STUDENT HANDBOOK - 5TH EDITION

EVERYTHING YOU NEED TO KNOW TO BRING RESPONSIBLE INVESTMENT TO YOUR COLLEGE OR UNIVERSITY

responsible endowments coalition

Note to Readers

This handbook was created to empower students, alumni, and other members of the academic community who seek social and environmental justice through investment of school endowments. It is full of practical advice, sample documents, and proven methods for incorporating responsible investment into any school's investments. First published in 2007, this handbook reflects a growing body of knowledge, experience, and best practices from friends, allies, and members of the Responsible Endowments Coalition. If you have any questions or suggestions regarding this handbook or responsible investment, please contact REC at organize@endowmentethics.org. We're here to help, and we'd love to hear from you.

Good luck with your campaign!

In Solidarity,

The REC Team

Formatting Note

For clarity, we have italicized words that you can find in the glossary. We also include three icons to guide your reading:

Signifies sections you should pay special attention to.

Lets you know that this is where we can help you.

Reminds you of all the resources available on our website.

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Our world is facing serious challenges. An impending ecological crisis. Systematic abuse of workers' rights. Big banks that aren't held accountable for their predatory practices. Although these examples may seem disparate, they all have something in common: the influence of money.

Whether investing in an oil company that exploits natural resources, a sweatshop masquerading as a clothing company, or a too-big-to-fail bank with predatory loan practices, financial decisions have serious ethical implications for our environment and our society. But we can use money to have a more positive impact. With responsible investment, we can harness the power of finance to take on corporate abuses of our environment and society, and invest in new economic models that take people and the environment seriously.

College students have always been key agents of progressive social and environmental change in the United States. Responsible investment activism is a continuation of that legacy; it is today's way of using your power as a student to have the maximum possible influence. Most universities directly and indirectly fund injustice through their investments, making money off of the dirty work of coal companies, private prisons, tobacco companies, and more. As a student, you have both the power and the responsibility to transform the way your school invests.

Your university is one of the most influential institutions of which you'll ever be a part. When will you be this close to so much money again?

And that's a lot of power! Your university is one of the most influential institutions of which you'll ever be a part. When will you be this close to so much money again? As a student and future potential donor, you are part of a uniquely empowered constituency that can influence how that wealth is used.

For four years, you possess the enormous amount of privilege that comes with being a college student in the United States. You can wield that privilege in many ways, including challenging your school to make its investments align with its mission statement and laudable ideals. You don't have to passively watch as your school implicates itself in human rights abuses, sweatshop labor, genocide, climate change, "urban renewal," or any number of other injustices. You can demand that your school change its ways by putting its money where its mouth is.

If we convince universities to play a leading rather than lagging role in the responsible investment movement, they can influence other institutional and individual investors such as alumni to join the movement, leading to major changes on Wall Street and throughout the world. As the financial leaders of tomorrow, you are uniquely positioned to spur these transformations.

We know that universities are capable of playing a leading role in the responsible investment movement. In the 1980s, universities' divestment from South Africa played an integral role in the dismantling of apartheid—proving that schools do indeed have a moral conscience. That was more than two decades ago, and that generation of activists lacked the amazing tools we have today, such as social media, email, and easily replicable and distributable resources like this handbook. The time has come to take responsible investment to a more sophisticated, transformative, and far-reaching level.

That's where you come in.

What is REC?

The Responsible Endowments Coalition (REC) is a student-founded, student-driven 501(c)3 non-profit organization, which encourages and challenges institutions of higher education to invest their endowment money more responsibly.

The meaning of Responsible Investment (RI), as we will discuss later in more detail, has evolved over time and continues to evolve today. Our role as an organization is to empower and unify our members, which include students, student groups, committees on investor responsibility, other campus stakeholders, and activist/industry allies, to pursue *their* causes through the unique leveraging power of responsible investment. It is crucial for student groups at campuses across the country to work together in order to build a more powerful movement than any one college could build on its own. We provide a unique forum for students to communicate, collaborate, and problem-solve.

Current key issues to which REC has leant its support include climate change, fair treatment of employees, creating vibrant local economies through community investment, and endowment transparency, in addition to specific campaigns coordinated by other individual and institutional allies. We are committed to building an inclusive, diverse movement that is representative of the constituencies most affected by corporate and environmental injustice.

How does REC support students?

REC provides the tools, resources and networks that students need to lead successful responsible investment campaigns on their campuses. We also try to reach out to, administrators, trustees and alumni who are interested in convincing their schools to become socially and environmentally responsible investors.

We provide most of our resources through our **website**, where we offer handbooks, webinars, news updates from colleges around the country, and numerous sample documents.

In addition, our staff is committed to helping students by:

- Assisting in brainstorming strategies for individual campaigns
- Providing information, technical assistance, and connections to ally organizations and student activist networks
- Visiting schools to present about RI, help engage with decision-makers, or share ideas
- Mediating or assisting in conversations between students and administrators
- Coordinating joint actions between campuses and other student activists
- Connecting students with responsible investment professionals
- Proposing edits to proposals, letters, and other documents to help frame the issues
- Providing access to template documents based on successes at other schools Hosting an annual national conference with presentations and workshops led by students and professionals in the movement around the country
- Engaging with students after they've graduated to keep them engaged with RI activism

Responsible Investment: Can students become meaningfully involved?

Since REC's founding in 2004, students learning of our work for the first time have expressed skepticism not only in the willingness of their administrations to listen and cooperate, but in their own abilities as effective educators and organizers. But time and time again this skepticism has proven to be unwarranted.

Over the years, as our organization has expanded to over 100 campuses, we have not only assisted in building numerous successful student-driven movements, but have witnessed a wider societal attitude shift concerning the possibility and effectiveness of responsible investment. Listed below are a number of myths about RI that, in our experience, have proven false.

Common Myths that Need Busting

"You have to know a lot about finance to do this work."

FALSE. Having a *finance* background is *absolutely* not necessary for running a successful campaign! Most of our students learn on the ground as their campaigns take shape. Plus, if the finance mumbo-jumbo starts going over your head, REC is always here to help you decipher anything confusing.

"Responsible investment will make your school lose money."

FALSE. Responsible investors strive for the triple bottom line, valuing social, environmental, and financial returns. New studies show a positive relationship between principles of responsible investment and a company's financial performance[1]. With your help, your school can integrate environmental, social and corporate governance (ESG) issues into its investment practice by using RI methods, such as *community investment*, shareholder engagement, and screening funds.

"The financial crisis means that schools can't, or shouldn't change"

FALSE. The financial crisis exemplifies another reason why responsible investment is so important. It can serve as a more sophisticated and comprehensive way of managing risk. The big banks failed because they peddled complex, high-risk, high-return financial products that took advantage of people. This speculation turned the whole economy sour, and universities had invested in these high-risk, high-return vehicles in droves. Instead of doubling down on a failed strategy, schools should re-examine why their endowments were hit so hard—and with your help, they will.

"You can't expect to get anything done without doing a lot of painstaking, time-consuming research."

FALSE. It's a good idea to understand the basics of endowments and finance before you take action, and this handbook will help with that. But as you read on, we hope you come to realize that changing the way your school invests doesn't have to mean knowing everything

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[1] "Mercer Study Supports Positive Link Between Responsible Investment and Financial Performance," Mercer, 17 Nov. 2009, 20 July 2011, <http://www.mercer.com/press-releases/1364225>.

about where the money is right now. The lack of *transparency* that exists at most institutions is sadly a common state of existence, but you don't have to have complete information about your school's endowment before can have a conversation with your administration, or other students.

"This work is too radical/too conservative."

FALSE. This work can be as radical or as conservative as you want it to be. From simply getting your school to disclose their investments, to getting the entire endowment invested in green energy, there is a huge range of possibilities for your campaign. The awesome part about this work is that you get to shape your own campaign.

"It is impossible to create any real change at my school."

SUPER FALSE. No matter how stodgy your school's administration is, your campaign will have important results. If nothing else, you will be paving the way for future RI campaigns on campus. Besides that, you'll be raising awareness about the importance of investing responsibly. Check out the success stories throughout this handbook to read about students who overcame administrations extremely resistant to change.

"The investment committee's primary concern (fiduciary responsibility) is to maximize returns, not to be concerned about social and environmental impacts."

FALSE. There is no one single definition or interpretation of fiduciary responsibility (the legal responsibility of managing the school's money). It should not mean maximizing profits at the expense of the environment, human rights, and the community's own policies or values. The fiduciary responsibility to act in the interests of stakeholders, for example, makes little sense without a commitment to intergenerational equity – a cornerstone of sustainable investment. Your school has both the opportunity and the obligation to recognize that responsibility means looking beyond immediate, short-term, unsustainable and morally untenable ways of generating profits and returns.

"We can never know what companies we are invested in because investment managers cannot reveal the endowments holdings because they need to protect their investment strategy"

FALSE. Investment managers can release the holdings of the schools investment on a lag. A quarter, a year, or even a two year lag-- with this transparency you can hold the investors accountable for what they have been invested in! It gives you power and leverage to educate and build support for more responsible investments in the future.

Part 1: Responsible Investment 101

Chapter 1: Introduction to Responsible Investment

In this chapter, you'll learn:

- What responsible investment is all about
- How it relates to your school's endowment
- That change is both possible and precedented

Confused about finance terminology?
Flip to our glossary!

Responsible Investment: What is it?

Responsible investment is a set of tools and strategies that organizations such as your school can use to change destructive corporate behavior *by leveraging their sway as major institutional investors.*

Investors are either people or institutions that own corporations, or at least small pieces (i.e shares) of them. Responsible investors influence corporations from within, through a number of different methods such as:

- Moving money away (i.e. divesting) from practices that they find morally reprehensible, for instance, coal extraction or sweat-shop labor.
- Engaging corporations to change their practices through letters, dialogue, and other participatory processes such as proxy voting and shareholder resolutions.
- Actively investing in more responsible and sustainable companies and funds, or even into non-corporate economic models.
- Actively investing in community institutions and services for communities traditionally neglected by financial systems.

Responsible Investment: Past and present

Responsible investment originated in divestment campaigns targeting companies involved in the Vietnam War and grew in the 1980s as a means to oppose South Africa's apartheid policies. Building on this experience, investors began to further experiment with using *their financial assets* to promote social change in the 1990s and 2000s.

Now there are a wide variety of responsible investment opportunities to learn about and explore. An increasing number of money managers have

emerged that offer responsible *investment vehicles* to all sorts of clients, including individuals as well as institutional investors like foundations, pension funds, and universities. Responsible investment has become an industry in itself, and even has its own industry trade group, US SIF, the Forum for Sustainable and Responsible Investment.

Today, over $3 trillion in assets are managed using one or more strategies that consider environmental, social, and governance (*ESG*) issues, and the rapid expansion of responsible investment shows no sign of slowing down.[2] In April 2006 the United Nations Environment Program launched the *UN Principles for Responsible Investment.* The principles are a global framework to help investors in the analysis of environmental, social, and governance issues and in the exercise of responsible ownership practices. As of July 2011, over 900 large institutional investors have signed onto the Principles, pledging to take ESG concerns into their investment decisions.

Are your school's investment practices in line with its mission statement?

There are contentious internal debates about what constitutes responsible investment, which companies should be excluded/included, and how best to influence corporations. In the same way that the label "organic" has been diluted by the commercialization of a niche approach to farming, the label "*socially responsible investment*" (SRI) has become a generic term housing an entire spectrum of investment strategies, some more responsible than others. Nevertheless, within the RI industry we find some of our most helpful allies, knowledgeable resources, and ardent supporters.

Higher Education: The Next Frontier

Most colleges and universities maintain policies and standards aimed at social and environmental goals. A quick scan of your school's latest prospective student materials will give you a good idea of how your school presents its mission. Most school mission statements contain some elements of the following:

- Ethical citizenship
- Support for the local community
- Strength through diversity
- Environmental sustainability

You can use this social mission to push your school to become more responsible in all their operations, including investments.

Many activists focus on their personal spending choices as a vehicle for changing corporate behavior. For example, choosing veganism, boycotting Coke, and avoiding sweatshop-produced clothing are all consumer choices with real political implications. But there are limitations in their ability to influence corporate behavior. A non-purchase is often an act of

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[2] The Forum for Sustainable and Responsible Investment, "2010 Report on Socially Responsible Investing Trends in the United States," 23 June 2011.

silence. Coca-Cola has trouble knowing the difference between a month when many consumers individually boycott their product and a month when people are just less thirsty. Second, coordinated consumer boycotts take an incredible critical mass because each individual consumer represents such a small portion of the overall market. We can choose to boycott, and live as conscientious (anti-)consumers, but it won't always be enough.

Investors, or *shareholders*, have three advantages over consumers in the effort to change corporate practice.

- Firms must ultimately answer to their shareholders. Just as citizens have a right to be heard and to have their interests represented by their government, shareholders have rights within the firms that they own.
- Institutional investors (like colleges and universities) accumulate large ownership stakes that avoid the collective action problems mentioned above.
- Investor-led campaigns have had success in garnering serious press, often receiving attention in the papers that corporate elites read—affecting their strong desire for good publicity.

Leverage the power of your college's endowment.

Colleges and universities in the United States collectively have over $400 billion in *endowment assets*, giving them far more power in the corporate hierarchy than most individual investors. Much of this wealth is concentrated at elite schools; there are 60 schools around the country that have over a billion dollars in endowment assets.[3] As the stewards of such extraordinary wealth, schools are uniquely positioned to steer corporations towards social justice and environmental *sustainability, and* students can utilize this power to send louder, clearer, and more official demands than they could ever send on their own.

Surprisingly, colleges and universities have not yet had a sustained, coordinated presence in the responsible investment community, with the commendable exceptions of the South Africa and Sudan divestment movements. Recently, due to student activism, this trend has begun to change, with an increasing number of colleges investing in their local communities, screening their investments for ESG factors, and making their endowments more transparent. But colleges can be doing much more- and you can make this happen.

Below, you'll find one such story from Morgan Simon, the founding executive director of REC, detailing her responsible investment campaign at Swarthmore College. In 2001, she led a campaign to file a shareholder resolution against Lockheed Martin. *Shareholder resolution*s are formal statements that are sent annually to every single shareholder of a *publicly traded company*. You'll learn more about this in Chapter 6. For now, just understanding that they serve as an effective way to shame a company into changing its behavior is enough to understand Morgan's experience and discover how it is possible for one student to create sweeping change, both on a university level and on a corporate level.

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[3] National Association of College and University Business Officers, "2010 NACUBO-Commonfund Study of Endowments," Jan. 2011.

