VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Establishment of an Internal Investment Management Company with an Advisory Board, as Provided in the Revised Board of Regents Governance, Standing Orders, Chapters 4 and 10

RECOMMENDED ACTION

It is the recommendation of the administration and the Finance and Asset Management Committee that the Board of Regents:

1) Approve the establishment of an internal investment management company (“University of Washington Investment Management Company” or “UWINCO”);

2) Replace the current advisory committee with an internal investment management company advisory board (“University of Washington Investment Management Company Board” or “UWINCO Board”);

3) Adopt changes to the Board of Regents Governance, Standing Orders, Chapter 4, Advisory Committees of the Board of Regents, and new Chapter 10, University of Washington Internal Investment Management Company.

Approval of the recommended action will require changes to the “Delegations” section of the University’s investment policies. The investment policy changes are summarized in a separate recommended action. Changes will be effective immediately upon Board of Regents’ approval.

BACKGROUND

The Consolidated Endowment Fund (CEF) has grown more than tenfold over the past twenty-five years to over $3 billion today. The growth reflects the success of the University’s investment and fund raising efforts. The growth of the University itself is reflected in higher operating fund balances – from $150 million twenty-five years ago to over $1.6 billion today.

Over half of the growth in the CEF occurred over the last decade during which time its asset allocation became increasingly complex. From a fund invested simply in domestic stocks (60%) and domestic bonds (40%) in the early 1990’s, the CEF today is invested in a sophisticated mix of global stocks and bonds, private equity, real assets, and hedge funds.
B. Finance and Asset Management Committee

Establishment of an Internal Investment Management Company with an Advisory Board, as Provided in the Revised Board of Regents Governance, Standing Orders, Chapters 4 and 10 (continued p. 2)

In the late 1990’s the Board of Regents recognized the need for a higher level of oversight than it could provide. This led to the formation of the University of Washington Investment Committee (UWINCO) in 2001 that drew upon outside investment expertise. This committee is comprised of both Regent and non-Regent members. Non-Regent members are investment professionals whose global investment expertise brings added perspective to the investment process at the University. The President of the University serves as an ex officio member. Creation of a professional staff solely focused on investments began in 2004 with the appointment of the University’s first Chief Investment Officer (CIO). Each of these milestones represented an evolution in the program’s governance structure.

OBJECTIVES

A key objective in moving to an internal investment management company structure is to ensure continuing strong investment performance. Distributions from endowed programs provide an increasingly important source of funding for University programs, a trend that will continue into the future. Enhanced oversight, stability, and access provided by the new governance structure will support this objective.

HIGHLIGHTS OF THE PROPOSED CHANGES

The language to create Chapter 10 is drawn directly from Chapter 4 (formerly UWINCO Statement of Principles) with additional language to cover new responsibilities and/or for clarification and is summarized below.

- **Section 1: Introduction.** Includes links to investment policies and a brief history of the investment program from a governance perspective.
- **Section 2: Powers and Duties.** Includes paragraphs on new advisory responsibilities of the UWINCO Board in the areas of investment staff compensation and investment program administration.
- **Section 3: Accountability.** States the accountability of the UWINCO Board to the Board of Regents.
- **Section 4: Membership and Terms.** Drawn from language previously in Board of Regents Governance, Standing Orders, Chapter 4.
- **Section 5: Meetings of the UWINCO Board.** Notes the exemption of UWINCO Board meetings from the requirements of the open public meetings act.
VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Establishment of an Internal Investment Management Company with an Advisory Board, as Provided in the Revised Board of Regents Governance, Standing Orders, Chapters 4 and 10 (continued p. 3)

- **Section 6: Committees of the UWINCO Board.** Provides detail on the two new committees of the UWINCO Board.
- **Section 7: Reports to the Board of Regents.** Provides detail on regular communication to the Board of Regents.
- **Section 8: Indemnification and Compensation.** Drawn from language previously in Board of Regents Governance, Standing Orders, Chapter 4.
- **Section 9: Conflict of Interest.** Drawn from language previously in Board of Regents Governance, Standing Orders, Chapter 4.
- **Section 10: Amendments.** Drawn from language previously in Board of Regents Governance, Standing Orders, Chapter 4.

