

Advisory Committee on Corporate Responsibility in Investment Policy
(ACCRIP)

Minutes of the Meeting – 19 October 2009

Present:

Louis Putterman (Chair)	Helen Chen	Anne Sharp
Kathleen Morrissey	Raisa Aziz (alternate)	Christine Sprovieri
Sam Byker	Christopher Bull	Peter Voss (by phone)
Sandra Seibel	Laura Posten (by phone)	Stanley Griffith (by phone)
		Anna Millman (Research Assistant)

Agenda:

- I. Introduction of Members
- II. Discussion of Committee's purpose and mode of operation
- III. Other items to cover before or after visitors' presentations:
 - a. Confidentiality agreement
 - b. Election of chair
 - c. Update on status of portfolio (including Social Choice Fund)
 - d. Report from Sandra, Stan and Raisa about the Responsible Endowments Coalition meeting at U. of Penn Oct. 4
- IV. Student representatives (Will Lambek and others) of Open the Books! Coalition (Break the Siege on Gaza, Common Ground, International Socialist Organization, Students for a Democratic Society, and the Student Labor Alliance) make presentation followed by questions and answers.
- V. David Schofield of Brown's Investment Office makes presentation for that office regarding endowment holdings confidentiality.
- VI. Discussion of Proxy Voting Guidelines.
- VII. Scheduling next meeting

Meeting commenced at 4:02 PM

Items:

- I. Introduction of Members
 1. Committee members briefly introduced themselves
Members new to the committee this year are Helen Chen (student), Raisa Aziz (student alternate), and Christopher Bull (faculty). Staff representatives Kathleen Morrissey and Christene Sprovieri joined at the end of last year. No graduate student representative has been appointed so far.
 2. General agreement to postpone election of chair until end of meeting
- II. Discussion of Committee's purpose and mode of operation
 1. Review of ACCRIP's official charter and purpose.
 2. Sandra Seibel explained that the committee has a different outlook because the Investment Office sold holdings that usually result in proxy resolutions.
- III. Other items to cover before or after visitors' presentations
 - a. Confidentiality Agreements:

Sandra Seibel explains that because of confidential information on Brown endowments that ACCRIP may address, members must sign confidentiality agreements.

b. Election of chair

Postponed until after agenda covered

c. Update on status of portfolio (including Social Choice Fund)

Sandra Seibel explains that the Investment Office has increased the number of separate accounts, but they are invested in fixed income securities, not equities. Proxy resolutions on which ACCRIP traditionally advises are generated by direct holding of stock, but right now the university is not directly holding accounts with stock. However, even if there are again no proxy resolutions to consider this year, ACCRIP still has an advisory role to play as regards groups like Open the Books! Coalition

d. Report from Sandra, Stan and Raisa about the Responsible Endowments Coalition meeting at U. of Penn on Oct. 4

1. Stan Griffith said that there is an effort afoot to encourage universities to hold separate accounts to provide a vehicle for investment to promote socially responsible policies.
2. Sandra Seibel said that a number of schools represented wanted to establish advisory groups like ACCRIP
3. Raisa Aziz said that though interesting, the meeting was not very useful because it focused on institutions that were new to dealing with social issues of endowments such as proxy voting. Many saw Brown as leader in this field.

IV. Student representatives (Will Lambek, Mark Morales, Simon Liebling) of Open the Books! Coalition made a presentation followed by questions and answers. (4:18)

1. Introduction of Coalition members and ACCRIP members. Coalition passed out a handout on investment transparency.
2. Morales said that transparency is important because it is otherwise impossible for members of Brown's community to raise issues concerning investments. As an example, he noted that students found out about Brown's investment in HEI last year through YouTube video of a power-point presentation at Cornell. He said that if ACCRIP cannot access investment information, it will struggle to fulfill its mission.
3. Liebling said that 1 in 5 schools make holdings public, and claimed that there is no correlation between endowment performance and transparency. Peer institutions that implemented transparency include: Wesleyan University, University of Vermont, Amherst College, Haverford College, University of South Carolina
4. Lambek suggested committee members go to greenreportcard.com for more information on investment transparency. He emphasized that transparency is "fundamental to Brown's mission." He raises question of whether future employees have a right to know what University is investing in, so they can determine whether it conflicts with their beliefs.