Campus Success Story: Shareholder Resolution Filing at Swarthmore College

By Morgan Simon

As a freshman at Swarthmore College, I joined the committee on investor responsibility, charged with voting the school's proxy statements and not much else at the time. The nice thing about young people is we think we can do anything, regardless of whether or not it is realistic—and so I suggested to the students, why couldn't we file our own resolutions?

Since REC didn't exist yet back in 2001, I went to the Interfaith Center on Corporate Responsibility for support and guidance, and found that in fact with just $2,000 we could file a resolution and hopefully be able to better wield our influence as an investor.

The next step was to find a company and an issue. The student members of the committee reviewed the school's past voting records to find a non-contentious issue. We found that sexual orientation discrimination was one where we had agreed unanimously year after year, given the school's strong commitment to queer rights (Swarthmore even ensures there is at least one gender-neutral bathroom per building). Also, this was an issue where the economic evidence was indisputable—why would you cut out 10% of your potential applicant pool for a position? While schools as social institutions don't have to advocate for corporate change solely from a financial perspective, let's just say it doesn't hurt to have social and economic arguments in alignment when talking to trustees.

We then crosschecked our holdings with Fortune 100 companies without sexual orientation policies, and came up with Lockheed as the company with the greatest name recognition and potential to shift its industry (not to mention influence US military practices). Of course this brings up the question of whether or not Swarthmore, a school with Quaker roots, should be invested in military manufacturers altogether…but our idea was to at least establish a precedent for filing shareholder resolutions which could improve the lives of workers, and keep the militarization question on the table for later.

We then reached out to GLOBAL—Gay, Lesbian Or Bisexual at Lockheed—to ensure the timing of our work would support theirs. With their support, we then presented the resolution to the school as almost a *fait accomplit* —here is our research, here is a letter to Lockheed, here is how we checked in with allies in the field, and can you please sign here. They were impressed with our thoroughness and agreed that it was a good opportunity for the committee to extend its work and harness some positive publicity for the school, as the "first" university resolution to be filed since the apartheid era (though we had been told by allies we were the first and reported it as such, we later discovered this was untrue—

University of Washington filed about Burma in 1993—but first in 10 years still sounded pretty good to us).

We wrote Lockheed a letter announcing our interest in filing. They called back saying "no need to file, just give us a year to make this change"—and Paul Aslanian, our VP of Finance at the time who was otherwise a very calm person with a strong moral compass, got pissed. He told them, why would it take a year to send out one email to all employees saying "we are adding sexual orientation to our non-discrimination policy, and sorry to y'all who were getting hate notes on your desk with no recourse?" So we proceeded as planned and filed the resolution in the fall of 2001.

After the resolution was filed, the four student members of the committee defined our roles for the rest of the year—outreach, communications, etc. We didn't have the money to purchase the list of Lockheed shareholders so instead wrote letters to the top 500 institutional investors out of Forbes magazine asking them to vote on our proposal. We also recognized the importance of proxy voting services endorsing our policy, so called them specifically. We also approached peer institutions to ensure they were voting on the resolution as well. In retrospect, this is an area where we could have done more, but by the end of the story you'll see we did enough!

In the spring when the proxy came out, the media attention came pouring in, and I was the communications contact. This was pre-cell phone era so it meant running back to check my phone between classes as we got interviews with Fox News, the Chronicle of Higher Education, the Advocate, etc. Not only was I managing the media attention, but the responses to the media—excited students who read the articles and wanted to learn how they could do this on their own campuses, the occasional threat for my support of "those sick people," and a few very polite letters offering to help save my soul before it was too late. (It was too late long, long ago unfortunately.) It was also interesting—though not surprising—that the outside world pretty uniformly assumed I must be gay to be doing this work.

TIPS
-Rally behind an issue that your school supports.
-Present research to your administration confidently.
-Reach out to other groups with similar goals and actively try to *get the attention of the press.*

We tried during this time to dialogue with Lockheed, and they were just not interested. We wanted to ensure we'd made an effort so that they couldn't pull a moral high ground with shareholders (saying they had tried to negotiate and we wouldn't sit down with them). So we continued to smear their name in the press while waiting for the April shareholder meeting.

Swarthmore flew me out to San Diego along with the VP of Finance to present at the Lockheed shareholder meeting. You get exactly two minutes to state your case in front of the board of directors and executive staff before, literally, two buff men in black suits lead you away. It was a surreal experience of corporate power.

Lockheed clearly took a special interest in our resolution. After I spoke they lowered the lights and issued a statement saying that it was impossible to name every possible type of discrimination in a policy—for example, should they put in eye color next? We had a chance to respond in the Q&A section. GLOBAL members talked about incidents of discrimination they had personally experienced, and other Lockheed workers and shareholders stood up in support. The strongest statement came from our VP of Finance, who got up to the mike and said, "I have two little granddaughters. One has brown eyes and one has blue eyes. I'm not too concerned that one of them will get persecuted for having brown eyes, but if one turned out to be gay I would be concerned for her safety, and want any company she worked for to protect her rights."

We received enough of the vote to be able to file the next year, which in shareholder campaigns is the minimum bar of success. Shareholder campaigns also fit well with the student calendar—we went off to summer with the idea of re-filing if necessary in the fall.

That fall, I took the semester off and was in Mexico, but was keeping in touch with the committee. We never heard from Lockheed again, but saw a front-page Wall Street Journal article announcing that, you know, totally due to its magnanimous and ever abounding good will, Lockheed had decided to add sexual orientation to its non-discrimination clause and start giving domestic partnership benefits. We weren't even mentioned, but can't give any other explanation of why they would have made such a change, all of a sudden right before their filing deadline.

"We never heard from Lockheed again, but saw a front-page Wall Street Journal article announcing that, you know, totally due to its magnanimous and ever abounding good will, Lockheed had decided to add sexual orientation to its non-discrimination clause and start giving domestic partnership benefits."

We were overjoyed and entered the "saber-rattling" stage of campaigning—calling other companies to change their practices as well. We told Dover and Masco, both Fortune 500 companies, that we were considering filing with them…and heard back within weeks that they were willing to change their act.

As a student activist, I'd worked on many activist campaigns and service projects—living wage, homelessness issues, mentorship in Philly, but I had never felt like my actions could have such an immediate, powerful effect than during my time on the committee for investor responsibility. This was the work that inspired me, with brilliant colleagues and friends from Barnard, Duke, UPenn, and Williams, to start REC and ensure other students would have the opportunity to engage these tools. Now that it's my full-time job I couldn't be more pleased, and hope that REC will help ignite a movement nationwide to challenge more and more corporations!

Morgan was the founding executive director of the Responsible Endowments Coalition. She then went on to found Toniic, an angel investment network focused on social enterprise. While she lives in San Francisco, she left her heart with REC.

Chapter 2: Introduction to Endowments

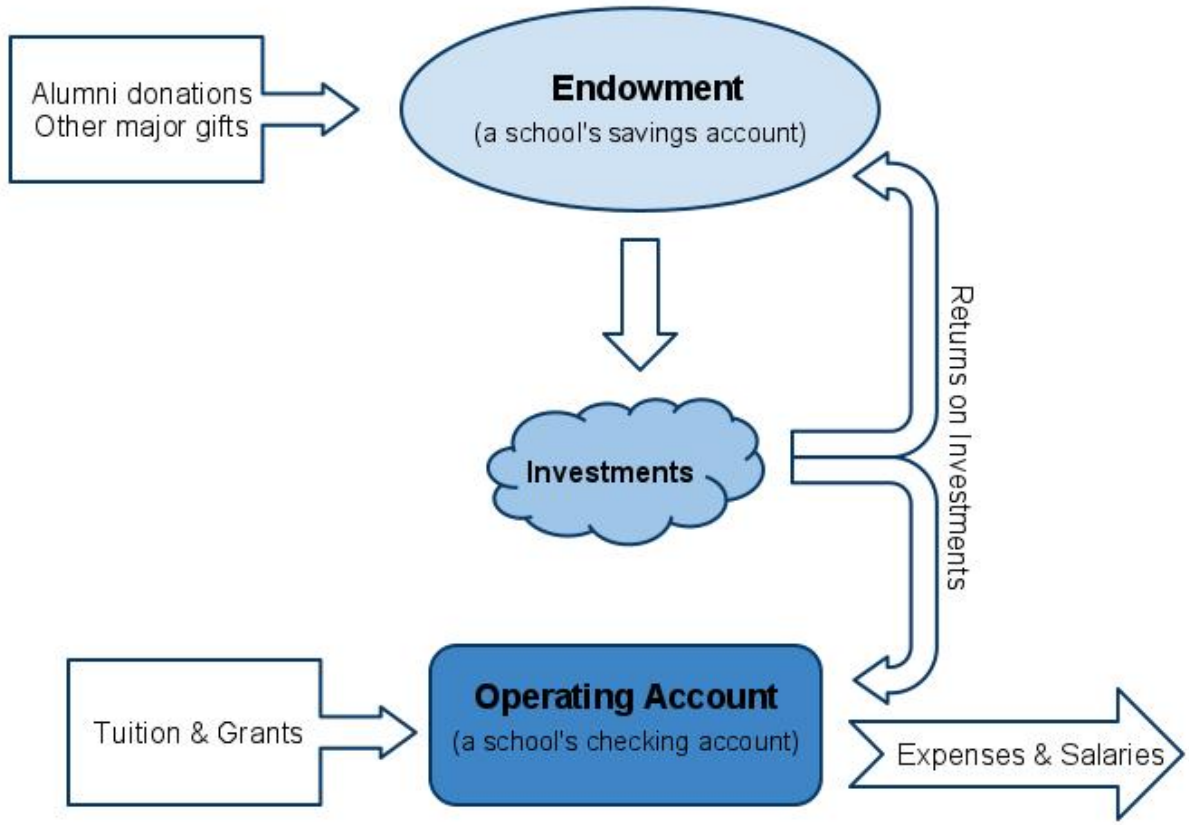
In this chapter, you'll learn:

- What an endowment is
- Who is in charge of overseeing an endowment

Remember to use the glossary!

What is an endowment?

Most schools have two pots of money: a general operating account, which is like a checking account, and an endowment, which is like a savings account. The endowment is originally made up of *principal*, the original amount invested. Then the endowment earns returns, or money made from *interest* on the principal. The principal is built up over time using contributions from alumni, foundations, corporations, governments and philanthropists. Because the principal is almost never spent, older schools tend to have larger endowments, as they have had more time to collect money. However, the most important factor in endowment size is prestige. The largest endowments belong to Ivy League schools, with some large public schools next in line.



Even after the hit to endowments by the financial crisis, colleges and universities still hold very large amounts of money. 850 colleges and universities included in a 2010 study of endowments reported combined assets of $346 billion.[4]

More than 60 schools hold at least $1 billion in endowment assets. Nearly 350 schools have more than $100 million in their endowments, and hundreds of other schools are not far behind. Schools are constantly trying to increase the principal amount that is invested as well as the income (returns) generated by investing the endowment.

Who controls a university's endowment?

The complexity of a school's investment structure depends on a few factors, including the size of the school's endowment and whether the school is public or private. Every school is different—really, the best way to find out about how your school's endowment is managed is to walk into the treasurer's office and ask!

It's important to keep in mind that factors like the size of your school's endowment and if your school is public or private might affect what kind of information you can initially obtain about the endowment, who is responsible for overseeing the endowment, and which RI strategies you will campaign for, but no matter what you find out, remember, you can make responsible investment happen at any school.

Although this structure will vary significantly from school to school, the "typical investment hierarchy" on the following page will give you a starting point for understanding who oversees your school's endowment.

Who makes up the board of trustees?

The Board of Trustees (sometimes called the Board of Governors, Board of Managers, Board of Directors, or Regents) generally oversees the operations, policies, and execution of the mission of the school. The school president is the Chief Executive and responsible for all operations, but it is the Board of Trustees that chooses the president and oversees his or her work. In this sense the Board operates like any other non-profit or corporate board, overseeing the president's work and accountable to all stakeholders.

The Board is usually comprised of influential alumni or individuals who have significant experience in management, access to resources, and a strong desire to help the school. In some public schools, *trustees* may also be political appointees. Trustee positions are volunteer and require a significant commitment of time and resources on the part of the trustee. Board meetings are typically held four to five times a year and cover a broad range of issues. You'll probably be called on to attend a Board meeting at some point in your campaign.

Moral of the story—be nice to your trustees. They may sometimes feel like public enemy number one, but the fact that they are volunteering their time to be a trustee at all means they really do care about your school. Also, some of them are on probably your side, even if they don't say so publicly.

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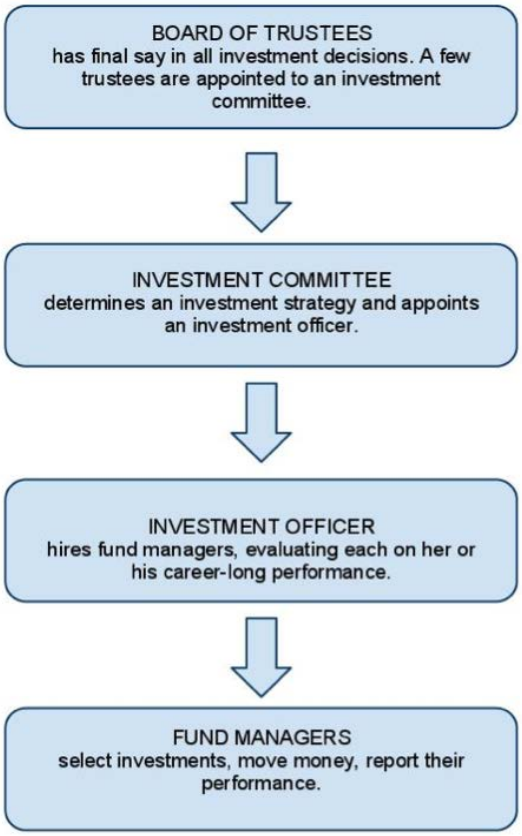
[4] National Association of College and University Business Officers.

Though most boards of trustees include people who specialize in education, art and other aspects of a university, the trustees who are involved with investment tend to be financial sophisticates with their own investment experience. Sometimes they are even rich alumni *financial managers* in whom the university invests.



It's easy to imagine how this can complicate our work. Conflicts of interest abound. For example, in 2003, University of Pennsylvania students who were advocating for UPenn to reconsider its investments in cigarette maker Philip Morris actually had to argue their case to a group of trustees that included an individual who also sat on the Philip Morris corporate board. As of 2010, Dartmouth's board "included more than half a dozen trustees whose firms have managed a total of over $100 million in investments for the endowment, over the last five years.[5]" Even when there are not "direct" conflicts of interest, trustees' intimate connections to the banking system and their corporate directorships compromise their abilities to responsibly oversee endowments. De-sensitized by their time spent working in bailout banks, venture capital, hedge funds, and private equity, many trustees view risky exotic investments as "business as usual."

