



Cornell University
Office of University Investments

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July 31, 2020

The Honorable Emanuel Cleaver, II
United States House of Representatives
2335 Rayburn House Office Building
Washington, DC 20515

The Honorable Joseph P. Kennedy, III
United States House of Representatives
304 Cannon House Office Building
Washington, DC 20515

Dear Representative Cleaver and Representative Kennedy:

Thank you for your letter to Cornell University President Martha Pollack dated July 10, expressing concerns with the lack of diversity among asset managers of university endowments and asking a number of questions about Cornell's efforts to address issues of diversity and inclusion in our endowment management and investment advisor selection process. She has asked me, as the university's Chief Investment Officer, to respond on her behalf.

Diversity and inclusion are an integral part of Cornell University's heritage. Writing in the immediate aftermath of the Civil War, Ezra Cornell declared, "I would found an institution where any person can find instruction in any study." This statement embodies Cornell University's enduring commitment to inclusion and opportunity, rooted in the shared democratic values of our founders. This is an ongoing process that evolves with the times. Most recently, President Pollack announced a [sweeping set of actions](#), building on [earlier initiatives](#), to promote a more just and equitable Cornell.

The [Office of University Investments](#) (OUI) is responsible for implementing policies established by the Board of Trustees and its Investment Committee to manage the Long Term Investments (LTI) of the university to provide perpetual financial support for Cornell's educational, research, and patient care missions. As Chief Investment Officer, I am responsible for day-to-day management, supervision, and administration of the LTI. These responsibilities include appointment of investment managers.

OUI honors the legacy of Ezra Cornell – the entire endowment is built on his outright gift of \$500,000 in 1865 – and strives for continuous improvement within its responsibilities. Over the past two years, we have compiled and analyzed a number of environmental, social, and governance (ESG) issues as they relate to Cornell's endowment. In June 2019, we presented a wide-ranging review of ESG issues to the Board's Investment Committee. This review covered a number of critical topics, provided a comprehensive comparison to our peers in the Ivy League, and identified a number of steps for OUI to assess and implement over the medium-term.

Based on this initial ESG work, OUI developed a road map to conduct an assessment of pertinent social and governance issues, including a focus on diversity and inclusion. To this end, we are currently surveying Cornell's investment partners on how they are engaging on various diversity and inclusion issues. While the pandemic has delayed this work, we have made substantial progress and are working diligently to complete this critical assessment.

OUI made an initial survey of a stratified subset of managers, requesting information on internal policies covering a range of topics including, but not limited to, each firm's policies with respect to diversity; approaches to recruiting, hiring, and promoting diverse talent; programs for expanding the diverse talent

pipeline; metrics linking diversity and inclusion performance to compensation; and programs to foster an inclusive workplace. This inquiry initiated a clear dialogue with these investment partners, emphasizing

that diversity and inclusion are important values for OUI which are fully consistent with Cornell's founding principles and current practices. We are currently preparing to conduct a broad and comprehensive survey of all of our investment partners, using the information gathered in our initial outreach (a subset of which is included as Attachment 1 to this letter) to refine the survey approach. Results from this work aims, as appropriate, to increase diversity among our portfolio managers.

Question 1: Does your institution have a publicly available equal opportunity statement pertaining to the selection of external endowment managers? If no, why not?

As noted above, diversity and inclusion are built into Cornell University's heritage. As an educator and employer, Cornell values Affirmative Action/Equal Opportunity Employment, Protected Veterans, and Individuals with Disabilities. The policies that were announced in July include creation of new professional development programs focusing on staff from historically disadvantaged groups, including leadership development, mentorship, and pipeline and succession programs to help diverse staff advance into key institutional leadership roles; incorporating work on diversity, equity, and inclusion into the performance dialog process; and specific training on equity and cultural competence for all employees. As a unit of Cornell, OUI shares the university's commitment to diversity and inclusion.

Additionally, the investment policy statement approved by the Board of Trustees stipulates that social considerations must be evaluated as an integral part of the investment process. The statement reads:

Individual investment decisions, including the voting of proxies, made on the University's behalf must be based on the best and most complete information available, with social, environmental and similar aspects being evaluated as an integral part of the financial considerations involved.

Finally, as you can see from this copy of our letterhead, our correspondence includes a clear values statement:

Diversity and Inclusion are a part of Cornell University's heritage. We are a recognized employer and educator valuing AA/EEO, Protected Veterans, and Individuals with Disabilities.

Question 2: What commitments to increasing opportunities for women and minority-owned asset management firms have been made by senior institutional leadership? (Please provide the specific dates of these actions and if they have resulted in tangible and measurable outcomes.)

As noted above, OUI is still in the process of surveying Cornell's investment managers to construct a multi-pronged approach to measuring and, as appropriate, increasing diversity in our portfolio. We have identified five metrics, listed below, on which we are engaging with our managers. OUI will assess which metrics are likely to lead to the greatest success, while simultaneously assuring that the rate of return and risk of the portfolio are consistent with the financial health of the endowment and the University.

