5 being the worst (no ESG integration efforts). The rating system considers ESG integration at both the firm and strategy levels. NEPC's framework does not establish a separate ESG focus list. Rather, ESG is woven into NEPC's investment research process. CSUF's portfolio has an average ESG rating of 3.0.

*McConnell and Edwards joined at 2:00pm.*

#### *DEI Landscape*

Edwards provided a presentation on DEI. Of the \$89 trillion in global assets under management, only a small percentage of asset management firms are owned and led by women and US minority groups (collectively referred to as "diverse"). Research has not detected any difference in performance between managers to explain the significant gap in representation of diverse firms. While women represent approximately 50% of the U.S. population and college graduates, the percentage of women-owned firms is minimal and the associated AUM is miniscule. A total of 10% of mutual fund firms are women-owned, but only represent 0.8% of total mutual fund AUM. Representation in other asset classes is similarly low with slightly improved related AUM. Minority representation is also significantly misaligned compared to the greater population. A total of 9% of mutual fund firms are minority owned, but only represent 0.4% of total mutual fund AUM. Minority-firm ownership in other asset classes is also low, but with slightly improved AUM representation.

Unfortunately, industry trends tend to have a greater level of impact on diversely owned firms. Increased regulation results in an accompanying increase in the cost of capital to enter the industry (as legal requirements increase the firm's need to hire more lawyers and compliance officers). Fee compression creates added pressure to grow assets or find other ways to remain competitive and sustainable.

Research released by both the Knight Foundation and NAIC shows that diversely owned firms generate similar results compared to the broader population and slightly outperform in private equities. The Knight Foundation also commissioned a study to assess the representation of women and minorities among asset managers used by the country's top 50 charitable endowments (representing \$290.3 billion in AUM). A total of 46 of the 50 organizations invest some portion of their assets with diversely owned firms. More than 50% of the organizations invest more than 10% of their assets with diversely owned firms (overall average is 13.5%). These results can be utilized to evaluate strategies and determine reasonable goals.

Many organizations have, or participate in, some form of pledge to demonstrate their commitment to diversity. NEPC participates in the Investment Manager Diversity Pledge, which is supported by the Association of Black Foundation Executives. The pledge takes a holistic approach to inclusiveness and highlights tangible actions for organizational decision makers. NEPC supports taking a multi-dimensional approach (expand the table to allow more chairs) to help bridge the gap. NEPC seeks to accomplish this by engaging with managers more fully through measures such as providing feedback, facilitating meaningful connections, and increasing the number of meetings with diversely managed or owned firms. NEPC is working to increase the diversity of their employee base; engage with partners and employees to foster an inclusive culture; promote mentoring, career development, and gender diversity

awareness training; and actively seek to expand the pool of talented managers for NEPC clients. NEPC announced their diverse manager policy in 2019 and have implemented measurable goals, which are actively tracked and reported for transparency purposes. NEPC is working on developing a DEI rating system to evaluate managers and anticipate release of an annual report with their findings.

Ciccione reviewed the CSUF impact dashboard noting that 5% of the portfolio is managed by minority, women, and disadvantaged business enterprise firms. As more recent private equity commitments are funded that percentage will increase.

Committee members thanked the faculty and students for their presentation. With no further business, the meeting adjourned at 2:16 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara Campbell".

Sara Campbell  
Director of Operations/Board Secretary