[5] Humphreys, Joshua. "Educational Endowments and the Financial Crisis: Social Costs and Systemic Risks in the Shadow Banking System," 2010. < http://www.tellus.org/publications/files/endowmentcrisis.pdf>

Endowment Performance

Performance is often evaluated using *benchmarks* or pre-established goals. Trustees may compare their endowment performance to other colleges and universities and to the market in general. To evaluate overall performance, trustees use indices, fixed groups of stocks that are tracked for their performance. For example, the S&P 500 is used as a benchmark to track 500 *large-cap* (big) firms.

Why care about benchmarks? Because your school does. If you want them to invest in something new—be it a *community development bank*, socially responsible mutual fund or company, it better meet or beat their benchmarks for that part of the endowment, or else you'll have to put up an extra fight to justify the lost money. So ask your *investment officer* about their benchmarks—it's a good way to show you know what you're talking about, and trying to work in good faith to suggest options that will work well for the school.

Colleges and Universities as Non-Profit or Public Institutions

Almost all colleges and universities are either non-profit or public institutions. While we believe that all corporations should be accountable to the communities that surround them and to a broader social context, this is especially true for non-profit academic institutions that are accountable to students, donors, alumni, faculty, staff, and many other constituencies. The issue of university accountability has even come up in the public policy arena, as citizens argue that because schools are financially supported by their tax-exempt status, they are accountable to taxpayers and should therefore increase transparency and disclosure.

Sometimes it is necessary to remind schools of their non-profit status, particularly when trustees focus only on their obligation to generate more wealth from the endowment rather than recognizing the relationship between the school's endowment and its broader mission.

A recent example of the public advocating for university accountability and transparency took place in Massachusetts. In May 2011, REC sent a letter of support to the Massachusetts Legislature regarding the *Massachusetts Higher Education Transparency Act*. This groundbreaking legislation would, in the words of SEIU Local 615, "mandate that the state's private colleges and universities be more open about the ways they operate, spend, and invest." REC Executive Director Dan Apfel testified on June 9, 2011 before the Massachusetts Legislature's Joint Committee on Taxation and Revenue regarding the potential benefits for taxpayers and communities of passing this legislation. If passed, this legislation could set the precedent for legal and public policy justification of the university's accountability to the impact of its financial decisions.

Chapter 3: The Relevant Basics of Finance

In this chapter, you'll learn:

- Four key types of RI
- What an asset class is
- How asset classes relate to endowments

There are a variety of ways we can make our institutions more responsible investors. Sometimes, those ways don't look quite the way most people imagine.

In Part Two of this handbook, you'll learn about four key methods of responsible investment:

- Community Investment (CI)
- Shareholder Advocacy (i.e. proxy resolutions)
- Impact Investing/Positive Screening
- Negative Screening/Divestment

But before you can understand how these methods work and in what scenarios they are most effective, you need to know a bit more about the structure of an endowment. Then, you can start to see how different methods of responsible investment specifically target different aspects of an endowment.

About the Abbreviations

"RI" and "CI" are not widely accepted abbreviations for "responsible investing" and "community investing." For readability's sake, we use them in this handbook, but it's not a good idea to use them in conversation, especially with school administrators or people in the finance-industry—they might not know what you are talking about or think that you are not well-informed about the issues.

All About Risk

Endowments are generally invested in a range of *asset classes* in order to minimize investment risk and maximize investment returns. In the same way that most students apply to "safety schools" and "reach schools," hoping for the best but hedging with the rest, universities hold different kinds of assets in case one asset or group of assets underperforms.

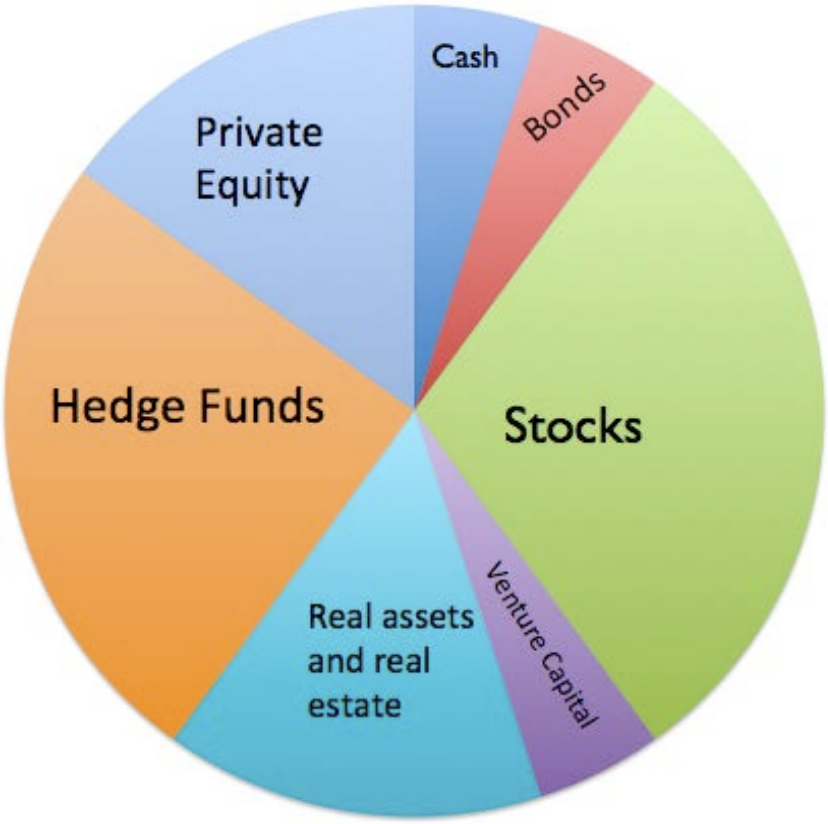
Colleges and universities are experts at what is called "diversifying risk." When a school diversifies risk, it puts money in a variety of different asset classes, each with a different amount of risk attached to them. Institutions hire *fund managers* as specialists to pick the best bets. Though the risk profile of any particular fund manager may be relatively narrow, together the endowment is spread across many different financial instruments to achieve a good asset mix.

Typically greater potential returns come with more risk, whereas low returns can be achieved with very low risk. Treasury bonds, for example, are backed by government assurances and are therefore a very safe investment, but their low risk comes at a price: a very low return.

Typical Asset Classes

This section might be a bit overwhelming, but don't worry if the many different asset classes seem complicated: your campaign will probably target only one specific sector of the endowment to start with. For example, if you are working on shareholder advocacy, you may only be interested in stocks. If you are working on community investment, you may only be interested in cash or *bonds*.

Here is a chart illustrating the different asset classes that can make up an endowment. You should know that these percentages vary from school to school, and may not be an accurate representation of your school's asset allocation. This pie chart is just an example.



Now we'll go into more detail about each asset class. For each one, we'll explain:

- What it is
- How schools traditionally invest in the class
- Alternate, more responsible ways to invest in the class
- Which of the four RI methods are applicable to the class

The classes are listed from lowest risk to highest risk on the following pages.

Cash

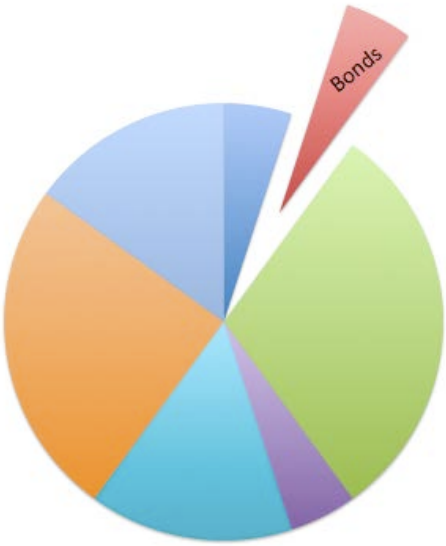
Schools keep cash in both the endowment and the operating account. The cash in the endowment is kept there for liquidity and emergency situations. It is typically a very small percentage of the endowment, because keeping cash in a bank does not produce high returns.

RI Methods:

- Community Investment

Conventional Investment Method: Many colleges and universities keep the cash portions of their endowments their operating accounts with large corporate banks. Some of these funds will go to home mortgages and other retail banking needs, but some of them may go to international projects that are environmentally or socially irresponsible. The recent financial crisis also shows that keeping money in large corporate banks is not as secure as people once thought, and can have severe negative financial consequences.

The Alternative: Keep cash in a community bank that supports low-income housing, micro-enterprise, loans to support energy efficiency, and other community services. The deposits are often insured just like large corporate banks, but the impact is direct and local.



Bonds

Money lenders profit by lending money and getting it back with interest. When you buy a bond, you are lending money, and you are going to profit by having the bond paid back with interest. How risky they are depends on who is issuing the bond, but they are generally low risk and have fixed returns of 2-8%. Bonds can be issued by companies, governments, or banks. Bonds always have a fixed *rate of return*, no matter who issues them. Some, however, are more secure than others depending on who is backing them, so they are rated by risk. (You may have heard of bond ratings like AAA, BBB, etc.) Similar to a mutual fund for stocks, you can also buy funds that bring together lots of different bonds.

RI Methods:

- Community Investment

Conventional Investment Method: Pick bonds or funds that match the risk/return profile suggested by investment consultants.

The Alternative: Seek out community bonds or funds that will give you the same returns, but support low-income housing, micro-enterprise, charter schools, and other community resources. You can also buy bond funds that invest in companies that are doing good things or invest in good projects.

Stocks

Corporations need money to grow, and many medium and large firms get it by issuing stock. Because they let the general public buy a bit of their company, stocks are sometimes called public *equity*, and when a company's stock is first sold it's called an "*Initial Public Offering*." Shareholders have limited ownership rights, and stand last in line to be paid, but once all suppliers, taxes, employees, and debts have been paid, shareholders often receive a dividend, or a portion of the firm's profit. Investors profit from the distribution of these *dividends*, and also increases in share price.

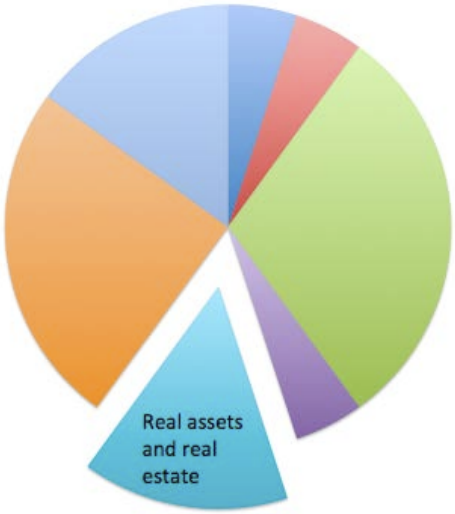
RI Methods:

- Shareholder advocacy
- Impact investing
- Positive screening
- Negative screening
- Divestment

The returns on an investment come through the appreciation of a share price or through the dividend paid to the shareholders. As a company becomes more profitable, each share becomes more valuable, and hence investors make money (or lose money if the value goes down).

Conventional Investment Method: Pick stocks that go up without any regard for their social or environmental impact. Sometimes rather than picking stocks directly, institutions will buy what they call *mutual funds*, a bundle of stocks that have been hand-picked by the fund manager, without regard for their social impact.

The Alternative: Be an active shareholder, advocating for change in the bad companies, and investing in companies that are doing good in the world. Pick *mutual funds* or *investment managers* that do that for you and your school.



Assets and Real Estate

Real assets are things that you can touch, be it timber, gold, buildings, or land.

RI Methods:

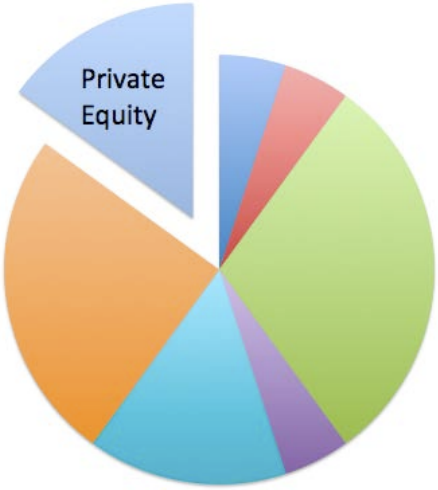
- Policies used to invest in *sustainable* assets and real estate

Conventional Investment Method:

Invest in whatever is profitable, buy buildings around campus to fix up and improve, price residents out of neighborhoods where they have lived for years. This can also include investments in timber that is harvested unsustainably, or dangerous mining industries.

The Alternative:

Schools can identify profitable real estate developments that: support mixed-income neighborhoods, offer access to public transportation, and ensure that current residents are treated with dignity. Schools can also invest in sustainable forestry and wetlands remediation projects.



Private Equity

Every company begins as a private organization owned by one or a few investors. To grow, these companies need more capital. One way to get more capital is to sell stock, but for some firms the burdens of listing on the public *stock market* are undesirable (sometimes they don't want to hold meetings that activists like us would attend).

Private equity firms provide an alternative by purchasing companies outright. Though there are exceptions, most private equity firms have a small group of investors and tend to be relatively secretive. This is partially by design.

Private equity firms share a characteristic with the companies that they acquire: they want to avoid the regulatory burden of public listing. Firms can avoid regulation by keeping their investor pool small. However, the private equity boom seems to have peaked.

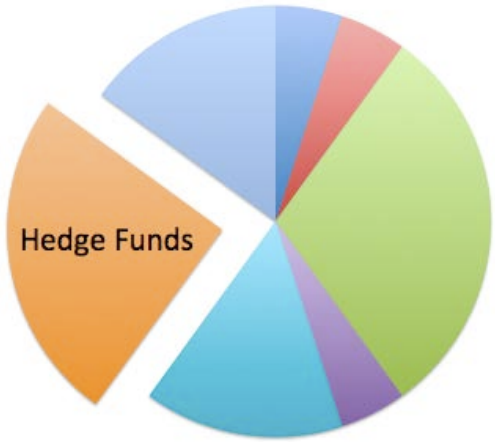
Some private equity firms have made enemies in the labor community by laying off workers and drastically changing the benefit structures of acquired firms. Depending on the strategy, private equity can be very high risk.

RI Methods:

- Negative Screening

Conventional Investment Method: Invest in private equity firms, give them money to buyout companies and strip them for short-term gain, ignoring long-term consequences. (See www.behindthebuyouts.org for a full report).

