Introduction
The Trustees of the University of Pennsylvania (the "Trustees") have sole responsibility for all investment decisions, including establishing University policy on all investment-driven social responsibility issues that may be raised by members of the Penn community. While the Trustees have the fiduciary obligation to invest the University endowment so as to maximize University resources, the Trustees recognize that in extraordinary circumstances it may be appropriate to consider divesting the endowment of specific corporate securities based upon thoughtful, thoroughly considered, and sustained social responsibility concerns.

In making any such determination, the Trustees recognize the need for a clear process that allows for careful study and community input and articulated guidelines to inform the Trustees in their decision-making. No process or set of guidelines, however, can be expected to address all situations that might arise. For that reason, any proposal will be evaluated using this process and these Guidelines as a basis, but recognizing that all decisions will be made on a case-by-case basis. The Trustees reserve the right to interpret the process, the Guidelines, and the University interest as broadly or narrowly as they see fit, consistent with the Statutes of the University, the University mission and policies, and applicable external laws and regulations.

Process
1. If members of the Penn community, defined as students, faculty, alumni, or staff, believe that a proposal for divestment of specific corporate securities is warranted, they may present such a proposal to the University Council Steering Committee for consideration.

2. The proposal should document the basis for the presenters’ belief that the proposal meets the “social responsibility” Guidelines articulated below.

3. The Steering Committee will make a determination as to whether there is a sufficient basis for further consideration of the proposal, taking into consideration the divestment principles and Guidelines. If Steering concludes that there is insufficient evidence supporting the proposal, then it shall so inform the proponents and no further action need be taken.

4. If Steering concludes that there is a reasonable basis to proceed, it will refer the matter to the Ad Hoc Advisory Committee on Divestment ("Ad Hoc Committee"), created by Trustee Resolution, dated December 12, 2013. The Ad Hoc Committee will further study the proposal to determine whether, in the view of the Ad Hoc Committee, the proposal meets the extraordinarily high standard of the Guidelines for divestment. ¹

¹ This Ad Hoc Committee is distinct from the committee charged with making recommendations with respect to proxy voting (the Penn Social Responsibility Advisory Committee, (SRAC) ), as SRAC has been constituted solely to consider proxy voting issues and not issues relating to investment or divestment.
5. As the Ad Hoc Committee considers the proposal, in light of each of the Guideline factors, it should consider not only whether divestment is justified, but also whether there are alternative means by which the University can better address the social responsibility concerns at issue, including letters to management and/or proxy voting. Any recommendation made to the Trustee Subcommittee on Divestment should include a discussion of these alternative courses of action.

6. If the Ad Hoc Committee concludes that the proposal does not satisfy the Guidelines, then no further action is necessary, other than notifying the Steering Committee. If the Ad Hoc Committee believes some action is warranted, it should present its views to the Trustee Subcommittee on Divestment.

7. Upon receiving a recommendation from the Ad Hoc Committee, the Trustee Subcommittee on Divestment will consider the recommendation and provide its advice on the proposal to the Executive Committee of the Trustees for whatever action the Executive Committee deems appropriate under the Guidelines.

**Guidelines**

**Basic Principles:**

1. The Trustees of the University of Pennsylvania have the sole responsibility for making investment decisions, which, consistent with their fiduciary status, must be made so as to maximize the resources of the University in support of its primary mission of teaching, research, and clinical care.

2. Given the Trustees’ fiduciary responsibility, there is a strong presumption against the University making investment decisions based upon political, social, or ethical positions held by members of the community.

3. The Trustees recognize that there may be extraordinary circumstances in which the University determines that it should not hold direct financial interests in a certain company or companies based upon concerns of “social responsibility,” as defined below.

4. To be clear, the purpose of this selective divestiture policy is never to make political statements, censure governments, or put pressure on others to adopt particular policies. Rather, the purpose of divestment is to separate the University from companies whose conduct is so abhorrent to the University community, and so inconsistent with core University values, that the University does not wish to be associated with the conduct in any way. Divestment, as an option, should only be adopted after all other options to address the community’s concerns have been considered and found unsatisfactory.
Social Responsibility Defined for Purposes of Divestment Consideration:
1. There exists a moral evil implicating a core University value that is creating a substantial social injury.2

2. There must be a specific company or companies identified for divestment, rather than a broad proposal directed at an industry or activity more generally.

3. The company or companies identified for divestment must have a significant, clear, and undeniable nexus to the moral evil.

4. The proposal for divestment must have the support of a broad and sustained consensus of the University community reflected over a sustained period of time.

Options:
In considering the advice of the Trustee Subcommittee on Divestment regarding a proposal for divestment, the Trustees may take any of the following actions:

1. Direct the divestment of identified securities held in the name of the Trustees of the University of Pennsylvania either on an unconditional basis, or for some limited period of time. Additionally, share the University’s desire to adhere to this investment philosophy with the investment managers of co-mingled or pooled funds in which the University invests.

2. Refer the issue to the Proxy Subcommittee to determine if a more effective or preferred strategy would be to continue to hold the corporate securities and express the University’s view through the proxy voting process or by otherwise expressing the University’s view with a management letter or other vehicle in an effort to change the behavior that the Trustees determine to be the cause of substantial social injury.

3. Refer the matter back to the Ad Hoc Committee to review and resubmit the matter, if they believe appropriate, after some period of time.

4. Determine that in the exercise of their fiduciary responsibilities, it is not consistent with the University’s mission or interest to take further action.

\[2\text{ Substantial Social Injury is defined for purposes of Proxy Voting in the Statement on Responsibility Concerning Endowment Securities:} \]
\[\text{https://secure.www.upenn.edu/secretary/SRAC\%20Statement\%20of\%20responsibility.pdf} \]