A side-by-side comparison of the changes in bill-draft format from the Board of Regents Governance, Standing Orders, Chapter 4, Section 1 to the new, proposed Board of Regents Governance, Standing Orders, Chapter 10 is provided (see Attachment 1). Also provided is a “clean” version of the Board of Regents Governance, Standing Orders, new Chapter 10 which now addresses the University of Washington Internal Investment Management Company (see Attachment 2). The Board of Regents Governance, Standing Orders, Chapter 4, Advisory Committees of the Board of Regents, is amended to delete the paragraphs which references the University of Washington Investment Committee in Section 1, and to correct consistency issues in Section 2 (see Attachment 3).

**PROCESS AND REVIEW:**

This recommendation has been reviewed by the Attorney General’s Office, and the administration including the President’s Office and the Chief Investment Officer, in consultation with Cambridge Associates, the University’s investment consultant, and the University of Washington Investment Committee.

The proposed changes to the governance structure of the University’s investment program were reviewed by the Board of Regents Finance and Asset Management Committee and Governance Committee in July 2015.
B. Finance and Asset Management Committee

Establishment of an Internal Investment Management Company with an Advisory Board, as Provided in the Revised Board of Regents Governance, Standing Orders, Chapters 4 and 10 (continued p. 4)

Attachments

1) Side-by-side comparison of changes from Board of Regents Governance, Standing Orders, Chapter 4, Section 1 to new Board of Regents Governance, Standing Orders, Chapter 10
2) Board of Regents Governance, Standing Orders, Chapter 10, University of Washington Internal Investment Management Company (NEW)
3) Board of Regents Governance, Standing Orders, Chapter 4, Advisory Committees (ANNOTATED)
<table>
<thead>
<tr>
<th>Chapter 4, Section 1 University of Washington Investment Committee (UWINCO)</th>
<th>Proposed Chapter 10 University of Washington Internal Investment Management Company</th>
</tr>
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<tbody>
<tr>
<td><strong>A. Establishment of the Committee</strong>&lt;br&gt;The Board of Regents of the University of Washington is vested by statute with responsibility for the management of the properties of the University, including its investment programs. The Board has established an Advisory Committee called the University of Washington Investment Committee (UWINCO) and adopted the following Statement of Principles.</td>
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<td>• Statement of Investment Objectives and Policy for the Consolidated Endowment Fund&lt;br&gt;• Statement of Investment Objectives and Policy for Invested Funds&lt;br&gt;• Statement of Investment Objectives and Policy for Deferred and Other Gift Assets</td>
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</tr>
</tbody>
</table>
The former investment management advisory committee was replaced with an investment management advisory board known as the University of Washington Investment Management Company Board (“UWINCO Board”).

2. Powers and Duties

The UWINCO Board shall:

A. Advise the Board of Regents (and/or its appropriate committee), (and) the (University) President ((and/or his or her designated)) of the University and the Chief Investment Officer on matters relating to the management of the University’s investment programs. This includes but is not limited to the following: overall asset allocation, performance goals, new investment strategies, strategy implementation, manager identification, due diligence, and valuation policy.

B. Advise the President of the University on the selection and compensation of the Chief Investment Officer and other matters related to the administration of the University’s investment programs.

C. Advise the Chief Investment Officer on the compensation of professional investment staff and other matters related to the administration of the University’s investment programs.

3. Accountability

The UWINCO Board shall be accountable to the Board of Regents.

B. Statement of Principles

1) Membership and Terms

UWINCO shall consist of no more than ten members to be appointed by the Board, plus the President of the University who shall serve ex-officio. These appointments

4. Membership and Terms

A. Membership

The UWINCO Board shall consist of no more than ten members ((to be)) appointed by the Board of Regents, plus the President of the University who shall
shall be based on recommendations submitted by the Governance Committee of the Board after consultation with the Chair of UWINCO and the President of the University (or his or her designee).

One or two UWINCO members shall be selected from the Board. The remaining UWINCO members shall be experienced investment professionals of varying backgrounds with close ties to the University. Criteria for non-regent membership on UWINCO shall include investment expertise in such areas as private equity, hedge funds, international markets, real estate and institutional investing; access to desirable managers; strategic focus; and commitment to the University of Washington.

Regent and non-regent members will be asked to make a minimum commitment of three consecutive years, renewable by the Board.

serve as ex-officio. (These) Appointments shall be based upon recommendations submitted by the Governance Committee of the Board of Regents and approved by the Board of Regents after consultation with the Chair of the Board of Regents, the Chair of the UWINCO Board and the President of the University ((or his or her designee))).