The Alternative: Enact policies that ensure that labor rights and environmental processes are preserved in management changes; actively invest in companies with a social mission. Specify standards of conduct for private equity firms before the university invests.



Hedge Funds

Hedge funds tie with private equity for the most contentious asset class; both have very little transparency about how they operate. While hedge funds are not secretive by definition, they are highly secretive in practice.

These funds are only open to a class of "accredited" investors, either institutions or high net worth individuals (over $1 million). They vary, but can be more risky than mainstream investment vehicles as they aim to get the highest returns. Managers focus on gaining the highest returns possible, and charge a pretty penny to do it—management fees may be as much as 50% of all profits.

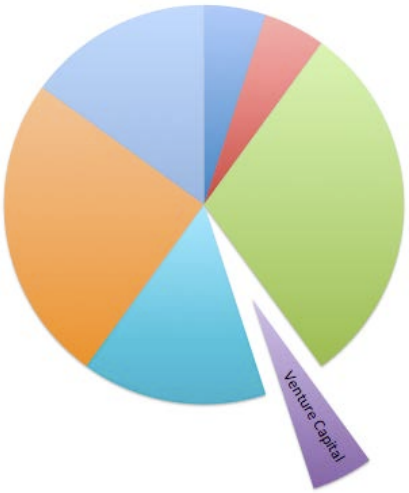
RI Methods:

- Fund manager engagement
- Screening

Conventional Investment Method: Invest in anything you can, without accountability or transparency in regards to social impact (for example, a fund named Farallon invested in the private prison system until Yale students exposed them).

There are many examples of hedge funds that are socially and environmentally irresponsible. In 2011, the Oakland Institute, an independent policy think tank, released a series of highly publicized reports revealing that U.S. universities including Harvard, Vanderbilt, and Spelman were invested in a hedge funds participating in land grabs in Africa. There are a host of negative consequences of land grabbing—including food insecurity, displaced refugee populations, environmental devastation, suspect labor conditions, and corrupt land purchases. Through fund manager engagement, you can work to make sure your school isn't participating in such questionable practices.

The Alternative:
Some socially responsible hedge funds have been created, but if you believe transparency is key to social responsibility, this asset class will never be for you. It may be possible to get limited transparency for a group of people from your campus to review the fund's policies, but even that would probably take some serious work. One good strategy is to try and work with the more responsible hedge fund managers who may not be engaged in projects that are as damaging. Also, you can influence your current managers to have better practices.



Venture Capital

A commonly used term, this is actually a sub-category of private equity and means investing in new companies or "startups" that have high growth potential. New companies fail all the time, so venture capitalists bet on the few hoping at least one will be a winner.

RI Methods:

- Impact investing
- Positive screening

Conventional Investment Method:

Try to find the company with the best growth potential.

The Alternative:

There is a new field called social venture capital that invests in socially oriented companies which solve or help to ameliorate social problems. They are always for-profit, however, and should not be confused with traditional non-profits even though they may provide some of the same services. Social venture capital has been even more profitable than conventional venture capital recently due to the green tech boom.

Getting into the mix

Whew, that was a long list of potential assets! If you are confused, you are not alone. Fortunately, even for people who work with investments, nobody is expected to know it all. In the financial world, fund managers and investment firms tend to specialize within an asset class and/or industry.

So, when you're talking to a trustee, don't be surprised if they are unaware of the specifics of how the endowment is invested—that isn't their job! We get interested in specific companies and their behavior, but trustees are not normally operating at this level.

To understand a trustee's job a little better, you need to know a bit more about modern finance and the management of risk. Large investors, like schools, want to make sure that no single market fluctuation ("exogenous shock") has the potential to seriously devalue the entire endowment. This means that a given asset is often valuable not only for its own sake but also for its relationship to the other investments. A large institution is looking to balance investments against each other.

Why care about asset allocations?

It's best to know where your school currently invests to be able to propose new strategies. For example, if your school's endowment is 90% in mutual funds, that's going to change the way you ask them to engage in responsible investment strategies. Knowing your school's asset allocation will put you in a more powerful position to suggest changes in investment strategy that might just be taken seriously.

The asset mix, or allocation, is the big picture of an endowment. If you would like help finding this information for your school, please email organize@endowmentethics.org.

Conclusion

We realize most of this information will probably be new to you and somewhat overwhelming. Never fear! Most students in this movement had to learn all this stuff from scratch as well, and they still managed to do amazing things on their campuses. Plus, if at any point you're confused, REC is always here to help.

Chapter 4: Community Investment

For more in-depth information about community investment, check out the two community investment resources REC publishes, Move Our Money: A Community Investment Toolkit for Students*, and* Maximizing Returns to Colleges and Communities*, our handbook for administrators. Contact us for physical copies, or find them online at www.endowmentethics.org/handbooks.*

In this chapter, you'll learn:

- The history of community investment
- What "Community Investment" means—and what it doesn't
- Types of community investment

History of Community Investment

In 2008, the American financial system suffered one of the most severe shocks in decades. Across the board, Wall Street saw the cascading failure of complex securities and various "high-risk, high-reward" financial instruments created by the big banks. As the reverberations of this historic event still run through the financial system, many have turned a more skeptical eye to the major banks' "business as usual," and how our individual and institutional banking decisions could impact these destructive cycles. In an increasingly globalized and interconnected world, we know that universities are intricately tied to these cycles.

Your university may not be scrutinizing its relationship to Wall Street, but it is undoubtedly very aware of its more immediate surroundings. Though all schools have neighbors, some navigate particularly tense community relations. Many institutions focus entirely on public relations approaches to these tensions, but it is possible to use institutional resources to have a real effect on local communities, preferably without distorting those communities into gentrified and homogeneous neighborhoods for students and faculty to live in. Community Investment (CI) relies on the use of financial and human capital to support people and their communities.

Early community investment initiatives were started to address an egregious form of discrimination common in the consumer banking industry through the 1970s. Banks would refuse to make loans to individuals in many poor, African-American neighborhoods, creating communities that were unable to address their own economic hardships. This made it almost impossible for a low-income person to get a mortgage and to subsequently build wealth. The practice is associated with America's entrenched urban poverty and blight, and has been worsened by both the predatory lending practices that preceded the financial crisis, and the high unemployment that followed.

Community investment can help support communities that may have been marginalized and underserved for decades. These initiatives work to improve access to jobs, property and business ownership—especially for people of low-income. They also enhance the ability of individuals to build up savings and are a powerful part of a broad responsible investment strategy.

Community investment can:

- Facilitate stronger ties between a university and its surrounding community
- Improve the lives of neighboring residents and underserved populations
- Further an institution's mission to engage meaningfully in their own community
- Serve as an important town-gown relations initiative
- Provide the market-rate returns that fiduciaries want to see

In addition, community investment can be both an easier "sell" to your administration and easier for the average bystander to understand. Both of these factors can make it one of the most effective strategies for students on campus trying to get their foot in the door around responsible investment.

What "Community Investment" Means—And What It Doesn't

As a preliminary matter, we must distinguish between community investment as an investment strategy and other interventions sponsored by a college or university that some might more broadly call "community investment." Some colleges and universities build or fund schools in nearby neighborhoods. Others employ large security forces, providing jobs to the area, or subsidize police forces to protect campus interests. Some "clean up" neighborhoods by buying up property in the surrounding area and leasing it out to select businesses in an attempt to make the area more attractive or lower the crime rate.

Sometimes these interventions do provide substantive benefits for the communities. However, these activities differ from our conception of community investment because the schools control them, rather than placing resources and decision-making power in the hands of the community. The exercise of control can be ongoing and direct, sometimes undermining the surrounding community by working directly to increase property values in places where most residents rent—also known as gentrification.

We appreciate the noble motivations that inspire universities to help surrounding communities, but also realize that that help sometimes has negative consequences. REC holds that campus community development efforts should be determined in direct consultation with external stakeholders, and that efforts meant to help surrounding communities should be, as much as possible, put in the control of those who they are meant to serve. One of the most powerful approaches to shifting this control is community investment.

Types of Community Investment

There are a number of different strategies that schools employ in their efforts to improve the conditions of disadvantaged communities. Each program should be considered in light of how it makes change. Below we outline just a few of the models that have been successful. There are many others as well.

Program	Description	Change Mechanism
Community Land Trust	Arrangement allows residents to lock in a price on ownership of their property as development and revitalization occurs.	• Protects residents from displacement through rent increases • Shifts ownership structure within a community
Business Development	Investments in businesses often give preferential funding to local entrepreneurs who are likely to circulate the money they earn through the local community.	• Jobs • Recirculation of profit • Local competition means lower prices • Community control
Micro-finance	Small loans are administered through strong community reinforced repayment structures.	• Provides capital for household economic growth • Provides capital for small business

We're not talking about philanthropy here, where your school might give a gift to the community without expecting anything in return. This is still investment: the school will get their principal back, but the money is doing someone good in the meantime.

Because community investment deals in cash, rather than *stocks*, bonds, or other investment types, you can apply CI to either the part of your endowment that is kept in cash or to your school's operating budget. Don't be confused—remember, the operating budget is not part of the endowment! But it is one way that your school's dollars are having an impact. If you have money sitting in a bank somewhere, you are invested in that bank, so you might as well look into responsible options.

At colleges and universities, community investment efforts can begin with local *Community Development Financial Institutions* (CDFIs) and similar community based organizations. CDFIs are private sector, financial intermediaries with community development as their primary mission. These institutions work to fill gaps left by mainstream financial organizations by lending to non-profits and low-income individuals and businesses.

The CDFI Coalition has defined six major types of Community Development Financial Institutions (www.cdfi.org). The three types that you will probably work with are:

> *1. Community Development Banks* are depository institutions which aim at providing financial services like any other bank (lending, credit, etc) to low-income communities, investing their capital directly back into the community, often in large community projects in order to rebuild the area economically. They are federally insured.
>
> *2. Community Development Credit Unions* are member owned depository financial cooperatives with the specific goal of providing financial services, like a Community Development Bank (see #1), however all the holdings of a credit union are collectively owned by all individuals invested. CDCUs specialize in making small loans to their members who could not get them from the big banks. CDCUs are insured through the National Credit Union Administration, a government-backed agency.
>
> *3. Community Development Loan Funds* are not depository institutions but collect capital investments from individuals and institutional investors (like universities) below market rates and then re-lend to non-profit housing and business developers in low-income communities. They are not federally insured.

There are also other types of CDFIs—including community development venture capital funds, microenterprise development loan funds, and community development corporations—but you will probably only be dealing with the three that we have described here.

Campus Success Story: Community Investment at Macalester College

By Sandy Robson

As a human rights activist at Macalester College in Minneapolis, Minnesota, I was concerned by the fact that although rights are often violated by multinational corporations, there are few avenues through which activists can impact corporations overseas. Joining the Social Responsibility Committee my freshman year in 2005, I saw an opportunity to learn how investments can be leveraged not only to influence corporations from afar, but also to affect positive change through good business practices. Trying to learn more about responsible investment, I was excited to find the Responsible Endowments Coalition, which has had a major influence on my activist work ever since.

At the Responsible Endowments Coalition national conference in October 2005, I was inspired to do an independent study on the possibility of investing Macalester's finances in the local community. By placing our accounts in a community bank, I found that Macalester could help fund businesses and mortgages in low-income communities without putting the college's resources at risk. An energetic alumnus and I proposed the idea as an educational opportunity for students. After considerable effort from both the community service office and the chief financial officer, the college moved $500,000 to University Bank in August 2007.

The bank is currently establishing student internship opportunities both within the bank and the businesses they support, and Macalester faculty are designing classes that explore neighborhood demographics. Students, faculty, and staff will be encouraged to move their own accounts to University Bank, and an ATM will be placed on campus. It is my hope that the college will move a greater proportion of its funds, and that other schools will do the same. This enormous influx of funding could further empower urban communities, especially communities of color that have historically been underserved by financial institutions.

By placing our accounts in a community bank, I found that Macalester could help fund businesses and mortgages in low-income communities without putting the college's resources at risk.

This year, returning to the REC conference to present Macalester's success was a real thrill for me. It has given me the confidence, working with REC, to propose Sudan divestment and investigate joining the Investor Network on Climate Risk. Working with great administrators at Macalester has taught me to appreciate the open minds that shape my school, and given me new insight into ways that students can really change the world!

Sandy is a 2008 graduate of Macalester College, where she was heavily involved in the social justice movement. She also served on REC's Board for a number of years.

Conclusion

Community investment is a new and exciting area of growth for REC, universities, and our society. Community investment is the fastest growing area of responsibly invested money in the US; in the past decade, assets have grown from $4 billion to $41 billion—a staggering 925+% in ten years.[6] Universities are behind the curve, but due to persistent and heated student pressure, a number of colleges around the country are beginning to see the importance of community investment, including University of Chicago, Harvard University, and Wesleyan University. With your help, students can show even more schools just how meaningful and effective this approach can be.

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[6] The Forum for Sustainable and Responsible Investment, "Socially Responsible Investing (SRI) Facts," 21 July 2011, <http://www.socialinvest.org/resources/sriguide/srifacts.cfm>.

Chapter 5: Shareholder Advocacy

In this chapter, you'll learn:

- What shareholder advocacy is
- Two methods of shareholder advocacy
- Three ways to get involved with proxy voting

If your school does not have a committee, try to get one. (See Chapter 10.) You'll be paving the road for many letters, and other actions, in the future.

What is Shareholder Advocacy?

Shareholder advocacy is sometimes referred to as "responsible ownership" or "active ownership." It focuses on the power of voice, allowing universities to influence the corporations that they already own. We see it as the first step towards active shareholder engagement. Because it does not involve moving money, and thus doesn't negatively affect returns, schools are often more receptive to shareholder advocacy than other RI strategies. In some cases, returns actually increase after a company changes its poor practices.

Often, students come to REC wanting to completely divest from particular companies or industries. In some cases, divestment might be effective (We'll discuss divestment more in Chapter 8.). However, it is often more effective to keep those investments and harness your university's power as a shareholder to demand that the company makes substantive changes.

Why Engage in Shareholder Advocacy?

Think of it this way: if your school sells all of its shares of a corporation it finds morally objectionable, someone else will buy them - and that someone else probably does not care about social or environmental responsibility. But if you school remains invested in the company, it can actively advocate for changes to the corporation's policies and practices. A diverse group of shareholders, including religious groups, responsible money management firms, state pension plans, individuals, and private foundations already engage in shareholder advocacy. We think it's about time colleges did the same.

