

**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 **December 1, 2020**, by means of video and telephone conference 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 and broadcast over the internet. 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 11:02 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; Carolina de Onis, General Counsel; 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; and Robert Cowley and Anida Akhmurgina 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 September 3, 2020. 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 September 3, 2020 be, and are hereby, approved.

**Audit Results and Communications**

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 FY 2020 audits of the Permanent University Fund ("PUF"), the UT System General Endowment Fund ("GEF"), the Permanent Health Fund ("PHF"), the UT System Long Term Fund ("LTF"), and the UT System Intermediate Term Fund ("ITF") (collectively, the "Funds"). Mr. Cowley confirmed the completion of the audits of the Funds. Mr. Cowley reviewed with the Committee the Audit Results and Communications Letter covering required communications dated October 30, 2020. Mr. Cowley confirmed that Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2020, Financial Statements and the Statement of Investment Performance Statistics, 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. There were no changes in any of the accounting policies in the last year. Mr. Cowley stated that the Funds' Financial Statements and disclosures were complete in all material respects and there were no material weaknesses regarding internal controls found during their audit procedures. Mr. Cowley reported that there were no corrections or adjustments needed by UTIMCO, information was consistent, and Deloitte had no disagreements with reporting by UTIMCO's management. He also stated they had no difficulties to report and was very complimentary of the Corporation's employees. Mr. Cowley answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was approved unanimously:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under the Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2020, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

### **Audit Reports**

Mr. Cowley presented the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF each for the fiscal years ended August 31, 2020 and August 31, 2019, and the Statement of Investment Performance Statistics for the year ended August 31, 2020, and other audit matters. Mr. Cowley reported on the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF. Mr. Cowley answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund, each for the fiscal years ended August 31, 2020 and August 31, 2019, and the Statement of Investment Performance Statistics for the year ended August 31, 2020, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

### **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 report for the quarter ended August 31, 2020, for items monitored by the Committee. Ms. Gonzalez next reported on the Institutional Compliance Program Report for the year ended August 31, 2020, the status of training, pre-clearance of trades, and compliance hotline activity. 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 but noted that progress is being made. In addition, Ms. Gonzalez reviewed with the Committee the Institutional Compliance Action Plan for fiscal year 2020 and presented the Institutional Compliance Action Plan for fiscal year 2021. Finally, Ms. Gonzalez presented the annual report on existing contracts, leases or other commercial arrangements of \$250,000 as of November 10, 2020. Ms. Gonzalez made the Committee aware of two contracts, Bloomberg and MSCI: Risk Metrics and Barra, that exceeded the \$1 Million obligation threshold authorized by the Delegation of Authority Policy. She noted that both had exceeded the obligation threshold due to various agreements in place for varying services and new service offerings provided by the



vendors and asked the Committee whether it wanted the Board to approve these contracts that exceeded the obligation threshold. After discussion, the Committee determined the Bloomberg contract should be presented to the Board as an agenda item for approval. Ms. Gonzalez answered the Committee Members' questions.

### **Executive Session**

Chairman Handley announced that, "The Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating individual personnel evaluation matters, and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer's performance award as a participant in the UTIMCO Compensation Program for the performance period ended June 30, 2020. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is December 1, 2020, and the time is now 11:35 a.m." With the exception of Mr. Harris, Ms. Moeller, Mr. Hall, Ms. de Onis, and Mr. Kyle, all other participants left the meeting at this time.

### **Open Session**

The Committee reconvened in open session and Chairman Handley announced that, "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is December 1, 2020, and the time is now 11:48 a.m. During the Executive Session, the Committee deliberated individual personnel evaluation matters, and individual compensation matters related to the Corporate Counsel and Chief Compliance Officer, but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

### **Corporate Counsel and Chief Compliance Officer Performance Award**

Chairman Handley recommended that the Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the performance award for the Corporate Counsel and Chief Compliance Officer for the Performance Period ended June 30, 2020. By motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Audit Charter of the Audit and Ethics Committee requires that the Audit and Ethics Committee and the CEO approve the Chief Compliance Officer's performance standards and achievement of the standards and make a joint recommendation to the Compensation Committee as to the Base Salary and Performance Award for the Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee and the CEO have prepared a joint recommendation regarding the Performance Award of the Corporate Counsel and Chief Compliance Officer for the 2019/2020 Performance Period; and

WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the Performance Award of the Corporate Counsel and Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee has reviewed the Performance Award for the Corporate Counsel and Chief Compliance Officer for the 2019/2020 Performance Period and wishes to document approval of such Performance Award and recommend that the Compensation Committee approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Performance Award for the Corporate Counsel and Chief Compliance Officer as recommended by the CEO for the 2019/2020 Performance Period, and the Audit and Ethics Committee and CEO hereby jointly recommend to the Compensation Committee the Performance Award for the Corporate Counsel and Chief Compliance Officer for the 2019/2020 Performance Period.

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 11:49 a.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Janet Handley Date: 3/25/2021  
Janet Handley, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company