One or two UWINCO Board members shall be selected from the Board of Regents. The remaining UWINCO Board members shall be experienced investment and/or business professionals of varying backgrounds with close ties to the University. Criteria for non-regent membership on the UWINCO Board shall include investment and/or business expertise in such areas as private equity, hedge funds, international markets, real estate, and institutional investing; access to desirable portfolio managers; strategic focus; and commitment to the University of Washington.

B. Chair and Vice Chair

The Chair and Vice Chair of the UWINCO Board shall be recommended by the Governance Committee of the Board of Regents and approved by the Board of Regents. ((During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair.)) The Vice Chair of the UWINCO Board shall have the authority and shall perform the duties of the Chair of the UWINCO Board in the event of the Chair’s absence or incapacity.

C. Term

Both regent and non-regent members ((will be asked to)) shall make a minimum commitment of three consecutive years, renewable by the
### D. Administrative Support

The ((Senior Vice President for Finance and Facilities)) Chief Investment Officer shall ensure that the UWINCO Board has appropriate administrative support services, including secretarial assistance and record keeping.

### 2) Functions

UWINCO shall advise the Board (and/or its appropriate committee) and the University President (and/or his or her designee) on matters relating to the management of the University’s investment program. This includes, but is not limited to, the following: overall asset allocation, performance goals, new investment strategies, strategy implementation, manager identification, due diligence, and valuation policy.

(see Section 2.A above)

### 3) Meetings

Regular meetings of UWINCO shall be held quarterly. Special meetings may be called by the Chair of UWINCO, the University President (or his or her designee) at any time.

### 5. Meetings of the UWINCO Board

#### A. Meetings

Regular meetings of the UWINCO Board shall be held quarterly. Special meetings may be called by the Chair of the Board of Regents, the Chair of the UWINCO Board or the ((University)) President of the University ((or his or her designee)) at any time.

#### B. Notice and Agenda

Notice of time and place of the UWINCO Board meetings together with the agenda and all available material, shall be delivered to each member of the UWINCO Board, by regular mail, electronic mail, or otherwise, before any regularly scheduled meeting.

As the UWINCO Board is advisory, its meetings remain exempt from the requirements of the open public meetings act, State of Washington.
6. Committees of the UWINCO Board

The standing committees set forth below are established to facilitate the business of the UWINCO Board and the University.

A. Compensation and Leadership Committee

1) Purpose

The primary purpose of the Committee is to advise the President of the University on the compensation of senior professional investment staff, the leadership effectiveness of the investment program, and the investment program budget.

2) Composition

The Committee shall be comprised of at least three members of the UWINCO Board. The Chair of the UWINCO Board (or his/her designee) shall be the Chair of the Committee.

3) Meetings

The Committee shall hold regular annual meetings. Special meetings may be called upon the request of the UWINCO Board Chair, the Compensation and Leadership Committee Chair, or the President of the University.

B. Risk and Compliance Committee

1) Purpose

The primary purpose of the Committee is to monitor investment program risk management and compliance, risk management procedures, compliance with the co-investment guidelines, and the liquidity of the Consolidated
Endowment Fund. Issues or concerns shall be communicated as appropriate to the Board of Regents and the President of the University.

2) Composition

The Committee shall be comprised of at least three members of the UWINCO Board. The Chair of the UWINCO Board (or his/her designee) shall be the Chair of the Committee.

3) Meetings

The Committee shall hold regular annual meetings. Special meetings may be called upon the request of the UWINCO Board Chair, the Risk and Compliance Committee Chair, or the President of the University.

7. Reports to the Board of Regents

On behalf of the UWINCO Board, the ((Chair of the committee and/or the)) Chief Investment Officer shall ((provide quarterly reports on the performance of the University’s investment program)) report to the Board of Regents (and/or its designated committee) providing:

A. **Quarterly UWINCO Board Discussion Summary**—A verbal briefing on UWINCO Board meetings.

B. **Quarterly Investment Report**—An investment performance report for the Board of Regents.

C. **Annual Investment Program Review**—A review of the investment policies, investment performance, market conditions, strategic portfolio positioning and risk, and an overview of investment management practices among peer institutions.
4) **Indemnification and Compensation**

The University shall indemnify UWINCO members to the fullest extent permitted by law, the Standing Orders, and Regent Policies of the Board. UWINCO members shall not be paid for service as committee members.

8. **Indemnification and Compensation**

The University shall indemnify UWINCO Board members to the fullest extent permitted by law, the Standing Orders of the Board of Regents, and Regent Policies of the Board. UWINCO Board members shall not be paid for service as Board members.