Letter writing: the first step to corporate dialogue Letters signed by prominent shareholders (like your school) almost always receive a response, and are often followed up with phone calls or face-to-face meetings. The desired outcome of letter writing, is for the company managers to acknowledge a harmful behavior and agree to change. This strategy is most simple and effective if multiple shareholders send letters concerning the same issue, and if their letters are researched and prepared by a third party, like a non-profit.

How to engage this strategy on campus: If your school already has a committee on investor responsibility (CIR), great—feel free to approach them with ideas about companies to engage. The more research you can bring (including a sample letter) the better.

Start with dialogue: The most profound source of corporate change is often the most basic. Before protesting, it is worth the effort to have a conversation. Sometimes a reminder is is enough to motivate a corporation to take action, especially if you make it clear that you'll take additional steps if they refuse to treat your shareholder demands with gravity.

On REC's website, you'll find connections to ongoing shareholder advocacy opportunities. REC can provide you with templates for sample letters, such as the one below sent to the Dow Board of Directors and Auditors by its investors in 1984, concerned with Dow Chemical's irresponsible waste management practices responsible for the death and illnesses of tens of thousands in Bhopal.

TO: Dow Board of Directors and Auditors

As Dow Chemical investors, we are writing to request fuller and expanded disclosures regarding the potential impacts on the financial condition of Dow and its subsidiary Union Carbide as a result of outstanding issues associated with the Bhopal Chemical disaster, and the continued contamination of the Bhopal site. Our investing institutions are Dow Chemical shareholders. Specific issues which we believe necessitate better disclosure and analysis by the management include:

- Status and potential impact of criminal and civil litigation relative to Bhopal. There are both civil and criminal cases pending regarding Bhopal. The Dow management has repeatedly asserted or implied that there are no criminal cases pending against Union Carbide over Bhopal, that the company faces "absolutely" no liability associated with Bhopal, and that the only defendants associated with Bhopal are individuals or companies in India. Recent developments in courts in India and the US appear to be directed to further involving Dow Chemical or its subsidiary in issues of site contamination and remediation. In addition, Dow Chemical is being asked by an Indian court to respond regarding the responsibility of its subsidiary, Union Carbide, to appear in the criminal case pending in India.

- Potential impact of reputational damage associated with unresolved issues in Bhopal. The reputation of Dow may be undermined by the escalating controversy regarding Bhopal. In December 2004, the 20th Anniversary of the disaster, there was massive press coverage and NGO activity—over 250 events worldwide focused on Dow, Union Carbide and Bhopal. Also in December 2004, the prominent UK-based SustainAbility, "the world's leading business consultancy on corporate responsibility and sustainable development" issued a report stating that "the experiences of Union Carbide and more recently Dow illustrate how hidden liabilities can and will emerge to threaten reputations and license to operate."

- Status of current activities and initiatives to resolve the outstanding issues associated with Bhopal. It is unclear whether Dow or Union Carbide management is undertaking any efforts to address the company's legal or moral responsibilities in this matter. Although the Securities and Exchange Commission recently reportedly rejected a proposed 2005 shareholder resolution to address disclosure of the risks facing the company, as investors we believe disclosures of financial risk are core legal obligations of the management. In particular we are struck by the requirement for the management to discuss and analyze trends, events and uncertainties which, according to SEC guidelines issued December 29, 2003, requires that an item should be analyzed unless the management has concluded that such item cannot reasonably impose a material impact on the company. We believe it is unrealistic to draw such a conclusion regarding the events relating to Bhopal. In addition, Sarbanes-Oxley Act Section 302 requires the CEO and COO to certify in periodic SEC filings that the report, "based on such officer's knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition and results of operations of the issuer as of, and for, the periods presented in the report…" Again, fair presentation of the condition of Dow would appear to require better discussion of the issues surrounding Bhopal.

Finally, we believe that prior and current company statements must be revised to the extent they may mislead investors. This is a clear obligation under SEC rule 10b-5. Dow Chemical should be reporting the potential financial risks imposed on the company by the Bhopal incident and contamination including:

- Status and potential impact of criminal and civil litigation relative to Bhopal.

- Potential impact of reputational damage associated with unresolved issues in Bhopal.

In addition, the management should also be disclosing the status of its current activities and initiatives to resolve the outstanding issues associated with Bhopal.

As Dow's Board members and auditors, you have a personal responsibility to ensure the adequacy of Dow disclosure practices. We urge you to fulfill that responsibility by demanding enhanced disclosures by Dow's management.

Sincerely, *Your University*

Shareholder Resolutions

Shareholder resolutions—also known as shareholder proposals or proxy resolutions—are formal statements that are sent annually to every single shareholder of a publicly traded company on a "proxy ballot." These resolutions usually work like a nonbinding referendum on a specific issue within a firm.

Sometimes, when corporate dialogue fails, a shareholder resolution is introduced to apply pressure on the firm. Resolutions are typically filed in the fall and voted on in the spring. Most companies would rather not have their issues aired before all of their shareholders, and these incentives inspire dialogue with a greater sense of urgency.

How can your school get involved? For each of the companies your school owns, you have three options, listed below:

Any shareholder who owns more than $2,000 of a company's stock for one year prior to the vote can write and file a resolution and, every shareholder has the right (and duty!) to vote on the resolutions of all companies in which they own stock. Your school will almost always qualify.

1. Vote on shareholder resolutions (or proxies) in the spring

Shareholders vote on resolutions before or during the *annual meeting*. Roughly one month before the meeting, each company sends out an Annual Proxy Statement containing the year's resolutions to all shareholders for them to vote on, (in person, online, by mail or by phone). They can also vote in person at the meeting.

Shareholders have three options in their vote: for, against or abstain. With a few exceptions, votes that aren't voted by shareholders are automatically voted by the company's management, which almost always means a vote against the resolution.

Your school might say, "We can't vote our proxies because they're all in co-mingled funds (like mutual funds)." However, your school has the power to work with its money managers to make sure they are being active shareholders. This is very difficult, but it also has the potential to have positive impact on the entire financial system; as more schools push their money managers to be active shareholders, more and more asset managers will look into it.

Every owner of direct holdings can vote proxies. (The term "direct holdings can be bit misleading, because often they are held in separately managed accounts). However, those who own mutual funds have delegated the authority to buy/sell stocks, and vote on proxies, to their professional mutual fund managers. This makes shareholder advocacy much more difficult, and necessitates that you engage with the fund manager, not just the company. However, shareholders can pressure their mutual funds to be responsible with their votes, and since 2004 all mutual fund proxy decisions are publicly disclosed and can be reviewed on www.proxydemocracy.org.

The Forum for Sustainable and Responsible Investment (US-SIF) divides shareholder resolutions into three main categories:

1. Social responsibility resolutions (which includes environmental responsibility)
2. Corporate governance resolutions
3. Crossover resolutions.

US-SIF defines the categories as follows:

"Social Responsibility Resolutions address company policies, practices, and disclosure regarding issues such as the environment, health and safety, equal employment opportunity, labor standards, military and defense contracting, corporate political contributions, sustainability, tobacco, and animal welfare.

Corporate Governance Resolutions generally focus on how the company is governed by addressing board, voting, compensation and anti-takeover issues, or other proposal seeking to maximize shareholder value.

Crossover Proposals…include resolutions that involve overlapping corporate governance and social issues. Crossover resolutions address issues such as board diversity and executive pay tied to social benchmarks."[7]

In the past, we have been primarily concerned with social responsibility and, to a lesser extent, crossover proposals. We do encourage colleges and universities to vote on shareholder governance proposals as well. In 2010, the SEC ruled that shareholders can add their own candidates for a corporation's board and put them on the proxy ballot along with management's "default" picks, which shareholders often rubber-stamp. There is power too, in voting for the board of directors and other corporate governance resolutions.[8]

2. Co-filing a resolution with another investor or group of investors

The individual or group that does the legwork behind filing the resolution is known as the lead filer. Other shareholders who sign on in support of the resolution before it is published are known as co-filers.

Co-filing is the easiest option and requires no more than consulting with the lead filer and then writing a letter to the company in question that includes proof of ownership of shares and announces that you are co-filing the resolution. Co-filing is a great first step for schools interested in being more active. And the larger the number of co-filers on a resolution, the stronger the message sent to the company's leadership. We can help keep you in the loop about resolutions that other schools are lead-filing or co-filing.

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[7] The Forum for Sustainable and Responsible Investment, 8 Sep. 2010, <http://www.ussif.org>.

[8] Joel Schectman, "Hostile Takeover," *Newsweek*, 8 Sep. 2010, <http://www.newsweek.com/2010/08/30/proxy-war-activists-may-try-to-fight-for-corporate-seats.html>.

3. Lead-filing a resolution yourself

Lead filing is a somewhat more work, but it does happen! Most shareholders will seek legal advice from seasoned filers before they attempt their first resolution. If you want to lead-file a resolution, you'll probably need a committee and be willing to make a significant time commitment. If you're interested in writing one for your school REC can help! Also see Morgan Simon's success story in Chapter 1.

Sample Resolution: *The following is a resolution submitted by the New York City Employees' Retirement System against Walmart. It lists numerous instances of Walmart abusing its workers, and demands an investigative report into non-compliance with workers' rights laws.*

Submitted by New York City Comptroller William C. Thompson, Jr. on behalf of the New York City Employees' Retirement System

WHEREAS, Wal-Mart's reputation has resulted in communities around the country trying to halt construction of new stores or forcing Wal-Mart to pay higher wages and benefits (BusinessWeek online, 10/30/06); and

WHEREAS, a study conducted for Wal-Mart by the consulting firm McKinsey & Co. found that at least 2% to 8% of the company's customers have stopped shopping at the company's stores because of its reputation (BusinessWeek online, 10/30/06); and

WHEREAS, in October 2006, a state jury found that Wal-Mart Stores Inc. knowingly violated Pennsylvania labor laws by forcing employees to work during rest breaks and off the clock. Wal-Mart reportedly faces minimum damages of $62 million according to state labor statues, and the total could easily exceed $100 million (The Wall Street Journal, 10/13/06); and

WHEREAS, Wal-Mart, reportedly, settled a Colorado case for $50 million, and is appealing a $172 million penalty from a California jury last year (The New York Times, 10/13/06); and

WHEREAS, Wal-Mart, reportedly, is pushing to create a cheaper, more flexible work force by capping wages, using more part-time workers and scheduling more workers on nights and weekends, changes some workers say are further reducing their already modest incomes and putting a serious strain on their personal lives (The New York Times, 10/2/06); and

WHEREAS, at several stores in Florida, employees reportedly said that managers have suddenly barred older employees with back or leg problems from sitting on stools after using them for years while working as cashiers, store greeters or fitting-room attendants (The New York Times, 10/2/06); and

WHEREAS, in March, 2006, workers from a Wal-Mart in Nitro, West Virginia, held a small protest rally in the center of town after Wal-Mart managers demanded 24-hour availability and cut the hours of workers who balked; and workers from stores around the country reportedly said in interviews that similar demands had been made on them (The New York Times, 10/2/06); and

WHEREAS, Investment & Pensions Europe reported that Wal-Mart was excluded from the Norwegian Government Pension Fund – Global investment universe because of alleged serious and systemic human rights violations (www.IPE.com 6/Jun/06);

RESOLVED: The shareholders request the Board of Directors to issue a report to the shareholders, by September of 2007, on the negative social and reputational impacts of reported and known cases of management non-compliance with International Labor Organization (ILO) conventions and standards on workers' rights and the company's legal and regulatory controls. The report should include the Board's recommendations and actions taken to improve compliance.

Supporting Statement:

Investors, consumers and civil society increasingly are demanding that companies adopt good governance policies to promote sustainable business development, which includes the protection of human rights, process transparency, and disclosure of compliance by directors and management. Companies that do not incorporate such non-financial factors in their indicators of success could fail to win the support of investors, consumers and other stakeholders.

Examples of Lead Filers and Issues:

Asset Management Companies/Mutual Funds:

-Trillium Asset Management voted on Environmental Issues against Apple
-Calvert Group voted on Sustainability Reporting, against Amgen
-Northstar Asset Management on Banking Issues, against Wells Fargo
-Christian Brothers Investment Services voted on Human Rights against Newmont Mining
-Harrington Investments voted on Environmental Management & Reporting against Coca-Cola

Religious groups:

-The Sisters of Charity voted on Defense Contracting Issues against United Technologies
-The Society of Jesus- Wisconsin Province voted on Human Rights against Chevron
-Evangelical Lutheran Church voted on Sustainability Reporting against Sears

Pension Funds:

-New York City Pension Funds voted on Human Rights – Google Inc.
-General Board of Pension and Health Benefits of the United Methodist Church voted on Environmental Managing and Reporting
-Dominion Resources

State Investment Boards:

-Minnesota State Board of Investment voted on Health Drug Development and Marketing against Wyeth

Non-Profits/ Foundations:

-As You Sow voted on Environmental Product Toxicity against Bed, Bath & Beyond
-People for the Ethical Treatment of Animals voted on Animal Welfare against Eli Lilly & Co

Unions:

-Members of the United Steelworkers voted on Pollution Remediation Costs against DuPont
-Service Employees International Union voted on Political Contributions and Related Issues against United Technologies

Campus Success Story: Bard College's Advocacy with McDonald's

By Katherine Burstein

When I was a senior at Bard College in upstate New York, REC came to the Bard Socially Responsible Investing Committee with a really awesome opportunity. REC knew we were looking for opportunities to engage with public companies held in the endowment's portfolio. They also knew that the Investor Environmental Health Network (IEHN) was looking for investors to team up with to engage McDonald's Corporation on the use of pesticides in its supply chain.

At the time, the Bard Socially Responsible Investment Committee was looking to take things to the next level. We were already executing proxy votes on behalf of the college, but we were looking for new opportunities. More or less, we already had support from the College to go in this new direction. I believe that the Board of Trustees viewed this type of engagement with companies as valuable educational experience and something that could

not be taught in the classroom. Having that approval was really helpful, since it meant we could act really quickly on the opportunity.

After making that initial connection (thanks, REC!), the Bard committee teamed up with the folks at IEHN and with other investors (Newground Social Investment and the AFL-CIO Reserve Fund). Together, we wrote McDonald's a letter requesting information about its pesticide use and associated policies. When we didn't hear back from the company (after about a month or so), we co-authored a shareholder resolution, and each of us filed it separately with the SEC. After filing the resolution, we wrote another letter to McDonald's and requested a follow-up conference call.

Partnering with other, more experienced investors and environmental specialists gave us the tools that we needed to negotiate with McDonald's. We couldn't have done it without them!