- **Metric #1/Diversity Policy:** Firm has a codified policy or framework describing its commitment diversity and inclusion;
- **Metric #2/Ownership:** Persons from Historically Disadvantaged Backgrounds hold "Majority Ownership" of the firm (defined as 51% or more);
- **Metric #3/Leadership:** Persons from Historically Disadvantaged Backgrounds are voting members of the Investment Committee and/or Portfolio Manager for the fund/strategy;
- **Metric #4/Next Generation Pipeline:** Firm makes intentional efforts to transition Persons from Historically Disadvantaged Backgrounds to more senior roles; and

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- **Metric #5/Diverse-Led Portfolio Companies:** Venture Capital & Private Equity fund commits to a minimum of 30% portfolio companies led by Persons from Historically Disadvantaged Backgrounds.

Question 3: Has your institution conducted reviews to examine the efficacy of revising policies and practices that limit the participation of smaller and/or newer firms? If no, why not? If yes, please specify when and articulate the findings.

OUI has found in its research that most diverse managers tend to be emerging firms which face several challenges in attracting institutional capital. Notably, these include:

- **Nascent Infrastructure:** Most emerging firms lack the necessary resources to meet the back-office requirements of institutional investors. Additionally, first-time funds bring their own set of risks that many endowments and foundations shy away from. Recognizing this, we are proactively seeking to engage as a mentor with at least one diverse manager. If this effort is successful, we will consider expanding this program.
- **Capital Constraints:** Cornell's investment approach relies on concentrated relationships with a select number of managers given the size of our investment staff. Hence, adding a new manager to a limited portfolio often requires terminating an existing manager.

To advance our learning and expand our networks, my staff and I participate in numerous emerging managers conferences organized by third parties. As part of the current Diversity Initiative, we are researching the emerging manager and diverse manager programs at various peers (including, but not limited to, public pension funds, public university endowments, and private foundations) looking for the best practices that indicate success as well as the pitfalls that lead to failure. We are also talking with peers who have developed programs and policies to identify outstanding teams at various stages in their platform development, and will incorporate these discussions in our current assessment.

Question 4: What outreach has your institution done to inform women and minority-owned asset management firms about investment opportunities and the selection process? Do you believe such outreach is consistent with your fiduciary responsibility?

In addition to participating in emerging manager conferences – which allows us to inform managers about investment opportunities and the selection process – OUI has committed to building a diverse internal team to improve the likelihood of finding women and minority-owned asset management firms through the connections in our networks. OUI's current staff of 24 includes 18 individuals who are either women or Asian, Hispanic, Black, or of African descent. Two of our staff are graduates of HBCUs. I would welcome you and your staff to visit our office in New York City, either virtually in the near term or in person once pandemic-related travel and meeting restrictions are lifted.

Question 5: How has your institution communicated priorities and expectations about inclusive asset management practices to investment staff and/or consultants? How does your institution ensure that those expectations are met?

Cornell's [Department of Inclusion and Workforce Diversity](#) provides institutional leadership by promoting an inclusive culture and encouraging full participation by all members of the Cornell community. They use institutional, divisional, and compliance data to design innovative strategies and programs that attract, retain, engage, and support diverse, high-caliber staff. These strategies and programs are a collaborative effort across units and divisions to achieve inclusive excellence in Cornell's workplace systems, practices, and culture.

As part of OUI's ongoing assessment, we are researching investor networks which promote inclusive asset management practices and provide a framework for ensuring those practices are upheld on an ongoing basis. For example, more than 70 percent of Cornell's investment managers subscribe to the United Nations

Principles for Responsible Investment (UNPRI). UNPRI requires signatories to report annually on how they have promoted responsible investment principles and provides a comprehensive set of resources for integrating diversity, including gender and race, into investment processes.

Question 6: Does your selection process for external asset managers require consideration of at least one diverse-owned firm? If no, why not? If yes, please articulate why this was done and if it has resulted in positive results?

We recognize that the definition of diversity spans multiple dimensions and believe that the first step in developing an internal policy is to agree on a definition. In our initial survey of Cornell's investment managers, we found diversity referenced with respect to gender and gender identity, race and ethnicity, sexual orientation, veteran status, and disability status, among others. The ongoing analysis seeks to understand the complexities of each category of diversity so that we can make an informed decision on how to define and measure diversity in our selection process. Though your inquiry is focused on diversity in endowment management, I believe it is relevant to note that it is Cornell's practice to purposefully include at least one minority- or women-owned firms in all of our bond underwriting syndicates.

Question 7: How much of your institution's endowment assets are under management with diverse-owned firms? (Defined as women or minority ownership above 50%)

Cornell invests a significant portion of our Long Term Investments with fairly large institutions, many of which are not "owned" by a single owner whose gender or race can be easily determined. Some are publicly traded or are part of larger firms. For example, one of our managers is partially owned by an international asset management firm—which itself is the asset management arm of a publicly traded global bank. In cases like this, where ownership is dilute, we have not determined whether we should identify the race/gender of the management team for the portfolio, the race/gender of the Board, or even the race/gender of the shareholders.

