Q1. UC is making changes to the investment funds on the UC RSP investment lineup. What are they?
A. UC is implementing changes for the assets in the UC RSP regarding fossil fuel companies. There are two specific changes:
   1. Removal of fossil fuel companies – UC will remove all securities issued by fossil fuel companies from all UC-managed fund options in the UC RSP, including equity, bond/fixed income, and target-date funds.
   2. No future purchases in fossil fuel companies – Going forward, these same UC RSP fund options will no longer invest in securities issued by fossil fuel companies.

Q2. What does UC mean by a “fossil fuel company?”
A. Fossil fuel companies are defined as publicly traded companies owning any amount of fossil fuel reserves in thermal coal (not metallurgical coal), oil and gas. Index provider MSCI defines the list of companies fitting this definition by relying on investment grade, publicly available data. MSCI updates the list of companies that own any amount of fossil fuel reserves quarterly to maintain its accuracy.

Q3. Why are these changes being made?
A. UC Investments believes that the fossil fuel industry faces considerable long term financial risk and that removing such companies from the RSP will have a positive financial and risk-reducing impact on fund performance in the long run.

Q4. When will these changes be effective?
A.
   1. Effective June 30, 2022, all securities of fossil fuel companies will be removed from all fund options in the UC RSP, including equity, bond/fixed income, and target-date funds.
   2. Effective July 1, 2022, these same UC RSP fund options will no longer invest in securities issued by fossil fuel companies.

Q5. What security types of fossil fuel companies will be removed and no longer considered for the fund options in the UC RSP?
A. These changes cover all security types issued by fossil fuel companies, including stocks, bonds/fixed income securities and other securities.
Q6. Will there be changes to fund benchmarks?
A. All of the UC RSP fund options that will be implementing these changes will adopt a new benchmark that will also exclude the fossil fuel-related companies. For example, effective July 1, 2022, the UC Domestic Equity Index Fund will track the performance of the Russell 3000 Ex Tobacco ex Fossil Fuels Index. The funds that will use a new benchmark are listed below:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Current Benchmark</th>
<th>Proposed Primary Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Emerging Market Fund</td>
<td>MSCI Emerging Markets</td>
<td>MSCI Emerging Markets IMI ex Tobacco ex Fossil Fuels Index</td>
</tr>
<tr>
<td>UC Bond Fund</td>
<td>Bloomberg Aggregate</td>
<td>Bloomberg US Aggregate ex Tobacco ex Fossil Fuels Index</td>
</tr>
<tr>
<td>UC International Equity Fund</td>
<td>MSCI World ex US IMI Tobacco</td>
<td>MSCI World ex US IMI Tobacco ex Fossil Fuels Index</td>
</tr>
<tr>
<td>UC Domestic Equity Index Fund</td>
<td>Russell 3000 ex Tobacco</td>
<td>Russell 3000 ex Tobacco ex Fossil Fuels Index</td>
</tr>
<tr>
<td>UC Domestic Small Cap Equity Fund</td>
<td>Russell 2000 ex Tobacco</td>
<td>Russell 2000 ex Tobacco ex Fossil Fuels Index</td>
</tr>
<tr>
<td>UC Social Equity Fund</td>
<td>FTSE 4 Good</td>
<td>No change</td>
</tr>
</tbody>
</table>

Q7. How many fossil fuel companies are currently held in the UC RSP and what percentage of the total UC RSP assets do they represent?
A. While the number of fossil fuel-related companies fluctuates, as of March 31, 2022, fossil fuel holdings comprise between 250-300 companies and approximately 3% of total UC RSP assets. On a quarterly basis the MSCI research team updates the list.

Q8. Can I get a list of the fossil fuel companies that will be removed from the UC RSP by June 30, 2022, and not considered for future investment starting July 1, 2022?
A. The exact list is proprietary to MSCI and cannot be shared or posted. What we can share is that the majority of excluded companies are in the oil, gas and coal exploration and production sector. Companies in other sectors, such as utilities, materials, and industrials, are also excluded if they own any amount of fossil fuel reserves.

Q9. What percentage of UC RSP assets will be free of fossil fuel companies after these changes?
A. After June 30, 2022, over 99.9% of UC RSP assets will be free of fossil fuel companies. Only remaining will be a very small amount of holdings in the UC Growth Company Fund and the UC Diversified International fund as we cannot sell those residual holdings due to the fund structure (see question below for details).