This time, McDonald's responded and not only set up one call, but a series of calls. During these, McDonald's agreed to do the following:

1. Survey its current U.S. potato suppliers;

2. Compile a list of best practices in pesticide reduction that will be recommended to the company's global suppliers (through the company's Global Potato Board); and

3. Communicate findings related to best practices to shareholders, and in the company's annual corporate social responsibility (CSR) report.

As a result of this agreement, Bard, Newground Social Investment and the AFL-CIO Reserve Fund each withdrew our resolutions. The entire process has been documented by the SEC and you can check out the details on the SEC website at: http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2009/bardcollege031109-14a8.pdf.

I'd say that a few things were crucial to our success. First of all, partnering with other, more experienced investors and environmental specialists gave us the tools that we needed to negotiate with McDonald's. We couldn't have done it without them! Secondly, it was really helpful to have a non-student member of the Bard Committee—a faculty member who we knew would be around for a bit longer than the juniors and seniors on the Committee—who has been able to follow up with McDonald's regarding its progress in carrying out the agreement.

I'm really proud of this achievement for the Bard Committee, especially since it set a great precedent (now other colleges can use this example to show that it can be done!). For me, the experience was invaluable—I now work in the Responsible Investment industry, and reference my experience at Bard all the time!

Katherine graduated from Bard College in 2009, and now works for an investment consulting firm, specializing in Responsible Investment. She also serves on the Journal of Environmental Investing Scholarship Program's Board of Directors.

Chapter 6: Impact Investment and Positive Screening

In this chapter, you'll learn:

- What impact investment is
- What positive screening is
- The difference between them

Universities can create major change when they decide to proactively invest in new things. This is probably the most powerful way to think broadly about responsible investing. There are two main strategies we'll talk about in this chapter—impact investing and positive screening.

Impact Investment

Impact investments are intended to create positive social change while maintaining a standard or exceptional financial return. For example, an investor concerned about the environment might make a special effort to include green tech firms in their portfolio, and an investor wanting to make a difference among the global poor would invest in a company that improves access to clean water. Many impact investments are project-based, instead of criteria-based, allowing investors to pick and choose specific impacts that they wish to support.

Social venture capital is a specific type of impact investment. As you've probably guessed, social venture capital is venture capital invested in socially or environmentally oriented, for-profit enterprises. Like conventional venture capitalists, social venture capitalists fund and support new firms in exchange for an ownership stake. For example, a social venture capitalist could invest in windfarms or a fledgling R&D company. Recently, due to the green tech boom, social venture capital has been more profitable than conventional venture capital.

Another type of impact investment—which is also a type of community investment—is *microfinance*, the practice of providing banking services to low-income entrepreneurs in financially underserved communities. Microfinance is a well-known avenue of RI that allows low-income families to meet basic needs and improve their businesses. One of the most well-known examples of microfinance investments in higher education is at Tufts University, where eBay founder Pierre Omidyar, a Tufts alum, donated $100 million for an international microfinance fund in 2005. While this much money is generally beyond the scope of any student campaign, the fund is a great example of how a school can embrace an effective form of RI.

Potential Pitfalls of Impact Investment

Impact investment has the potential to create huge social change, especially in the developing world. It is important, though, to make sure that this change is positive instead of negative. As impact investing quickly becomes a more popular investing strategy among big banks and conventional investment firms, it is in danger of deviating from its original intention. These companies see the potential for enormous profits to be made—up to $667 billion over the

next ten years, according to one study—from investing in the poorest sector of the global population.[9]

While this can mean funding for projects designed to improve communities in need, the execution of these projects is often lacking. Since leadership and decision-making in this field comes from a top-down approach, there is little input from and respect for the communities meant to be served. "Investing in" the poorest sector of the globe can too easily become "exploiting" the poorest sector. Keeping this in mind can help investors to choose wise projects that follow through on their good intentions in a democratic way.

Impact Investment at Universities

For schools, there can be numerous benefits of impact investment, despite the fact that this is somewhat uncharted territory. Schools can choose to support specific, tangible projects that are in line with their mission. If your school has adopted a very loud dedication to, say, going green or workers' rights, impact investment could be used to further this commitment. These investments can also create concrete educational opportunities for students in a variety of related academic fields. Perhaps most importantly to administrators, impact investing is accepted by large financial institutions as a new and powerful alternative to conventional investing, which means that embracing impact investment brings great advantages to the school's reputation.

Positive Screening

Another strategy of proactive investing is positive screening. Positive screening is proactively seeking companies that have more enlightened practices when it comes to social and environmental responsibility. This is also known as the "best in class approach." For example, investors admit that oil companies make up a huge part of the stock market, and to achieve the level of growth they desire, they must be invested in oil. So, as counter-intuitive as it sounds, they choose to invest in the oil company with the best environmental record. Companies on the stock market that are conscious of their social impact are unfortunately few and far between. And since investors have to invest somewhere, positive screening helps them make the best of bad options. It is a way to reward companies that are socially forward with their actions and to encourage other companies to change their practices.

Investors may simply apply a screen to the individual stocks they own, or they might purchase screened mutual funds, also referred to as screened funds or SRI mutual funds. Different funds focus on different issues, with some funds directed at religious communities and others at environmentalists. SRI mutual funds have grown from $12 billion in 1995 to $316.1 billion in 2010, far outpacing the overall growth of mutual funds in the U.S.[10]

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[9] J.P. Morgan Chase, "Impact Investments: An Emerging Asset Class," 29 Nov. 2010: 6

[10] The Forum for Sustainable and Responsible Investment, "Socially Responsible Investing Facts," 28 June 2011, <http://ussif.org/resources/sriguide/srifacts.cfm>.

The difference between these two strategies can be confusing. Here's an example to clear things up: Consider an investor who cares about the environment. With an impact investing strategy, she would add renewable energy firms to her portfolio. With a positive screening strategy, she would compare Coca-Cola's green record against Pepsi's, and choose to apply a positive screen to invest in the greener of the two.

Risks of Positive Screening

The tricky part with screened funds is that companies might be strong in one area but weak in another. For example, you might be surprised to hear that most SRI mutual funds focusing on sustainability hold shares of Wal-Mart since it has a relatively strong environmental record for a large corporation. Of course, this same company has been broadly attacked for its underpayment and under-insurance of a marginalized workforce. Some screens work against each other. If you own an environment fund and a social justice fund and put them together, you'll own most of the S&P 500—it'll be like you never screened at all.

So what is an investor to do? Every company has some skeletons in its closet. That's why screening is often best used in conjunction with other responsible investment strategies, like shareholder advocacy. Perhaps the whole system could use an overhaul, but your college is unlikely to be the front-runner in the next economic revolution—at least through investing in public companies. In the meantime, using impact investing and positive screening wisely is a powerful way to make a statement with your school's money.

Social Choice Funds

One way to implement positive screening is through a social choice fund, a method for alumni giving that allows individuals to donate their money to a fund that is managed in a socially and environmentally responsible way. Check out the success story below to see Brown University's challenges and successes with their social choice fund.

Campus Success Story: The Brown Social Choice Fund

By Daniel MacCombie

Brown University stands out in a number of ways: Grades optional, a name synonymous with a color, and a smiling cloud as a logo. But my favorite? It was the first Ivy League with an opt-in sustainable endowment fund, and students put it there.

Students have made sure that Brown's leadership as a progressive and proactive university extends to the world of investment. Brown's Advisory Committee on Corporate Responsibility in Investment Practices or ACCRIP (recently certified as the longest acronym in the history of university sustainable investment

committees, and for which I was a research assistant and then a voting member) is a key part of ensuring that Brown's investments are in line with our social mission, through:

- Proxy Voting: Brown actively examines its proxy votes and analyzes them based on a solid set of voting guidelines.

- Divestment: Brown divested from over a dozen companies that are shown to provide "greater material support to the Sudanese government than to the Sudanese people."

- (Drumroll, please)...The Social Choice Fund: After over two years of work by the ACCRIP and concerned students, the Corporation of Brown University decided to enact the Social Choice Fund (SCF) to invest in environmentally-focused mutual funds that proactively screen for best practices. They chose a single fund, because it a) was much easier to manage, b) had demonstrated strong returns, and c) an individual fund was something simple to wrap the Administration's collective minds around.

How did we make the SCF happen? We focused on two key areas:

Perception. The ACCRIP had to put forward a proposal for the SCF three times. Because we originally called our proposal the "Social Responsibility Fund," the Corporation (Brown's board) was concerned that creating such a fund would "imply that the rest of the University's funds are invested in an irresponsible manner." We found that a simple change of the word "responsibility" to "choice" made a huge difference.

Support. The ACCRIP alone was not able to convince the Corporation to create the SCF. We needed support from several sectors of the school community.

- Over 600 students, alumni, parents, and faculty signed a paper petition supporting the SCF. We created the paper petition in response to criticism that an online petition was "too easy."

- Brown has its own "community council," composed of faculty, students, and the President, which voted in favor of the Fund. Having their voice on our side was ultimately key.

- For anyone else out there trying to get such a fund created, before you get grassroots support, go to the top first. If you explain it to them in the right way, they might be more on your side than you think.

Ultimately, the fund was created, but the Corporation has done little to support it. Fortunately, one donor earmarked a seven-figure sum of money, so the fund has now taken off, but it is unclear if other, more mainstream donors have contributed. The biggest reason for this is that the University has set a $25,000 minimum donation, and they have done little to actively promote it.

One can understand this logic from their end: they don't want to take away donors from the Annual Fund, which receives donations from young alumni and others in smaller amounts. This, however, negates much of the original rationale for the fund, which was that it would engage and excite young alumni donors in a way the Annual fund would not. Furthermore, despite all the facts we laid out for the development office about the returns of the positively-screened SRI mutual fund they selected, it seems that the office still believes deep down that the fund will get significantly lower returns that would outweigh the benefits of any new donors they bring in.

The root cause of all of this is that once we got the fund in place, the coalition we had built broke apart. It certainly would have been difficult for us to keep momentum going when there were no clear goals, but at the least it would have been beneficial to train an ongoing champion for the fund who could push the ACCRIP and the Corporation to continue actively supporting it. A few students have re-engaged with the issue, but these individuals, just like those of us who initiated the push for the Social Choice Fund, were committed to multiple other causes and issues.

So what are the ultimate lessons here?

1. Make sure that you engage with all related constituencies, not just eager students—administrators, alumni, donors, etc. You'd be surprised who you can engage, and at the least you don't want to give anyone the excuse to blow you off for not having explored all avenues.

2. Make sure you have a key, core group of engaged students who know the issues, are effective speakers and advocates, and who will continue to engage the fund after it is created.

3. The potential increase in value for the University is key. You can't just frame it as a good moral issue, although in some cases that might work. Showing your school that such a fund has a chance to bring them positive returns, and that you want to keep engaging them on this, will win the day.

4. Most importantly, remember: even if a positively screened fund isn't selected, you've at least gotten the issue on the minds of stakeholders, and you can use that knowledge to continue to advance your cause.

Daniel graduated from Brown in 2008. He then co-founded Runa, an Amazonian beverage company that works directly with farmers in Ecuador seeking to build a sustainable and equitable direct trade model. (And they work in Brooklyn in the same building as REC!)

Chapter 7: Negative Screening and Divestment

In this chapter you'll learn:

- What negative screening is
- What divestment is
- Why we consider negative screening and divestment to be "last resorts" in RI
- When divestment is appropriate

Divestment has always been one of the most widely known forms of RI, and is responsible for bringing a lot of people into the movement. However, it is not the only RI method, and as you've seen, there are many others that can also be very effective. As divestment is very controversial and difficult to accomplish, we consider it to be a "last resort." That said, it can be extremely effective when the circumstances are right. This section will help you decide whether divestment is an appropriate goal for your campus.

Negative Screens

Sometimes investors exclude certain companies or industries from their portfolios by negatively screening their funds. For example, an investor may decide to screen out:

- Tobacco companies
- Alcohol companies
- Gambling companies
- Weapons manufacturers
- Nuclear power companies
- Resource extractors (coal, oil and gas)
- Companies with especially poor human rights or environmental records

Positive screening and negative screening are really two sides to the same coin, but they tend to have substantially different levels of effectiveness. Since positive screening actively declares that you financially support an organization due to its social practices, it sends a much louder message than simply not investing in a company. Much like consumer boycotts, negative screening can send a confusing message to companies, or not be heard at all. Unless it is accompanied by large media coverage or done in conjunction with a national movement, Walmart may have no idea that it is being screened for abusing the rights of its workers, and will not be motivated to change its ways.

As with positive screens, negative screens can be applied to individual stocks or entire mutual funds. We believe that negatively screened mutual funds can have a greater effect than individually screened stocks; mutual fund managers have greater ownership over broader portions of the economy, and they can achieve improvements more effectively than individual screens by using dialogue and periodic threats to screen if companies are particularly obstinate. Our universities may screen their own stocks; however, they could also use their power as major clients of fund managers to get these fund managers to apply screening criteria and policies to their own funds. Doing so affects much larger sums of money, since

universities usually have much more in comingled holdings (mutual funds, hedge funds, etc) than in direct holdings (individual stocks), and it also sends a much louder message to Wall Street about the way money in general should be managed.

Divestment

Divestment is the act of selling all of one's shares of a given company or type of asset for an explicit political or social reason. Divestment is perhaps the most extreme action an investor can take to reprimand irresponsible corporations. (This is assuming that the investor is doing so publicly and intentionally, not just selling stock because, say, it's not performing well.)

A divestment movement is a negative screen enacted by multiple investors, and accompanied by widespread media coverage. The goal of divestment is to publicize an crisis—such as apartheid in South Africa, genocide in Sudan, or repression in Burma—in the hope of *delegitimizing* the perpetrators of that crisis, and the companies that enable them.

> One of the largest student campus campaigns in the 1980s focused on divestment from apartheid in South Africa. Over 150 colleges and universities divested from corporations who were doing business with the apartheid regime. The campaign was impressively organized and broad, and the negative PR message that schools sent by divesting was a powerful factor in ending apartheid. Divestment movements have been profoundly influential in bringing important issues to the global theater and keeping them there.

Activists know that taking their school's $100k investment out of Sudan doesn't take down PetroChina or the Sudanese government, but it sends a strong symbolic statement. As over July 2011, over 60 colleges and universities have divested, and a number of local, state and federal governments have done so as well.[11] In aggregate, real money has moved out of PetroChina, and the Chinese government's hopes for increased capital movement from the U.S. are being threatened.

When to Divest?

So, when do you stay in a company and try to change it, and when do you throw in the towel and invest your money elsewhere? Until we, as shareholders, have the power to shut companies down, one suggestion would be to engage with industries you think should exist and can be improved, and divest from industries you think should not exist at all.

