

**MINUTES OF MEETING OF THE  
AUDIT AND ETHICS COMMITTEE OF THE  
BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS /TEXAS A&M INVESTMENT MANAGEMENT COMPANY**

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in open session on **March 5, 2020**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 210 West 7<sup>th</sup> Street, Austin, Texas, said meeting having been called by the Committee Chair, Janet Handley ("Chairman"), with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Janet Handley, Chair  
Clifton L. Thomas, Jr.  
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Chairman Handley called the meeting to order at 8:01 a.m. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Rich Hall, Deputy Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; and other employees. Other attendees were Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Eric Polonski of The University of Texas System ("UT System") Administration; David Rejino of The Texas A&M University System; and Robert Cowley and Jason Turnwald of Deloitte & Touche LLP. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

**Approval of Minutes**

The first matter to come before the Committee was the approval of the minutes of the Audit and Ethics Committee meeting held on November 21, 2019. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on November 21, 2019 be, and are hereby, approved.

**Audit Results and Communications and Audited Financial Statements for the Corporation**

Chairman Handley asked Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and communications for the August 31, 2019 and 2018 audits of the Corporation's Financial Statements. Mr. Cowley confirmed the completion of the audits. Mr. Cowley reviewed with the Committee the Audit Results and Communications Letter covering required communications dated January 20, 2020. Mr. Cowley confirmed that Deloitte & Touche LLP issued a clean unqualified opinion on the Financial Statements, and that accounting principles utilized by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. He also stated they had no uncorrected or material corrected misstatements to report and was very complimentary of the Corporation's employees, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Mr. Cowley stated that there were no changes to

accounting policies this year. Mr. Harris and Chairman Handley thanked the parties for their good work. Chairman Handley called for approval of the audit results and communications on the Corporation for the fiscal year ended August 31, 2019, and the audited financial statements and audit report for the Corporation for the fiscal years ended August 31, 2019 and August 31, 2018. Upon motion duly made and adopted, the following resolutions were approved unanimously:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2019, be, and is hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

And

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2019, and August 31, 2018 be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

### **UT System Audit Report**

Chairman Handley asked Mr. Eric Polonski, Director of Audits of the UT System Audit Office, to provide an update on the UT System Audit Office's agreed upon procedures engagement related to the Risk Team's monitoring plan and activities used to monitor key risks identified for Investment Risk Management as part of the Institutional Compliance Program. Mr. Polonski discussed the activities that had been reviewed by the UT System Audit Office over the last quarter. He stated that the goal of the agreed upon procedures was to determine if the information reported by the Risk Team to the Board of Directors and the Corporation's Leadership Team was accurate and timely. He described the 19 areas reviewed and their conclusions, including opportunities to strengthen controls. Mr. Polonski noted none of their observations for improvement were significant. He answered questions from the Committee and Dr. Yoeli noted it was a very thorough review of the Risk Team's procedures.

### **Update on Compliance, Reporting and Audit Matters**

Chairman Handley asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez presented the investment compliance summary for the quarter ended November 30, 2019, for items monitored by the Committee. Ms. Gonzalez next reported on the Institutional Compliance Program Report for the quarter ended November 30, 2019, the status of training, pre-clearance of trades, and compliance hotline activity. She noted that the format of the report related to Investment Due Diligence had changed to reflect the strategic asset allocation regimes. Ms. Gonzalez reported that all high-risk areas continued to be monitored and remain well controlled with the exception of Information Technology and Security, which continues to show an opportunity for enhancement. She noted that a new Chief Technology Officer had been hired by the Corporation and expects this area to move to well controlled in the near future. In addition, Ms. Gonzalez presented the updated Institutional Compliance Action Plan for fiscal year 2020. Finally, as required by the Delegation of Authority Policy, Ms. Gonzalez reported there were no new contracts, leases or other commercial arrangements of \$250,000 or more for the period beginning November 8, 2019 through February 14, 2020; and five existing contracts greater than \$250,000 for the year.

**Audit and Ethics Committee Self-Assessment**

Chairman Handley asked Ms. Gonzalez to review the results of the Committee's self-assessment. Ms. Gonzalez said the charter of the Committee requires the Committee evaluate its performance individually and collectively on a periodic basis. The self-assessment was focused on three areas from the Committee charter: (1) scope, composition, and purpose; (2) functions, duties, and responsibilities; and (3) process and procedures. In total the Committee members answered 90 questions. All Committee members completed the assessment and expressed overall satisfaction with the Committee's overall performance and effectiveness. The Committee expressed interest in reviewing the charter annually. Ms. Gonzalez said the Team would be sure to add the review of the charter as an agenda item each year.

**Unaudited Reports**

Chairman Handley asked Ms. Moeller to present the Unaudited Financial Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and the Intermediate Term Fund ("ITF"), each for the quarter ended November 30, 2019. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Ms. Moeller then discussed the Corporation's unaudited financial statements for the quarter ended November 30, 2019. Ms. Moeller answered the Committee members' questions.

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 8:30 a.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Janet Handley Date: 6/16/2020  
Janet Handley, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company