5) **Conflict of Interest**

Regent members of UWINCO are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

a) When a UWINCO member knows that the University is considering a transaction in which he or she has a beneficial interest, the member shall (1) alert the Senior Vice President for Finance and Facilities (or successor official) of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

b) Committee members shall not participate in the formulation or rendering of UWINCO advice where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their UWINCO obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of UWINCO and the Senior Vice President for Finance and Facilities who may seek the advice of the Attorney General’s Office as appropriate.

c) Committee members may engage in investment transactions with the University if the Chair of UWINCO and

9. **Conflict of Interest**

Regent members of the UWINCO Board are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

A. When a UWINCO Board member knows that the University is considering a transaction in which he or she has a beneficial interest, the member shall (1) alert the Chief Investment Officer of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

B. UWINCO Board members shall not participate in the formulation or rendering of UWINCO advice where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their UWINCO Board obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of the UWINCO Board and the Chief Investment Officer who may seek the advice of the Attorney General’s Office as appropriate.

C. UWINCO Board members may engage in investment transactions with the University if the Chair of the
| the Senior Vice President for Finance and Facilities (who may consult with the Attorney General’s Office as he or she deems appropriate) determine that the UWINCO member has not participated in the formulation or rendering of UWINCO advice to the University regarding the transaction. |
| UWINCO Board and the (Senior Vice President for Finance and Facilities) Chief Investment Officer (who may consult with the Attorney General’s Office as he or she deems appropriate) determine that the UWINCO Board member has not participated in the formulation or rendering of UWINCO advice to the University regarding the transaction. |

| 6) **Chair and Vice Chair; Administrative Support**  
The Chair and Vice Chair of UWINCO shall be recommended by the Governance Committee and approved by the Board. During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The Senior Vice President for Finance and Facilities shall ensure that UWINCO has appropriate administrative support services, including secretarial assistance and record keeping. |
| (see Sections 4.B and 4.D. above) |

| 7) **Communication**  
The Chair of the committee and/or the Chief Investment Officer shall provide quarterly reports on the performance of the University’s investment program to the Board (and/or its designated committee). |
| (see Section 7 above) |

| 8) **Amendments**  
This Statement of Principles shall be reviewed annually and updated as needed. Amendments, additions, deletions or replacements, may be recommended by UWINCO. Such changes shall be subject to the approval of the President of the University and the Board. |
| 10. **Amendments**  
((This Statement of Principles)) The Board of Regents Governance, Standing Orders, Chapter 10, University of Washington Internal Investment Management Company, shall be reviewed annually and updated as needed. Amendments, additions, deletions, or replacements, may be recommended by the UWINCO Board. Such changes shall be subject to the approval of the ((President of the University and the)) Board of Regents. |
University of Washington Internal Investment Management Company

1. Introduction

The University of Washington Board of Regents is vested with the responsibility for the management of the properties of the University, including its investment programs. Statements of Investment Objectives and Policy are approved by the Board of Regents to guide the management of the University’s investment programs.

- Statement of Investment Objectives and Policy for the Consolidated Endowment Fund
- Statement of Investment Objectives and Policy for Invested Funds
- Statement of Investment Objectives and Policy for Deferred and Other Gift Assets

The Board of Regents delegates to its Finance and Asset Management Committee (FAM) the responsibility for overseeing the investment program within the general principles enumerated in the above policy statements. In 2001, the Board of Regents established an advisory committee, the University of Washington Investment Committee, consisting of both Board of Regent members and external investment professionals. In 2004, the Board of Regents appointed the University’s first Chief Investment Officer to manage the day to day activities of the investment portfolios. In 2015, the Board of Regents approved the establishment of the University of Washington Investment Management Company (“UWINCO”), an internal investment management company. The former investment management advisory committee was replaced with an investment management advisory board known as the University of Washington Investment Management Company Board (“UWINCO Board”).

2. Powers and Duties

The UWINCO Board shall:

A. Advise the Board of Regents (and/or its appropriate committee), the President of the University and the Chief Investment Officer on matters relating to the management of the University’s investment programs. This includes but is not limited to the following: overall asset allocation, performance goals, new investment strategies, strategy implementation, manager identification, due diligence, and valuation policy.

B. Advise the President of the University on the selection and compensation of the Chief Investment Officer and other matters related to the administration of the University’s investment programs.

C. Advise the Chief Investment Officer on the compensation of professional investment staff and other matters related to the administration of the University’s investment programs.
3. Accountability
The UWINCO Board shall be accountable to the Board of Regents.