Let's break that down. Most of us are pretty dependent on electricity—you've probably downloaded this handbook off of the internet, and are probably pretty happy that it is typed rather than hand-written. Most of us are not against electricity, we just really hate the way big companies go about producing it. So you might reach the conclusion not to divest from

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[11] Investors Against Genocide, "College and University Divestment from Companies Helping to Fund the Genocide in Sudan," 25 April 2008, 22 July 2011, <http://investorsagainstgenocide.net/page1004>.

energy companies (because you're not against energy on principle), but rather to be a proactive shareholder and change company practices. You might simultaneously invest in green energy companies because you believe that the market is supplying a socially sub-optimal amount of green energy. You might even hope that eventually the green energy companies will eventually prove to be a viable alternative to the big guys.

On the other hand, many people believe that tobacco as an industry shouldn't exist, has no potential to become socially responsible, and thus merits divestment. Cigarettes are harmful to individuals and to public health, child labor is used in their production and children are encouraged to smoke by company marketers. Big Tobacco, as it exists internationally, is an industry many of us would be happier without. We might choose to divest entirely from big tobacco as an industry that doesn't need to change its practices; it needs to disappear entirely. Many folks feel similarly about military manufacturing—there's no good way to manufacture something meant to kill, period.

This guideline—engage with companies that can improve, divest from companies you don't want to exist—is useful, but not a hard-and-fast rule. For example, if you want to pressure the U.S. government to pass a clean energy bill, a sustained divestment campaign against *all* companies using dirty energy might raise the profile of the issue, and increase public demand for legislative reform. Remember—in this strategy, the demand for divestment is a *means* to get media coverage, not an *end* in itself. Without media, no divestment movement can be successful in achieving its ultimate goal of raising awareness and changing broader societal forces.

For other people, it does not matter whether the choice to divest from the military industrial complex changes the behavior of those firms, they are simply unwilling to be in business with firms that profit from war.

Not Always as Easy as it Seems

Because divestment is well-known and easy to understand, some people assume that it is an easy strategy to implement. Unfortunately, this is not the case. Most universities are very wary of the practice—because it means making a public statement and can be very complex. Take Harvard, for example. In April 2005, Harvard divested from PetroChina, paving the way for many other schools to follow suit. However, in January 2011, Harvard students discovered that their school was again invested in PetroChina through an external fund, to the tune of $16 million dollars.[12] The uptake? Divestment is not necessarily permanent, and if students stop paying attention schools will be tempted to drift back to the status quo. (Having champions in the student body and administration, in conjunction with a strong Committee on Investor Responsibility – see the "How To Make It Happen" chapter – can avoid this.)

You will also need to make many technical decisions as you frame your ask. For example, do you want your school to divest individual stocks, but keep the same mutual funds? Or do you want its mutual funds to be free of your targeted companies as well? Do you want to divest from a whole industry, or a select few companies within it? If you are joining an already-begun

[12] Daniel J. Hemel, "Harvard Still Holds Sudan Stake," The Harvard Crimson, 7 Jan. 2007, 22 July 2011, <http://www.thecrimson.com/article/2007/1/7/harvard-still-holds-sudan-stake-p/>.

divestment movement, these questions will likely have already been answered for you. If you want to spur a new movement, these are tough questions you will have to answer. REC can give you guidance as you make these decisions.

There are no easy answers when it comes to divestment, but some situations offer no alternative. If you are interested in starting a divestment campaign, or deciding how best to engage on a certain issue, we would be glad to put you in touch with some people who have made this difficult decision. Remember also, that most of the impact comes through media coverage. If you want to divest, make it loud.

Campus Success Story: Sudan Divestment at MIT

By Kayvan Zainabadi

I started the divestment campaign from Sudan at MIT because I'm one of those people who can't sit still in the face of mass atrocities. We at MIT might primarily be scientists but we're not without a social conscience!

The conflict in Darfur began in February of 2003, with genocide officially declared by President Bush in September of 2004. Harvard was the first university to move on divestment, divesting from PetroChina in April of 2005. (Remember that the Sudan "divestment" effort has always been one of targeted engagement leading to the possibility of divestment—that's why people often talk about achieving divestment from particular companies, not just the region in general).

MIT does not have as strong of an activist culture as Harvard, nor an administration that is particularly responsive to social concerns. Hence it was an uphill battle for us, especially since, unlike at Harvard and other top institutions, there is no standing committee that looks at responsible investment across the endowment. There is, however, an ad-hoc committee that can be convened in special circumstances (it hadn't been in over ten years). In September of 2006 the Advisory Committee on Social Responsibility re-convened to discuss the divestment issue.

Members of MIT STAND worked to make sure the committee knew there was extensive campus support and that we wanted something done immediately, as the monthly death count continued to rise. In the fall of 2006, the MIT undergraduate and graduate student associations supported resolutions on divestment, and we made sure the topic kept coming up in the school newspaper, conversations with faculty

and administrators, and held rallies, a "die-in" and other demonstrations to keep campus presence and momentum.

During that time we came in contact with REC, and through conversations and workshops came to realize that we had an opportunity here to not only support the end of genocide in Sudan, but fundamentally change the way MIT views its responsibility as an investor. Too often single-issue campaigns leave no infrastructure in their wake, and we wanted to make sure that future activists didn't have to start from square one. With the support of REC we created a proposal for a committee on investor responsibility that would not only consider divestment when appropriate, but ensure the school was voting its proxies every year, ensure mechanisms to evaluate and address community concerns, etc. We see this as an important extension of the divestment work and an opportunity to bring in allies connected to many different social and environmental issues.

With the support of REC we created a proposal for a committee on investor responsibility that would not only consider divestment when appropriate, but ensure the school was voting its proxies every year, ensure mechanisms to evaluate and address community concerns, etc.

In March of 2007 the advisory committee finally met and sent a non-public recommendation to the MIT Corporation, which manages the endowment. In May the corporation announced its intention to divest, and confirmed the divestment had in fact been carried out in September of 2007. This was a major victory for us, but we knew there was more to be done, so we continued to raise campus support for the committee on investor responsibility, getting both undergraduate and graduate resolutions passed, and meeting with administrators. While I am proud to leave the legacy of divestment from Sudan, I hope to not only leave future activists with a good story, but with sustainable infrastructure that will help fundamentally reform the university's relationship with society.

Kayvan was a graduate student in Chemistry at MIT when he worked on the university's Sudan divestment campaign.

Chapter 8: Successes in Responsible Investment

You might be wondering if these RI methods actually produce real change in social, environmental, and governance realms. Check out the "On the Issues" page of our website for many examples of successes in RI, but for now, here is a quick list of different successes.

Environmental Justice

- In 2010, Green Mountain College's Committee on Investor Responsibility successfully convinced the school to invest 10% of its endowment in Portfolio 21, an environmentally screened global equity mutual fund that uses positive and negative screens to invest in companies that uphold positive environmental practices and exclude those that do not.
- In 2010, Loyola University of Chicago filed a resolution with J.P. Morgan Chase concerning their financing of companies that engaged in mountaintop removal mining (MTR), a highly destructive form of coal mining that has had severe environmental and public health consequences in communities across Appalachia. With the coordination of supporting allies and universities by REC, J.P. Morgan Chase released its strongest statement yet on the issue and entered dialogue; they now have a policy that limits MTR financing.
- In 2011, investors filed resolutions with nine oil and gas companies, pressuring them to disclose their plans for addressing water pollution, chemical use, and other risks associated with fracking. Anadarko Petroleum, Cabot Oil & Gas, El Paso Corporation, and South Western Energy agreed to better disclose the potential consequences of their fracking activities.[13]

Labor Issues and Fair Trade

- In 2011, Brown University and the University of Pennsylvania announced that they would not be reinvesting in HEI Hotels and Resorts due to the company's widespread labor abuses. This was the first time in history that American universities made investment decisions based on workers' rights.[14]
- In 2004, the Gap released its first Social Responsibility Report in response to a shareholder resolution filed by Domini Social Investments. The report—the first of its

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[13] Ceres, "2011 Proxy Season Report: Fracking, Water Scarcity, Other Issues Show Shareholders Resolute on Climate & Related Sustainability Resolutions," 23 June 2011, 22 July 20, 2011, <http://ceres.groundwire.org/press/press-releases/2011-proxy-season-report-fracking-water-scarcity-other-issues-show-shareholders-resolute-on-climate-sustainability-resolutions>.

[14] HEI Workers Rising, "Brown University Halts Further Investing in HEI," Stamford Advocate. 21 Feb. 2011, 22 July 2011, <http://www.heiworkersrising.org/?cat=5>.

kind—publicly rated how factories in the Gap's global supply chain treated their workers. The most recent report notes that the company conducted inspections in over 99% of its garment factory base.[15]

Climate Change

- In 2011, in response to shareholder requests, power companies Dominion, Southern Company and PPL Corporation agreed to significantly expand reporting and disclosure on water availability risks and plans for addressing those risks.[16]
- In 2005, Domini Social Investments convinced JP Morgan Chase to adopt an extensive environmental policy to address global warming, illegal logging, protection of habitats, and indigenous rights. Chase manages $1.1 trillion in over 50 countries; the new policy impacts all investments, loans, internal operations, and lobbying activities.[17]

Political Contributions

- In 2007, the Center for Political Accountability and a coalition of shareholders successfully pressured General Electric, American Electric Power, Hewlett Packard and Du Pont to begin publishing a list of all of their political donation recipients from state and local candidates to 527 organizations (the type that made "swift-boating" a verb). Several firms also agreed to disclose their contributions to trade associations when used for political purposes.[18]

Prison Justice

- In 2006, after a yearlong campaign, Yale University students were able to cause enough reputational damage to Farallon Capital Management LLC, a hedge fund in which their school was heavily invested, to motivate that company to divest their $90 million of stock in Corrections Corporation of America. Yale didn't actually divest from Farallon, organizers there just created enough embarrassment for Farallon that they were forced to sell their stake in CCA. This was a broad victory: in some sense,

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[15] Domini Financial Investments, "The Way You Invest Matters: Human Rights," 31 Jan. 2008, 22 July 2011, <http://www.domini.com/shareholder-advocacy/Human-Righ/TWYIM-Human-Rights.doc_cvt.htm>.

[16] Ceres.

[17] Domini Financial Investments, "History of Success," 2005, 22 July 2011, <http://www.domini.com/shareholder-advocacy/History-of/2005-History-of-Success.doc_cvt.htm>.

[18] Anne Moore Odell, "Shareholders Ask Companies for Transparency on Corporate Political Giving," 15 Feb. 2007, 22 July 2011, <http://www.socialfunds.com/news/save.cgi?sfArticleId=2227>.

it amounted to all of Farallon's clients divesting from CCA as well.[19]

Low-Income Communities and Job Creation

- In 2011, Fordham University committed to investing $500,000 in two local Bronx community development financial institutions following a student-led campaign. The money will help support the bank's role in lending to local entrepreneurs, promoting home ownership and supporting affordable housing.
- In 2012, University of Chicago moved one million dollars into local community banks, and Wesleyan University invested $500,000 into financial institutions in its local community, thanks to the efforts of students and their campaigns.

Genocide

- As of 2008, 61 American universities had adopted policies to divest from the Sudan, many as a result of student activist efforts.[20] (See Kavyan's Success Story in Chapter 7.)

Oppressive Governments

- In 2010, shareholders led by Domini Social Investments convinced Toyota to end its joint venture with the brutal military regime in Burma. Toyota had been in a partnership with the Burmese regime to sell motorcycles, light trucks, and cars. The regime had tightly restricted the market for the vehicles to only wealthy citizens and those with military connections.[21]

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[19] Ross Goldberg and Jessica Marsden, "Yale Investment Vehicle Sells Private Prison Stock," *Yale Daily News*, 19 May 2006, 22 July 2011, <http://www.yaledailynews.com/news/2006/may/19/yale-investment-vehicle-sells-private-prison-stock/>.

[20] Investors Against Genocide.

[21] Domini Social Investments, "Social Impact Update," 2010, 22 July 2011, <www.domini.com/common/pdf/SocialImpactUpdate_2010_Q3.pdf>.

Part 2: How to Make It Happen

Chapter 9: How to Make it Happen

In this chapter you'll learn:

- What a Committee on Investor Responsibility (CIR) is
- What a policy is
- Why they're both important
- Tips on transparency, accountability, and campus engagement

Now that you've read about the different types of RI, it's time to learn how to implement them on your campus. While every implementation process is different, there are some effective models and strategies that have evolved over time that are broadly applicable.

> We recommend that your campaign's ultimate goal be ***structural change***, even if it uses a single issue (land grabs, climate change, etc.) as a "hook" to organize students and attract interest.

At this stage in time, most schools have not yet made institutional commitments to extending their mission statements to their investments. For activists, this leaves two choices:

A) Choose a single responsible investment strategy and run a campaign to get it implemented

B) Run a campaign to demand an institutional commitment to responsible investment.

At REC, we think this is an easy campaign choice to make. *If you can change the institutional infrastructure, your impact will be much greater,* financially and historically, than if you get your school to write a single letter or sell a single stock. We think that two effective mechanisms for institutionalizing a commitment to RI are Committees on Investor Responsibility (CIRs) and RI policies. We recommend that your campaign's ultimate goal be structural change such as this, even if it uses a single issue (land grabs, climate change, etc.) as a "hook" to organize students and attract interest.

Emphasizing the importance of institutional change may also make your campaign more successful, because it will be deemed worthy of consideration by trustees (who tend to be more interested in matters of institutional setup than individual decisions). Since trustees generally control the endowment, it is important to frame your request in a way that puts the issue on their agenda.

What is a Committee on Investor Responsibility (CIR)?

CIRs are usually comprised of representatives from different university constituencies: undergraduates, graduates, alumni, faculty, staff, and administrators. Their primary function is to extend the values and mission of the school to investment decisions. In this role they can:

- Vote proxies and file shareholder resolutions
- Develop *proxy voting guidelines*
- Recommend divestment or screens
- Develop community investment proposals
- Serve as an access point for any interested university member who wants to comment
- Request action on ethical issues concerning the endowment

Some committees have more power than others. Some committees work in an advisory capacity, others can make decisions autonomously.

Are Committees on Investor Responsibility common?