5. Christopher Bull raised question of how long peer institutions have been implementing transparency policies. Liebling said it depends on the institution; also public universities do it because it is required by law.
 6. Louis Putterman raised the question of how long the performance of the endowment of institutions implementing transparency policies had been tracked. Simon Liebling answered that this varied, some from the quarter before transparency, but some from 3 years. Questions were raised as to the reliability of conclusions drawn from such short-term data. The Coalition members said that there are problems of information--no databases available for transparency over a 5-10 year period.
 7. Christine Sprovieri and Laura Posten raised questions on Brown's ranking on greenreportcard.com compared to other Ivy League Schools. Grade is A-.
 8. General discussion over source of right to know about investments, if any. Louis Putterman explains that ACCRIP has not previously taken a position on investment transparency, and rather has simply worked in the framework of the policy given by the administration.
 9. The Coalition members offered to find answers to questions raised. The Committee members asked them to pass on any new information found.
- V. David Schofield of Brown's Investment Office made a presentation for that office regarding endowment holdings confidentiality. (4:51)
1. Schofield discussed why transparency is harmful. He explained that investment managers create intellectual content, and that if made transparent their strategies could be hurt, harming the endowment. When the Investment Office hires managers, the managers require Brown to sign non-disclosure agreements. This is reciprocated in that the investment managers agree not to use Brown's name in their marketing material.
 2. Putterman asked whether it would be possible to make holdings as an aggregate over all managers public without revealing the investment strategy of any individual manager. Schofield emphasized that the number of managers is large (about 160) and that their methods of reporting their positions vary, precluding coherent transparency regarding the combined holdings of the endowment. Many managers report to investors on income, not on actual holdings--so even the investment office doesn't know through reports what managers are invested in day by day. It must go and speak with managers in person to get this kind of information.
 3. Sam Byker and Putterman asked Schofield to clarify the separate versus co-mingled account holdings. There are 5 separate accounts with different managers, mostly investing in fixed income (200 million of endowment). All of the managers in question are independent, not part of Brown's Investment Office.
 4. Louis Putterman queried about the account holding HEI. Sandra Seibel noted that Brown's HEI holdings were held in a co-mingled fund, so the manager invested in a portfolio. She noted that though Brown has officially divested from Sudan and Tobacco, it informs investment managers of its stance on these issues, but also knows that they have many investors to satisfy so they cannot always avoid having investment in these areas. General discussion of problems of responsible investment policy in co-mingled funds. Stan Griffith noted that in

general, investment managers focus on meeting a variety of objectives, not just on addressing social responsibility of their holdings. Schofield notes that investment in corporations/countries with history of human rights violations is usually bad for returns, but the human rights angle is not a key decision factor.

5. Sam Byker asked whether transparency would hurt the endowment when and if the Investment Office begins to invest in separate accounts again. Schofield emphasized that managers are reluctant to invest where they know their investment data will be published.
6. Christopher Bull questioned of whether a time lag in publishing data would address this competition problem. Schofield noted that this would depend on portfolio turnover. He again addressed the issue of style of investment reports issued by managers which often number holdings with highest return rather than naming the holdings outright.
7. Sandra Seibel raised the question of whether students in the organizations comprising Open the Books! Coalition need to know exactly what Brown is currently invested in, since they might achieve the same purpose by identifying corporations and industries they dislike and providing that information to the Brown Corporation.
8. Stan Griffith raised the issue of legal obligations to protect confidentiality of investment managers. Schofield raised the issue of intergenerational equity: Brown has an obligation to manage its endowment for the benefit of future generations, the members of which may not have identical ethical concerns as current students.
9. 5:27 Schofield leaves.

VI. Discussion of Proxy Voting Guidelines.

1. Handout and brief discussion of ACCRIP's proxy voting guidelines. Seibel notes that under the current investment situation, the Committee is unlikely to address any proxy voting issues this year.

VII. Other Items

- a. Discussion on minutes. Agreement that Anna Millman will take and prepare minutes.
- b. Scheduling of future meeting agreed for sometime in November; query to be sent out regarding specific dates.
- c. Handout and brief discussion of ACCRIP's proxy voting guidelines
- d. Election of Chair: Louis Putterman elected by general agreement.
- e. General discussion on issues raised by Open the Books! Coalition.
- f. Conference call was terminated at this point.

VIII. Informal discussion

- a. General discussion on investment structure. Putterman expressed worries about fact that the Investment Office has many investment managers and doesn't apply social/ethical criteria in choosing investments. Seibel pointed out, however, that there is a due diligence process when investing with new managers. Christopher Bull noted that if students trusted the Investment Office to do their job they would not be there. Kathleen Morrissey suggested

that it would be helpful for students to have access to the due diligence checklist.

- b. Sam Byker noted that public universities are mandated to disclose investments. Questions how this has impacted relationship with investment managers.
- c. Chairman notes that socially responsible funds did well during the downturn because they did not invest in impaired assets like MBS.

Remaining members left the conference room at 5:48