4. Membership and Terms
A. Membership
The UWINCO Board shall consist of no more than ten members appointed by the Board of Regents, plus the President of the University who shall serve as ex-officio. Appointments shall be based upon recommendations submitted by the Governance Committee of the Board of Regents and approved by the Board of Regents after consultation with the Chair of the Board of Regents, the Chair of the UWINCO Board, and the President of the University.

One or two UWINCO Board members shall be selected from the Board of Regents. The remaining UWINCO Board members shall be experienced investment and/or business professionals of varying backgrounds with close ties to the University. Criteria for non-regent membership on the UWINCO Board shall include investment and/or business expertise in such areas as private equity, hedge funds, international markets, real estate, and institutional investing; access to desirable portfolio managers; strategic focus; and commitment to the University of Washington.

B. Chair and Vice Chair
The Chair and Vice Chair of the UWINCO Board shall be recommended by the Governance Committee of the Board of Regents and approved by the Board of Regents. The Vice Chair of the UWINCO Board shall have the authority and shall perform the duties of the Chair of the UWINCO Board in the event of the Chair’s absence or incapacity.

C. Term
Both regent and non-regent members shall make a minimum commitment of three consecutive years, renewable by the Board of Regents.

D. Administrative Support
The Chief Investment Officer shall ensure that the UWINCO Board has appropriate administrative support services, including secretarial assistance and record keeping.

5. Meetings of the UWINCO Board
A. Meetings
Regular meetings of the UWINCO Board shall be held quarterly. Special meetings may be called by the Chair of the Board of Regents, the Chair of the UWINCO Board or the President of the University at any time.

B. Notice and Agenda
Notice of time and place of the UWINCO Board meetings together with the agenda and all available material, shall be delivered to each member of the UWINCO Board, by regular mail, electronic mail, or otherwise, before any regularly scheduled meeting.
As the UWINCO Board is advisory, its meetings remain exempt from the requirements of the open public meetings act, State of Washington Chapter 42.30 RCW.

6. Committees of the UWINCO Board

The standing committees set forth below are established to facilitate the business of the UWINCO Board and the University.

A. Compensation and Leadership Committee

1) Purpose

The primary purpose of the Committee is to advise the President of the University on the compensation of senior professional investment staff, the leadership effectiveness of the investment program, and the investment program budget.

2) Composition

The Committee shall be comprised of at least three members of the UWINCO Board. The Chair of the UWINCO Board (or his/her designee) shall be the Chair of the Committee.

3) Meetings

The Committee shall hold regular annual meetings. Special meetings may be called upon the request of the UWINCO Board Chair, the Compensation and Leadership Committee Chair, or the President of the University.

B. Risk and Compliance Committee

1) Purpose

The primary purpose of the Committee is to monitor investment program risk management and compliance, risk management procedures, compliance with the co-investment guidelines, and the liquidity of the Consolidated Endowment Fund. Issues or concerns shall be communicated as appropriate to the Board of Regents and the President of the University.

2) Composition

The Committee shall be comprised of at least three members of the UWINCO Board. The Chair of the UWINCO Board (or his/her designee) shall be the Chair of the Committee.

3) Meetings

The Committee shall hold regular annual meetings. Special meetings may be called upon the request of the UWINCO Board Chair, the Risk and Compliance Committee Chair, or the President of the University.

7. Reports to the Board of Regents

On behalf of the UWINCO Board, the Chief Investment Officer shall report to the Board of Regents (and/or its designated committee) providing:
A. **Quarterly UWINCO Board Discussion Summary**—A verbal briefing on UWINCO Board meetings.

B. **Quarterly Investment Report**—An investment performance report for the Board of Regents.

C. **Annual Investment Program Review**—A review of the investment policies, investment performance, market conditions, strategic portfolio positioning and risk, and an overview of investment management practices among peer institutions.

8. **Indemnification and Compensation**

The University shall indemnify UWINCO Board members to the fullest extent permitted by law, the Standing Orders of the Board of Regents, and Regent Policies of the Board. UWINCO Board members shall not be paid for service as Board members.

9. **Conflict of Interest**

Regent members of the UWINCO Board are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

A. When a UWINCO Board member knows that the University is considering a transaction in which he or she has a beneficial interest, the member shall (1) alert the Chief Investment Officer of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

B. UWINCO Board members shall not participate in the formulation or rendering of UWINCO advice where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their UWINCO Board obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of the UWINCO Board and the Chief Investment Officer who may seek the advice of the Attorney General’s Office as appropriate.

