

**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 **November 21, 2019**, 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  
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Chairman Handley called the meeting to order at 8:30 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; J. Michael Peppers and 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 Bell 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 19, 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 September 19, 2019 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 2019 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, 2019. Mr. Cowley confirmed that Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2019, 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, 2019, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

### **Audit Reports**

Chairman Handley asked Mr. Cowley and Ms. Moeller to present the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF each for the fiscal years ended August 31, 2019 and August 31, 2018, and the Statement of Investment Performance Statistics for the year ended August 31, 2019, and other audit matters. Mr. Cowley and Ms. Moeller reported on the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF. Mr. Cowley and Ms. Moeller 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, 2019 and August 31, 2018, and the Statement of Investment Performance Statistics for the year ended August 31, 2019, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

Chairman Handley requested a change in the order of the Committee agenda and requested the Committee adjourn first to executive session, followed by action on the Corporate Counsel and Chief Compliance Officer's performance award, and ending with the Update on UTIMCO's Compliance, Reporting and Audit Matters.

### **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, 2019. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is November 21, 2019, and the

time is now 8:46 a.m.” With the exception of Mr. Harris, Ms. Moeller, Mr. Hall, 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 November 21, 2019, and the time is now 8:52 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, 2019. 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 2018/2019 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 2018/2019 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 2018/2019 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 2018/2019 Performance Period.

**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 August 31, 2019, for items monitored by the Committee. Ms. Gonzalez next reported on the Institutional Compliance Program Report for the year ended August 31, 2019, 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 2019 and presented the Institutional Compliance Action Plan for fiscal year 2020. Finally, Ms. Gonzalez reported there were no new contracts, leases or other commercial arrangements of \$250,000 or more for the period beginning September 7, 2019 through November 8, 2019. As required annually by the Delegation of Authority Policy, Ms. Gonzalez also reported on the five existing contracts greater than \$250,000.

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 9:00 a.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Janet Handley Date: 3/27/2020  
Janet Handley, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company