

Advisory Committee on Corporate Responsibility in Investment Policy (ACCRIP)

Meeting Minutes for Meeting of February 13, 2018

Members Present

Chi-Ming Hai (faculty)

Fulvio Domini (faculty)

Yongsong Huang (faculty)

Andrew McIntosh (Academic Finance)

David Muller (alum)

Jamie Kase (alum)

Katie Silberman (chair)

Julie Pham (ugrad)

Taylan Susam (grad)

Members Absent

Patricia Paulino (ugrad)

Guests

Vikas Rajasekaran (RA)

Anne Sharpe (Investment Office)

Cary Krosinsky (Guest Lecturer)

Agenda:

1. Proxy Committee (Andrew McIntosh)
2. Alternatives to Divestment (Dave Muller)

Meeting notes:

1. Proxy Committee (Andrew McIntosh):

- a. Proxy committee process and proposed changes to proxy guidelines:
 - i. Initially, the proxy committee looked at existing guidelines and peer institution guidelines (Columbia, UPenn, Princeton, Dartmouth) as well as new and upcoming issues in the proxy world to see how Brown can improve their guidelines and make the proxy voting process easier for the investment office.
 - ii. These guidelines were last updated 11 years ago.
 - iii. Currently proxies need to go through a committee that hasn't been active in several years.
 - iv. The process works with the proxy being sent to investment office, then there is a check to see if a guideline covers the proxy. The investment office votes on the issue, but ACCRIP is also notified. If investment office can't vote, the proxy vote gets sent to ACCRIP.
 1. Right now, the committee needs to figure out how ACCRIP should handle this.
 2. One suggestion is to have proxy votes come directly to the proxy committee to be able to respond to votes quicker and meet the proxy deadlines.
 3. The reason for this is due to the fact that the committee responsible hasn't been in appointed for several years. Even when the investment office sent proxies to several members on the committee, the committee was non-responsive.
 4. This committee needs to explicitly bring up the issue with the President's Office – the committee has been waiting several years for this decision
 - v. Proposed Amendments by Proxy Committee (full document attached below):
 1. Banking and Insurance:
 - a. On the prior guidelines, why was the ACCRIP committee opposed initially to reporting and analysis

of structural adjustment programs for debtor countries?

- i. Possibly due to World Bank loans that were not being forgiven around 15 years ago

2. Board Diversity:

- a. The proposed guideline to “Vote against nominating committee when no diversity exists on the board and no candidates are presented to bring diversity to the board” leaves out what exactly is the definition of diversity.

- i. Possible definitions:

- 1. Target number of people? However, this contradicts opposing quotas for board diversity.

- ii. One possible change is to alter the guideline from no diversity to no progress being made to promote diversity.

- b. Use of Quotas:

- i. Brown doesn’t use formal quotas, why should the committee enforce it on other corporations?

- 1. Moderating language on quotas is a possible path forward.

- 2. Blackrock and other asset managers are being more specific and explicit on diversity.

3. Climate Change:

- a. Guideline could possibly use stronger language against companies that misrepresent the science of climate change

4. Equal Employment Opportunity:

- a. The Committee could specify disability and historically underrepresented minorities rather than simply minority

- b. Also, instead of specifically referring to woman, having a goal of gender balance could be more inclusive

5. Executive Pay and Social Performance:

- a. Committee should get rid of “almost to the exclusion of attention to financial performance” at the end of the second bullet.
 - b. In third bullet, “oppose resolutions based primarily on reporting comparisons of compensation for executives and lowest-paid employees,” committee could possibly strike this out or look at median of employees instead of lowest paid employees.
- 6. Health Issues/Abortion/Safety:
 - a. Using ethical issues in the guideline might pose difficulties for the company because patent extensions are usually due to a specific clinical reason from the FDA.
 - b. Trusting the FDA to make the right decision on patent extension could be questionable. Many pharmaceutical companies’ CEOs go on to serve in the FDA.
 - c. Price-restraint needs to be taken into consideration as the pharmaceutical industry’s pricing policy is very different by location.
 - d. The committee could change price restraint to pricing policy in order to promote a more equitable pricing structure.
- b. Remaining guidelines will be analyzed at the next meeting
- c. Proxy Committee proposal: delegate proxy voting decision to the proxy committee between full ACCRIP meetings.

2. Alternatives to divestment (Dave Muller):

- a. How can Brown take action as an investor besides divestment?
 - 1. ACLU private prison request
 - a. Divestment isn’t binary. Important questions that need to be addressed by student groups: did divestment hurt the organization’s ability to create change? How is the organization at the table if Brown divests?
 - b. Endowments and foundations represent only 1 trillion of 150 trillion-dollar financial universe, so divesting won’t make much of a difference - it only makes us feel better.

- c. Instead endowments and organizations should try and engage companies and improve their processes by focusing on low cost and high visibility methods:
 - i. Proxy Battles – shareholders have the power to pose questions to the board. The committee could word a proxy resolution to create change
 - ii. Publicity Campaigns – engage with other universities to promote a cause. An endowment should try and change the public opinion.
 - iii. Changing governance policies, altering the board, attempting changes in executive compensation structure, changing oversight like audit and risk management, and overall changing a company's behavior as a corporate citizen are all ways endowments can make improvements.
 - iv. Divestment is like kicking the can down to someone else – divestment and do nothing isn't effective.
 - v. Litigation/Negotiation with management possible as well.
 - vi. Launching a Vote No Campaign, that is voting no on board nominated directors.
 - vii. Sustainable investment policies
- d. Moving forward the goal should be to figure out how Brown can implement these strategies
 - i. For future requests, the ACCRIP committee does not have to take the issue up automatically. The ACCRIP committee wants to see engagement from student groups other than divestment
 - 1. When ACCRIP takes an issue on the Corporation will ask what else ACCRIP has done about the issue aside from divestment, which is why it is critical that student organizations have done more than just call for divestment.