C. UWINCO Board members may engage in investment transactions with the University if the Chair of the UWINCO Board and the Chief Investment Officer (who may consult with the Attorney General’s Office as he or she deems appropriate) determine that the UWINCO Board member has not participated in the formulation or rendering of UWINCO advice to the University regarding the transaction.

10. **Amendments**

The *Board of Regents Governance*, Standing Orders, Chapter 10, University of Washington Internal Investment Management Company, shall be reviewed annually and updated as needed. Amendments, additions, deletions, or replacements, may be recommended by the UWINCO Board. Such changes shall be subject to the approval of the Board of Regents.
Advisory Committees of the Board of Regents

Advisory committees may be established by the Board of Regents on the recommendation of the Governance Committee of the Board to provide the University with expert advice on such subjects as the Board may specify, in accordance with Article IV, Section 5 of the Board's Bylaws.

Members of all Board-created advisory committees serve at the pleasure of the Board and include appointments made by the Board for specified periods of time according to the organizational documents approved or authorized by the Board.

1. University of Washington Investment Committee (UWINCO)

A. Establishment of the Committee

The Board of Regents of the University of Washington is vested by statute with responsibility for the management of the properties of the University, including its investment programs. The Board has established an Advisory Committee called the University of Washington Investment Committee (UWINCO) and adopted the following Statement of Principles.

B. Statement of Principles

1) Membership and Terms

UWINCO shall consist of no more than ten members to be appointed by the Board, plus the President of the University who shall serve ex-officio. These appointments shall be based on recommendations submitted by the Governance Committee of the Board after consultation with the Chair of UWINCO and the President of the University (or his or her designee).

One or two UWINCO members shall be selected from the Board. The remaining UWINCO members shall be experienced investment professionals of varying backgrounds with close ties to the University. Criteria for non-regent membership on UWINCO shall include investment expertise in such areas as private equity, hedge funds, international markets, real estate and institutional investing; access to desirable managers; strategic focus; and commitment to the University of Washington.

Regent and non-regent members will be asked to make a minimum commitment of three consecutive years, renewable by the Board.

2) Functions

UWINCO shall advise the Board (and/or its appropriate committee) and the University President (and/or his or her designee) on matters relating to the management of the
University's investment program. This includes, but is not limited to, the following: overall asset allocation, performance goals, new investment strategies, strategy implementation, manager identification, due diligence, and valuation policy.

3) **Meetings**

Regular meetings of UWINCO shall be held quarterly. Special meetings may be called by the Chair of UWINCO, the University President (or his or her designee) at any time.

4) **Indemnification and Compensation**

The University shall indemnify UWINCO members to the fullest extent permitted by law, the Standing Orders, and Regent Policies of the Board. UWINCO members shall not be paid for service as committee members.

5) **Conflict of Interest**

Regent members of UWINCO are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

a) When a UWINCO member knows that the University is considering a transaction in which he or she has a beneficial interest, the member shall (1) alert the Senior Vice President for Finance and Facilities (or successor official) of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

b) Committee members shall not participate in the formulation or rendering of UWINCO advice where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their UWINCO obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of UWINCO and the Senior Vice President for Finance and Facilities who may seek the advice of the Attorney General's Office as appropriate.

c) Committee members may engage in investment transactions with the University if the Chair of UWINCO and the Senior Vice President for Finance and Facilities (who may consult with the Attorney General's Office as he or she deems appropriate) determine that the UWINCO member has not participated in the formulation or rendering of UWINCO advice to the University regarding the transaction.

6) **Chair and Vice Chair; Administrative Support**

The Chair and Vice Chair of UWINCO shall be recommended by the Governance Committee and approved by the Board. During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The Senior Vice President for Finance and Facilities shall ensure that
UWINCO has appropriate administrative support services, including secretarial assistance and record-keeping.

7) Communication

The Chair of the committee and/or the Chief Investment Officer shall provide quarterly reports on the performance of the University’s investment program to the Board (and/or its designated committee).

8) Amendments

This Statement of Principles shall be reviewed annually and updated as needed. Amendments, additions, deletions or replacements, may be recommended by UWINCO. Such changes shall be subject to the approval of the President of the University and the Board.

2. University of Washington Advisory Committee on Real Estate (ACRE)

A. Establishment of the Committee

The Board of Regents of the University of Washington is vested by statute with responsibility for the management of the real properties of the University, including its Metropolitan Tract located in downtown Seattle. The Board has established an Advisory Committee on Real Estate (ACRE) and adopted the following Statement of Principles.