Q10. Will any UC RSP Funds still hold securities of fossil fuel companies after these changes?
A. Yes. After June 30, 2022, the two UC RSP funds that are not managed by UC – UC Growth Company Fund and UC Diversified International Fund – can continue to hold fossil fuel companies. The amount invested in these funds is very small – approximately 0.04% of total assets in the UC RSP. The two funds are institutional collective vehicles where other investors are holding assets as well and we can therefore not remove the fossil fuel companies.

Q11. I’ve heard about ESG (Environmental, Social and Governance) investing. Are these changes related to that?
A. As long-term investors, we need to understand the financial risks around climate change and how those risks affect our investments and potential investments. We believe that clean energy will fuel the world’s future and have chosen to invest in a decarbonized portfolio to improve the risk and return characteristics of our holdings over longer periods of time. This is a financial decision based on the long-term prospects of fossil fuel companies as determined by the UC CIO in his fiduciary capacity. We view the removal of the fossil fuel related companies as a risk-reducing strategy for our portfolios. The removal of the names is consistent with our investment approach to the UC Pension and Endowment and with the UC Regents’ investment policies regarding ESG.
Q12: Are you concerned that you are jeopardizing returns and breaching fiduciary duty by selling holdings in companies like ExxonMobil and Royal Dutch Shell?
A. The actions we are taking here are consistent with — and in fulfillment of — our fiduciary duty. Our analysis indicates that fossil fuels face, in the long run, strong secular headwinds for demand, and continued price volatility. We believe that the sector’s long-term profitability will be in decline and that removing fossil fuel companies from our portfolio will have a positive long-term effect.

As witnessed recently, short term performance can be strong and geopolitical risk can mask longer term financial risks by holding fossil fuel-related companies. While this may seem counter intuitive, the current runup in oil prices driven predominantly by the war in the Ukraine may well accelerate the decarbonization of the industrial nations and therefore increase the medium- to long-term risk of holding fossil fuel-related companies. It is increasingly unrealistic, in our judgment, to be positive on the long-term profitability or fundamentals of fossil fuel reserves. The risk-adjusted returns over the long term are inadequate in our opinion, in particular where current valuations stand.

In our professional judgment, today’s market value of companies holding fossil fuel reserves is overstated, because it the market is assuming that these reserves can be fully utilized and including that assumption in the present value of these reserves. Our assessment is that the market has not priced risks in its valuation of the companies that hold thermal coal, oil, and gas reserves — these will become stranded assets.

Q13. How will these changes reduce the climate emissions of your UCRSP holdings?
A. The changes will meaningfully reduce the carbon footprint of the UC RSP. We are in the process of quantifying that reduction and will share that information in a new factsheet at some point later this year.

Q14. I still want to invest in fossil fuel companies in my UC RSP account(s) after June 30, 2022. How can I do that?
A. The UC RSP offers Fidelity BrokerageLink®, a self-directed brokerage option that gives you access to thousands of mutual funds available through Fidelity FundsNetwork®, as well as exchange-traded funds (ETFs) — many of which include fossil fuel companies. Learn more about BrokerageLink.

Q15. I am interested in other types of ESG investing in my UC RSP account(s). How can I do that?
A. BrokerageLink also allows you to search for mutual funds and exchange-traded funds (ETFs) using filters that focus on ESG investing. You can learn more about BrokerageLink at myUCretirement.com.

Q16. Where can I get more information about these changes?
A. You can go to myUCretirement.com to find out more.

Q17. Who is responsible for selecting the investment options in the workplace savings plans like the UC RSP?
A. Plan sponsors, like UC, are responsible for selecting the funds that are made available to participants in their workplace savings plans.
Q18. Will these changes to the UC RSP also affect the UC Pension Plan?
A. These changes are only implemented in the Savings Program. However, the Pension has undergone this risk-reducing approach in 2019, and both the Pension and the Savings Program are aligned in not holding fossil fuel exposure anymore.

Q19: Why are you doing this now? Is there a specific reason you are reducing portfolio risk in this way at this time?
A. UC Investments started reducing the risk to our investments from fossil fuels in 2015 and we said we would continually evaluate the situation and take additional steps as needed, when needed. Our assessment is that the market is not fully pricing in the risks associated with holding fossil fuel reserves and that now is a prudent time to take additional action and complete the journey by removing the remaining fossil fuel assets in the Savings Program.

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