Advisory Committee On Corporate Responsibility in Investment Policy

Minutes of the Meeting – 12th *December 2011*

Present:
Christopher Bull (Chair)
Sandra Seibel
Anne Sharp
Sean Dinces
James Dunn
Naoko Shibusawa
Stanley Griffith
Vazira Zamindar

Agenda:

I. Presentation by Sandra Siebel
II. Students for Justice in Palestine Presentation
III. Plan review of proxy voting guidelines
IV. Discuss other areas requiring action (Keystone Pipeline)
V. New Business

Meeting commenced at 10:30 AM
Items:

I. Presentation by Sandra Seibel
    a. Sandra gave a presentation explaining to the committee what the endowment is, what the Investment Office does and why. The presentation began with a definition of the endowment. An endowment is an investment pool which resembles a large mutual fund and there are thousands of endowed funds in this that are invested for the long term. Each fund owns its own shares of the pool and income is distributed annually based on the number of shares owned.
    b. By law the university may not spend the principal
    c. Brown can only use the proceeds of the annual fund (not the endowed fund) to support the university.
    d. The Corporation and senior administrators are responsible for the endowment. Since the market downturn the Chair of the Budget and Finance Committee participates in the investment meetings.
    e. The committee is responsible for the balancing and spending of the endowment to reach the current and future needs of the university . The goal of the endowment is to support the university in perpetuity.
    f. Donations for the annual fund are for current use . Annual fund donations are spent over the course of the year. Donors do not make stipulations as to where the money goes.
        i. Any donation under $25,000 goes into the annual fund.
    g. Endowment objectives:
        i. To achieve 5.5% annual returns after HEPI (Higher Education Price Index) and management expenses. HEPI = inflation. So

even if market goes down the endowment still needs to bring in 5.5%

   ii. HEPI is calculated - by government agencies and is higher than the consumer price index.
   iii. Stable price spending policy. Brown's spending policy is to spend 4.5% to 5.5 % of the average market values over the previous 12 quarters to smooth out spending.
   iv. Maintain purchasing power of endowment and maintain competitiveness of peers. Brown is a little more conservative than other universities.

h. Asset allocation decisions must be made, such as categories, strategies within each category, and selection of managers. This is handled by a twenty two-person team created in the year 2000 when the endowment had grown to nearly 1 billion dollars.
i. Challenges: objectives conflicting with others. High allocation to equity to compete with other universities but equity is high risk. We want a stable spending stream. Funds and bonds are safer. Diversified asset allocation will dampen volatility.
j. How are managers chosen?
   i. Performance records, investment strategy and philosophy, the personnel and organization, as well as back office and support personality, and ethics and integrity.
   ii. Background checks are conducted
   iii. The fees of the managers are considered
   iv. Liquidity is very important. Separate accounts and co-mingled funds are more liquid. Most of Brown's investments are in co-mingled funds which means that Brown cannot dictate to that fund anything about its investments. We can't go back to the fund and tell them not to invest in tobacco. Separate account-separate investment agreement with manager. We can't do that with everything – some companies don't do separate accounts. Some managers only do separate accounts with specific amounts of money.

II. Students for Justice in Palestine (SJP) Presentation

a. Presentation of SJP regarding ethics of Brown's investment practices. The SJP would like ACCRIP to engage in concrete action by the end of winter break.
b. Occupation of Gaza, West Bank and East Jerusalem, which is illegal by international law.
c. Selective divestment from companies that are facilitating or profiting from the occupation. Targeted 12 companies. The companies violate one or more of the SJP's five criteria created using very basic international human rights framework. The five criteria are:

    i. Provide products or services that contribute to the maintenance of the Israeli military occupation of Gaza, West Bank and East Jerusalem.
    ii. Provide products or services that contribute to the maintenance and expansion of Israeli settlements in the occupied Palestinian territories
    iii. Establish facilities or operations in Israeli settlements in the occupied Palestinian territories
    iv. Provide products or services that contribute to the maintenance and construction of the separation wall
    v. Provide products or services that contribute to violent acts against Palestinian and Israeli civilians
  d. Palestinian homes are demolished, which goes against article 53 of the Geneva Convention, which prohibits this sort of property destruction. Systematic oppression of people
  e. Discussion of ACCRIP and SJP What ACCRIP'S position should be and what we should do. What did people say in terms of the fact that Brown does not know what shares they hold? University investment structure makes it difficult to know what we are invested in except for the 10% that we do hold in separate accounts.
  f. Are you in touch with other student groups? Yes, they went to the National Students for Justice in Palestine convention held at Columbia. Criteria based on Hampshire College and discussed with them before setting these demands. Other universities? Evergreen had a unified student body as did Berkeley but the University Administration did not agree/comply. A committee member expressed concern and questions that while there were a number of campaigns, Hampshire was the only university that actually divested.
  g. What percentage of the company's profits is from the occupation?
  h. Is this worthy of divestment? ACCRIP committee was not in consensus.
  i. Stan has researched that divestment campaigns don't change corporate behavior
  j. They will look into the effectiveness of divestment

III.
  a. Review proxy voting guidelines
  b. ACCRIP is signing up for a research service on companies doing business in Sudan
  c. Discussion of Stan possibly coming in person to a meeting
  d. Stan sharing materials on divestment, which can be beneficial for the implications and understanding of divestment impact.

Meeting Adjourned