B. Statement of Principles

1) Membership and Terms

ACRE shall consist of no more than eight members to be appointed by the Board, plus the President of the University who shall serve ex officio. These appointments shall be based on recommendations submitted by the Governance Committee of and approved by the Board after consultation with the Chair of ACRE and the President of the University (or his or her designee).

One or two of the appointed members shall be selected from the Board. The remaining appointed members shall be experienced professionals of varying backgrounds.

There shall be a three-year term limitation for regent and non-regent members of ACRE, renewable by the Board. Members will be asked to make a minimum commitment of three consecutive years, and shall serve at the pleasure of the Board.

2) Functions

ACRE shall advise the Board (and/or its appropriate committee) and the University President (and/or his or her designee) on matters relating to the management of the University’s commercial income producing properties and other significant real estate investments.

3) Meetings

ACRE shall establish a regular meeting schedule. Other meetings may be called by the Chair of ACRE at any time. The Chair of ACRE may invite experts who are not members
of ACRE to attend specific meetings to provide additional guidance, advice, and information.

4) **Indemnification and Compensation**

The University shall indemnify members of ACRE to the fullest extent permitted by law, the Standing Orders, and Regent Policies of the Board. ACRE members will not be paid for service on the committee.

5) **Conflict of Interest**

Regental members of ACRE are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

a) When a member of ACRE knows that the University is considering a transaction in which he or she has or may have a beneficial interest, the member shall (1) alert the Senior Vice President for Planning and Management (or successor official) of the University of his or her potential beneficial interest and (2) not participate in the formulation or rendering of advice with respect to the transaction.

b) Committee members shall not participate in the formulation or rendering of advice by ACRE where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of ACRE and the Senior Vice President for Planning and Management, who may seek the advice of the Attorney General's Office as appropriate.

c) Committee members may engage in transactions with the University if the Chair of ACRE and the Senior Vice President for Planning and Management (who may consult with the Attorney General's Office as he or she deems appropriate) determine that the member has not participated in the formulation or rendering of advice by ACRE to the University regarding the transaction.

6) **Chair and Vice Chair; Administrative Support**

The Chair and Vice Chair of ACRE shall be recommended by the Governance Committee and approved by the Board. During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The Senior Vice President for Planning and Management shall ensure that ACRE has appropriate administrative support services, including secretarial assistance and record keeping.

7) **Communication**

The Chair of ACRE and/or the Chief Real Estate Officer shall provide quarterly reports to the Board (and/or its designated committee).
8) Amendments

This Statement of Principles shall be reviewed annually and updated as needed. Amendments, additions, deletions or replacements may be recommended by ACRE. Such changes shall be subject to the approval of the President of the University and the Board.

3-2. Audit Advisory Committee

A. Establishment of the Committee

The Board of Regents of the University of Washington is vested by statute with responsibility for the governance of the University. The Board hereby establishes an Audit Advisory Committee, with the following Statement of Principles.

B. Statement of Principles

1) Membership and Terms

The Audit Advisory Committee shall consist of no more than eight members to be appointed by the Board. The Chair, Vice Chair, and members shall be recommended by the Governance Committee and approved by the Board after consultation with the President of the University and his or her designee(s).

One or two of the appointed members shall be selected from the Board. The remaining appointed members shall be experienced professionals of varying backgrounds.

There shall be a three-year term limitation for regent and non-regent members, renewable by the Board. Members will be asked to make a minimum commitment of three consecutive years, and shall serve at the pleasure of the Board.

2) Functions

The Audit Advisory Committee shall advise the Board or its appropriate standing committee and the University President, or his or her designee, on matters relating to the University's financial practices and standards of conduct. The committee is responsible for reviewing and advising on any external and internal financial audits, and internal controls. The committee may, through its Chair or a majority vote of its members, ask management to address specific issues within the responsibilities of the committee.

3) Meetings

The Audit Advisory Committee shall establish a regular meeting schedule. Other meetings may be called by the Chair of the Audit Advisory Committee at any time. The Chair of the Audit Advisory Committee may invite experts who are not members of the Audit Advisory Committee to attend specific meetings to provide additional guidance, advice, and information.
4) **Indemnification and Compensation**

The University shall indemnify members of the Audit Advisory Committee to the fullest extent permitted by law, the Standing Orders, and Regent Policies of the Board. Audit Advisory Committee members will not be paid for service on the committee.

