Advisory Committee on Corporate Responsibility in Investment Policy (ACCRIP)

Meeting Minutes for Meeting of November 14, 2017

Members Present

Chi-Ming Hai (faculty)

Yongsong Huang (faculty)

Fulvio Domini (faculty)

Andrew McIntosh (Academic Finance)

Patricia Paulino (ugrad)

David Muller (alum)

Jamie Kase (alum)

Katie Silberman (chair)

Julie Pham (ugrad)

Members Absent

Taylan Susam (grad)

Guests

Erica Nourjian (Investment Office)

Joshua Kennedy (Investment Office)

Kimberly Roskiewicz (President's Office)

Vikas Rajasekaran (RA)

Anne Sharpe (Investment Office)

Jane Dietz (Investment Office)

Agenda:

1. Welcome and Introductions (Julie Pham)
2. Approval of minutes from last meeting
3. Investment Office: an overview (Investment Office staff)
4. Proxies: overview, ACCRIP's role (David Muller)

Meeting notes:

1. **Welcome and Introductions**
2. **Approve minutes from last meeting**
    a. Edits to original minutes: Andrew McIntosh within Academic Finance
    b. Motion to approve minutes passes
3. **Investment Office:**
    a. Handouts on investment performance
    b. Common Misconceptions: There isn't a single endowment, but thousands of endowments for specific purposes. Donating money mainly goes to the annual fund - to endow the fund means to give for a particular cause, where proceeds from investment remain in the endowed fund.
        i. First endowment was 4,500 dollars. University mainly doesn't directly own securities because the university gifts the money to professional money managers. ACCRIP charter was written when we were directly invested in stocks, however, ACCRIP charter hasn't changed to reflect the change in management.
    c. Goal of the fund is to support educational goals/financial resources for the mission
    d. 5% of endowments value contributes to Brown's operating income ~ (18% of University's annual budget). Regardless of profit, the monthly payout still must be made and returns need to keep up with inflation, not just US inflation, but others such as higher education inflation as well. The Corporation votes on the payout amount for the following fiscal year.
    e. Endowments are legal contracts that can only be used for the intended contractual purpose. If the purpose no longer exists, Brown will try and repurpose the money; if not possible, then Brown needs to go to attorney general. This has resulted in a lot of unspent endowment payouts.

f. Brown has restrictions on that payout – ex. John Hay library's 95% budget funded by the endowment.
g. Management of Endowment Discussion
    i. It is important to consider who ACCRIP reports to – after discussion previously, the recommendation goes to president to raise the issue with the Corporation.
h. Investment Endowment Performance/Peer performance – Endowment performance doesn't beat SP500 because mandate is prudent growth and capital preservation.
    i. Only 2% is directly invested in stocks, most of it is in other fund managers – so we don't have full transparency on these managers. Some could be trading at high frequencies where managers own stocks for a fraction of a second.
i. Different pools of capital – only sustainability investment fund pool and social choice fund pools aside from the endowment is under control
j. Minimum fund to donate to the endowment is 500,000 dollars. Marketing and support for sustainability fund is lacking because this endowed fund might take away from the annual fund.
k. Committee should get head of advancement as guest to discuss this.
l. One question the committee needs to answer is how do we determine the impact of reducing investments on certain industries like investing in private prisons on Brown's investment return?
    i. A possibly solution is to use index returns to see the possible financial impact
    ii. Ex. look at the gun stocks issue – even if the investment office doesn't have any investments in public portfolio, private managers might do so because brown doesn't have direct control

4. **Proxies: overview, ACCRIP's role (David Muller):**
    a. Holding stock means as a shareholder you are a partial owner. Institutional investors might fight to take over to get on board and change the way the company acts. Owners of a company are asked to vote such as board of directors as well as questions that are asked by people who hold a minimum stake in the company
    b. These guidelines haven't been updated in 10 years and so these guidelines don't reflect present day situations ex. Northern Ireland (Not an issue), Mexico (Building factories in Mexico shipping cheap goods to US)

c. Issues sent to Paxson end of last year: Human rights, political contributions, lobbying expenditures
d. Vote was unanimous by ACCRIP.
e. Investment office forced to abstain if it doesn't guidance
f. On human rights: Need companies to focus on improve on human rights violations, but there is no single definition of human rights violation (the letter recommends we include the Palestine issue, but why include only this and not others?),
    i. The committee feels that the company should not simply the company telling us if human rights issues are happening, but me more proactive
    ii. Companies can be human rights violators as well, not just countries
g. On political contributions and related issues:
    i. Support requirements to publish how they spend money and more transparency
    ii. Seek bans on contributions
h. On lobbying:
    i. A new addition to the guidelines
    ii. Goal is for companies to notify shareholders of how much/where the money is going in Washington
i. Need to figure out which guidelines are out of date, but also which ones are coming in to play
j. Right now, the guideline is to vote with management, but if no guideline is appropriate, we need to go to president in order to vote against management
k. Next meeting December 12th at 12pm