In conclusion, [the Knight Foundation report](#) referenced in your letter to President Pollack notes that the securities and investment industries are particularly complex when it comes to determining minority and women's business ownership, which may help to explain why detailed responses to some of the data-focused questions you have posed have proven difficult. I can assure you, however, that Cornell is committed to equity and opportunity in all of its business and financial operations and will continue to seek ways to expand opportunities presented through its investment office.

Sincerely,



Kenneth Miranda
Chief Investment Officer

cc: Martha E. Pollack, President
Joanne DeStefano, Chief Financial Officer
Madelyn Wessel, General Counsel
Joel Malina, Vice President for University Relations

Firm	Policy or Framework	Topic Areas	Strategy	Focus
Manager 1	D&I Policy	Culture	<ul style="list-style-type: none"> D&I Forum to create meaningful program Networking with various organizations Regular training programs 	<ul style="list-style-type: none"> Age Gender Race Ethnicity Physical Ability Religion Sexual Orientation
Manager 2	D&I Policy	Recruiting	<ul style="list-style-type: none"> Seeking 50/50 diversity on candidate list Founding member of The Diversity Project Set Gender Equity Goals Hiring at Senior Levels 	<ul style="list-style-type: none"> Gender Race (People of Color)
	D&I Policy	Culture	<ul style="list-style-type: none"> Office of inclusion creates programming 14 employee resource groups Unconscious bias training 	<ul style="list-style-type: none"> Broadly-Defined
	D&I Policy	Community	<ul style="list-style-type: none"> Management team encouraged to serve on boards and employment councils within the community employees are given time and encouragement to lend support for various community-oriented actions, 	<ul style="list-style-type: none"> Gender Race (Minorities)
Manager 3	ESG (incl. D&I)	Board Diversity	For every open Board position, we will be prioritizing the inclusion of at least one qualified, diverse candidate in the interview slate, to be interviewed twice at a minimum	<ul style="list-style-type: none"> Gender Race Sexual Identity Age
	ESG (incl. D&I)	Recruiting	Partnership with supporting organizations	<ul style="list-style-type: none"> Broadly-Defined
	ESG (incl. D&I)	Internal Strategy	Aligning internal approach and priorities; launched steering group	<ul style="list-style-type: none"> Broadly-Defined
	ESG (incl. D&I)	Portfolio Companies	Hosting sessions to share challenges and opportunities; created toolkit and resource guide ; highlighting best practices	<ul style="list-style-type: none"> Broadly-Defined
Manager 4	D&I Framework	Recruiting + Retention	<ul style="list-style-type: none"> EO employment + promotion practices recruiting + internship programs networking opportunities Career management committee 	<ul style="list-style-type: none"> Gender Race (minorities) Physical Ability Veterans
	D&I Framework	Community	<ul style="list-style-type: none"> Corporate Citizenship Local Educational Forums Mentorship programs Diverse vendors and suppliers 	<ul style="list-style-type: none"> Gender Race (minorities)
Manager 5	D&I Policy	Culture	diversity education and awareness training	<ul style="list-style-type: none"> Broadly-Defined
	D&I Policy	Internal Strategy	partnerships with vendors and consultants	<ul style="list-style-type: none"> Broadly-Defined
	D&I Policy	Recruiting	expansion of recruiting efforts	<ul style="list-style-type: none"> Gender Race (underrepresented) Sexual Orientation
	D&I Policy	Recruiting	equal employment opportunity policy	<ul style="list-style-type: none"> Broadly-Defined
	D&I Policy	Community	internal D&I committee	<ul style="list-style-type: none"> Broadly-Defined
	D&I Policy	Community	mother's room in offices	<ul style="list-style-type: none"> Gender
	D&I Policy	Compensation & Benefits	increased parental and family benefits	<ul style="list-style-type: none"> Gender
Manager 6	D&I Framework	Recruiting + Retention	<ul style="list-style-type: none"> Focus on diverse investing partners 	<ul style="list-style-type: none"> Gender Race (underrepresented) Sexual Orientation
	D&I Framework	Portfolio Companies	<ul style="list-style-type: none"> Diverse founders + deal flow Monitor policies and practices Host events to help find UR exec hires Co. pledge too interview one at least one UR group for open senior hire or board seat 	<ul style="list-style-type: none"> Gender Race (underrepresented) Sexual Orientation
	D&I Framework	Community	<ul style="list-style-type: none"> Summer Immersion Program (GirlsWhoCode) Teach Coding Skills to HS Juniors/Seniors Summer Fellowship Program (PoC focused) Backed Female Founders Fund 	<ul style="list-style-type: none"> Gender Race (underrepresented) Sexual Orientation