5) **Conflict of Interest**

Regental members of the Audit Advisory Committee are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:

a) When a member of the Audit Advisory Committee knows that the University is considering a transaction in which he or she has or may have a beneficial interest, the member shall (1) alert the Chair of the Audit Advisory Committee of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

b) Committee members shall not participate in the formulation or rendering of advice by the Audit Advisory Committee where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of the Audit Advisory Committee, who may seek the advice of the Attorney General's Office as appropriate.

c) Committee members may engage in transactions with the University if the Chair of the Audit Advisory Committee and the University President (who may consult with the Attorney General's Office as he or she deems appropriate) determine that the member has not participated in the formulation or rendering of advice by the Audit Advisory Committee to the University regarding the transaction.

6) **Chair and Vice Chair; Administrative Support**

The Chair and Vice Chair of the Audit Advisory Committee shall be recommended by the Governance Committee and approved by the Board. During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The Senior Vice President for Finance and Facilities shall ensure that the Audit Advisory Committee has appropriate administrative support services, including secretarial assistance and record keeping.

7) **Communication**

The Chair of the Audit Advisory Committee shall provide quarterly reports to the Board or its designated standing committee.

8) **Amendments**

Amendments to this Statement of Principles shall be subject to the approval of the Board.
4-3. Governmental Affairs Advisory Committee

A. Establishment of the Committee

The Board of Regents of the University of Washington is vested by statute with responsibility for the governance of the University. The Board hereby establishes a Governmental Affairs Advisory Committee, with the following Statement of Principles.

B. Statement of Principles

1) Membership and Terms

The Governmental Affairs Advisory Committee shall consist of no more than eight members to be appointed by the Board. The Chair, Vice Chair, and members shall be recommended by the Governance Committee and approved by the Board after consultation with the President of the University and his or her designee(s).

One or two of the appointed members shall be selected from the Board. The remaining appointed members shall be experienced professionals with relevant backgrounds.

There shall be a three-year term limitation for regent and non-regent members, renewable by the Board. Members will be asked to make a minimum commitment of three consecutive years, and shall serve at the pleasure of the Board.

2) Functions

The Governmental Affairs Advisory Committee shall advise the Board or its appropriate standing committee and the University President, or his or her designee, on matters relating to the University's relationship to federal, state, and local governments and agencies.

3) Meetings

The Governmental Affairs Advisory Committee shall establish a regular meeting schedule. Other meetings may be called by the Chair of the Governmental Affairs Advisory Committee at any time. The Chair may invite experts who are not members of the Governmental Affairs Advisory Committee to attend specific meetings to provide additional guidance, advice, and information.

4) Indemnification and Compensation

The University shall indemnify members of the Governmental Affairs Advisory Committee to the fullest extent permitted by law, the Standing Orders, and Regent Policies of the Board. Governmental Affairs Advisory Committee members will not be paid for service on the committee.

5) Conflict of Interest

Regental members of the Governmental Affairs Advisory Committee are governed by conflict of interest rules applicable to regents. Non-regent members shall comply with the following conflict of interest provisions:
a) When a member of the Governmental Affairs Advisory Committee knows that the University is considering a transaction in which he or she has or may have a beneficial interest, the member shall (1) alert the Chair of the Governmental Affairs Advisory Committee of his or her potential beneficial interest, and (2) not participate in the formulation or rendering of advice with respect to the transaction.

b) Committee members shall not participate in the formulation or rendering of advice by the Governmental Affairs Advisory Committee where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he or she should consult the Chair of the Governmental Affairs Advisory Committee, who may seek the advice of the Attorney General's Office as appropriate.

c) Committee members may engage in transactions with the University if the Chair of the Governmental Affairs Advisory Committee and the University President (who may consult with the Attorney General's Office as he or she deems appropriate) determine that the member has not participated in the formulation or rendering of advice by the Governmental Affairs Advisory Committee to the University regarding the transaction.

6) Chair and Vice Chair; Administrative Support

The Chair and Vice Chair of the Governmental Affairs Advisory Committee shall be recommended by the Governance Committee and approved by the Board. During the absence of the Chair or while he or she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The Vice President for External Affairs shall ensure that the Governmental Affairs Advisory Committee has appropriate administrative support services, including secretarial assistance and record keeping.

7) Communication

The Chair of the Governmental Affairs Advisory Committee shall provide quarterly reports to the Board or its designated standing committee.

8) Amendments

Amendments to this Statement of Principles shall be subject to the approval of the Board.