As of the last publication of this resource, there were around 45 multi-stakeholder committees in the United States, and even more emerging in other countries. The schools in the US that now have committees include:

Amherst College
Bard College
Barnard College
Brandeis University
Brown University
Carleton College
Clark University
Colorado College
Columbia University
Dartmouth University
Dickinson College
Drew University
Duke University
Earlham College
Georgetown University
Green Mountain College
Grinnell College
Hampshire College
Harvard University
Haverford College
Loyola University of Chicago
Macalester College
Middlebury College
Mount Holyoke College
The New School
Oberlin College
Pomona College
Rice University
Seattle University
Stanford University
Swarthmore College
Tufts University
University of Louisville
University of Pennsylvania
University of Minnesota
University of Oregon
University of Vermont
Vassar College
Villanova University
Washington University in St. Louis
Wellesley College
Wesleyan University
Williams College
Yale University

This list includes many of the most respected institutions in the United States today, a fact that your administration will find difficult to ignore. We are proud to say that REC has provided support in the formation of many of these committees.

How Do Committees on Investor Responsibility Work?

Committee members are elected or appointed to represent different constituencies. Committees usually meet consistently throughout the year, but more often in the spring to keep up with proxy resolutions. There is wide variation on how the committees do business, but they are almost universally advisory in nature and report to either an investment committee of the Board of Trustees or directly to the investment office. Most committees report that it is rare for their recommendations to be ignored.

Will My Committee Stay Active? Will It Make a Difference?

Committees live and die by the student body. An educated community is essential for student groups and other parties to advance their causes. Properly organized, different constituency groups will be laying demands at the feet of the committee, and making it feel delinquent if it fails to follow through. Thus, educating the student body and making sure that students who sit on committees are knowledgeable about their work, are major components of the institutional commitment to responsible investment.

For everything you need to know about how committees work once they are established, check out The REC Committees on Investor Responsibility Handbook. You can also learn more at http://www.endowmentethics.org/committees.

What Is a Policy?

A policy is a written agreement to adhere to a particular type of RI that is approved by the school administration or investment committee. The term "policy" is pretty broad; policies can be written to address almost every aspect of RI. For example, proxy voting guidelines are a type of policy, as is a school's official agreement to divest from the tobacco industry or invest 1% of its assets in community development financial institutions.

Are Policies Common?

Many universities have implemented RI policies, as you've read about in many of our "Campus Success Stories," and can find on our website. The following are more examples:

- In 2009, the New School implemented its "Policy and Procedures on Investment Responsibility," empowering trustees to consider the social, environmental, and governance factors when making investment decisions.
- Stanford University has an extensive "Statement on Investment Responsibility" in place. It covers procedures relating to its committee on investor responsibility, as well as policies around a number of other subjects, including divestment, proxy voting, and engagement with the university community.
- Bard College publishes a quarterly report that gets put into the library that anyone in the community can access. This contains a list of their direct holdings (stocks).

Columbia University has similar transparency policies to provide access to direct holdings to the community.

Will the Policy Remain in Place? How Will It Make a Difference?

Policies can be easy to write, but difficult to enforce. It is often challenging to guarantee that a school will abide by a policy well into the future. There are a couple of ways to increase a policy's longevity.

1) *Establish your policy in your school's investor policy statement.*

Every institutional investor, including universities, has an investor policy statement, a legal document that outlines asset allocations, investment goals, and the decision-making structure of the investment committee. Not all RI policies make it into the investor policy statement (for example, a single screen would probably not be included), but their inclusion ensures that a school's investment office cannot simply ignore the RI policy. Your policy should *not* remain isolated as a committee charter or standalone document.

2) *Ally with someone within your educational institution*

It's important to have an institutional champion for your policy—someone who is credible and powerful in the eyes of the school administration and understands that RI is a positive opportunity—not a threat to financial stability—for the school. Sometimes this is a student. Or better yet, a faculty member. Even better, someone in the investment office. Or better yet, a trustee who is on the investment committee! Ideally, an institutional champion will be part of the school community for many years to come and can therefore ensure that your policy remains long after you've graduated.

3) *Provide a report-back mechanism, and publicize the work of your committee*

A policy without any reporting is pretty useless, because there is no way for the university community to hold the university administration accountable to the policy. The specifics of the report process will depend upon what kind of policy you have in place and whether or not your school has a CIR. For example, the investment office can prepare regular reports for the CIR to review, or the CIR can prepare regular reports to release to the wider university community. Some CIRs designate a person as the campus liaison—someone who visits student organizations to tell them about the committee's efforts, writes articles for the school newspaper, and talks with business or economics professors about how to integrate class visits from committee members and outside professionals who can speak about responsible investing.

There are several commitments and networks your school can sign onto along the way to becoming a more responsible investor, such as:

- The Investor Network for Climate Risk (INCR)
- The UN Principles for Responsible Investment (UN-PRI)
- The Interfaith Center on Corporate Responsibility (ICCR)

However, it's important to understand that many of these commitments are nonbinding and voluntary, and will only be enforced and taken seriously if there is campus-wide awareness and champions making sure they are being taken seriously and addressed publicly. For example, at Carleton University in Ottawa, they integrated several principles into the investment policies that were "consistent with" the UN-PRI, but didn't 'walk the talk' on implementation, rendering it virtually toothless.

Why Both CIRs and RI Policies Are Important

Establishing CIRs and RI policies does not have to be an either/or decision. Often, CIRs and RI policies can complement one another. Sometimes this means that the CIR functions as the body that enforces an RI policy; at Stanford, for example, the Statement on Investment Responsibility integrates the committee's work and its own policies. Other times it could mean that the CIR is in charge of taking the initiative to propose new policies, which can be an effective and nonthreatening task that new committees could be empowered to take on. A committee is going to make it much easier to implement and oversee policies, as well as to have 'champions' institutionalized to make sure that they're being effectively carried out. However, a school does not necessarily need a committee to have effective RI policies.

Transparency, Accountability, and Campus Engagement

Some of the most difficult challenges that students face when implementing RI concern transparency and accountability. The following tips are particularly relevant to committees, but apply to those only seeking to implement a policy as well.

1) *Balance the needs of the university community and the investment office.*

If a committee does not share enough information with the community, it is likely that community members will perceive the committee as unimportant and ineffective. On the other hand, if the committee spends too much time worrying about transparency, it is unlikely they will find a willing and trusting partner in the investment office and the Board of Trustees, who often prefer secrecy.

When strategizing about transparency, first consider:

- What is currently available to the campus community and the public?
- What is made available to the committee or people working on a policy?
- What do the committee-members/policy-makers need available to do their work?

2) *Design processes that are easy to replicate each year*

When creating systems for transparency, accountability, and engagement, be forward-looking, and keep in mind that some processes require a more than feasible amount of energy.

An inconvenient truth about the way many endowments are invested is that aside from direct holdings, cash and cash-like vehicles, and a few other asset classes, much of what is invested in the endowment is often so complex and quickly shifting that it can be very difficult to establish transparency. However, there are still a number of transparency models that you can choose to pursue, including:

- Releasing information about direct holdings
- Publishing proxy voting guidelines
- A town hall-style event to encourage dialog and campus engagement
- Sharing the asset allocation
- Publishing a list the endowment's fund managers
- Gathering questions and information from fund managers, and then compiling information into a report for the community

Don't forget that your committee or student group's website can be an excellent tool for transparency. Many schools have committee websites with password-protected sections for the university community, for administrators who may be apprehensive about information about their school getting out to the "outside world."

Fund Manager Engagement: The Wave of the Future

As you can see, implementing transparency requires understanding of and access to a complex variety of externally managed funds; likewise, working to make these funds more responsibly invested requires a certain degree of transparency and communication. Over the past few years, REC has become more and more aware of an emerging trend at many schools to get rid of the last of their direct holdings—that is, individual stocks—and invest entirely in comingled funds and mutual funds, which may initially be harder to access, gain information about, and influence. In Chapter 6, we explained how shareholders of mutual funds generally do not have the power to screen specific companies, or vote on proxies, without going through a professional fund manager.

The work of *fund manager engagement* has already been taking place with the wide variety of other institutional investors dedicated to being more responsible, but at colleges and universities, it's just starting. Engaging the managers of your schools' money is a challenging proposition; it requires working closely with your administration to get at money that is held in an entirely separate place, whether that be on Wall Street or on the other side of the world. Below, you can read about how Olivia Grugan, was one of the first students to engage in fund manager engagement, by implementing new forms of transparency, dialoguing with outside money managers, and organizing across campuses—all powerful new strategies that our movement is just beginning to explore.

Campus Success Story: Fund Manager Engagement at Middlebury College

By Olivia Grugan

At my first meeting of Middlebury College's Socially Responsible Investment club, the student president announced, with ceremonious gravity, "the final direct holdings have been liquidated." I had absolutely no idea what she was talking about at the time, but everyone in the room responded with varying levels of disappointment and frustration.

I later learned that this unwelcome news indicated the end of an era for responsible investment at Middlebury. Traditionally, at Middlebury and elsewhere, shareholder rights are exercised through divestment campaigns (such as those from Darfur and South Africa), proxy voting, and filing shareholder resolutions. Each of these activities requires the direct ownership of stocks and at least partial transparency. Some time around my first SRI meeting, the Middlebury

College community ceased to have access to any information on direct holdings, because Middlebury had outsourced their entire endowment management to an offsite, professional fund manager called Investure. As more and more colleges relinquish management of parts of their endowment to managers like Investure, many shareholder rights are sacrificed. Some campus committees on Socially Responsible Investment have disbanded entirely because they were primarily set up to vote on proxies and no longer have that ability.

Initially, it looked like the same could happen here at Middlebury. Instead, a new kind of organizing has arisen in this proxy-voting vacuum. We like to call it fund manager engagement.

Our initial hope was to encourage our endowment manager, Investure, to pro-actively invest a portion of our endowment in companies or funds that reflect the Middlebury community's values. Rather than imposing negative screens on Investure, and telling them everything we did *not* want to be invested in, we would be selecting one portion of the endowment to invest in companies that are responsibly and conscientiously managed. We pitched this fund as an experiment with impact or mission-based investing; it would be a model for how an entire endowment could theoretically be managed. If this fund were to have good returns, it could illustrate the viability of sustainable investing and larger portions of the endowment might be transferred into this pro-active fund over time.

Before I explain how we negotiated with the administration and Investure in order to achieve our goals, I have to point out something important. Middlebury's endowment manager, Investure, is responsible for determining and supervising the investments of Dickinson College, Smith College, the Rockefeller Brothers Foundation, and about six other institutions besides Middlebury. This co-mingled structure is important for us as organizers. It means that portions of Middlebury's endowment become pooled with portions of these other endowments and are then invested collectively. This makes it impossible to know *exactly* whose dollar is invested where. Obviously, transparency becomes obscured. However, it also means that members of the many client institutions can jointly make requests of our manager, Investure. We decided to use this to our advantage, ultimately collaborating with Dickinson College and the Rockefeller Brothers Foundation in order to mutually establish what has become to be known as "The Sustainable Investments Initiative."

How did we establish this fund? Frankly, as students and amateur activists, we had no idea what we were doing and very little after which to model our process. We decided early on that we wanted to focus the fund on environmentally sustainable investments because we knew that with Middlebury's reputation and campus character, sustainability would be an easy issue to garner support for.

Initially, we created our own proposal for the fund. It included a definition of sustainable investments and a list of possible funds and companies to invest in. We used rudimentary skills to research environmental mutual funds and other public investments. We presented this proposal to the college administration. (At Middlebury, we are lucky to have exceptional access to our campus administration and Board of Trustees.)

Through weekly meetings with a member of the administration, we began modifying our proposal according to his suggestions and those of some of the members of the Board. This initial proposal slowly evolved into a more modest second proposal requesting that a sustainable fund be established, but not suggesting specific investments. We realized that choosing the investments themselves is something that Investure is far more qualified in doing than we are. We were, however, very specific as to a timeline, the amount of money we wanted invested and the criteria for the fund or companies chosen. Our initial request was that $8 million (1% of Middlebury's endowment) be invested in companies whose primary products are designed to address environmental issues, for example wind farms, environmentally friendly cleaning projects, sustainable timber etc.

Almost a year after we began the discussion, I got a phone call from our administration saying that Investure was going to establish the requested fund with $1 million from Dickinson, between $30 and $70 million from the Rockefeller Brothers and $4 million from Middlebury. This was half what we had asked for, but we were thrilled that the fund was being established.

Investure had also decided that rather than just investing in companies whose products or services are directly related to environmental issues, the fund would be invested in companies from diverse sectors but that represent environmental leaders in their respective sectors. As the responsible investment committee, we supported this decision. A diverse portfolio would be more in keeping with our hope that this fund may become a model and represent a broader investment strategy that could be applied to the entire endowment.

We hardly had any time to celebrate before we started on the next step of our fund manager engagement: evaluation of the fund. As I mentioned above, since Investure manages the fund, it is harder for us to get information about the holdings. Currently, Investure is providing us with a list of the top ten holdings in the new fund, which amount to anywhere between 30 and 40 percent of the fund. With this information, we have to establish a means to determine how "sustainable" the investments are.

This is harder than it sounds. Since we want the investment strategy to reflect the values of the whole campus community, we need to determine what those are. Using Middlebury's mission statement, including members of various campus environmental groups and familiarizing ourselves with Middlebury's history with environmentalism, we have tried to put together a definition of "sustainable investment." This definition includes a list of criteria that we will use to evaluate each company. We are still in the process of finding an established metric with which to evaluate our fund, so that as it grows and we (hopefully!) gain more transparency, we won't have to evaluate each company ourselves. We also hope that more investors will choose to join this fund over the coming months or years.

In retrospect, I can identify two main phases of our fund manager engagement strategy. The first is establishing the fund, and the second is evaluating it. While the first is a contained process whose success can easily be measured, the second is on going and far more nebulous. However, I am a firm believer that this second half of manager engagement is just

as important, if not more, as the original step of establishing the fund. In order for any investment to be responsible, one must be able to monitor its impact. If we are able to apply a consistent and quantifiable metric to our investments, we can track their progress, modify them according to our values and ensure institutional integrity.

Like Middlebury, most other schools also outsource pieces of their investments to outside parties. I encourage you to ask some initial questions and determine whether it may be possible to coordinate with these fund managers in order to make their investments reflect your values. Don't forget that your university is their valued client, and its institutional weight has the power to change the way its fund managers invest.

Olivia graduated from Middlebury College in Middlebury, Vermont, where she studied political science and Arabic. She served as a REC Student Organizer from 2009 to 2011. Olivia's social justice work at Middlebury has focused on environmental issues and working with Middlebury's committee on investor responsibility.

What are challenges facing Olivia and her peers?

- Olivia says, "One of the problems we have run in to is that many organizations that provide metrics are very costly to subscribe to. We hope to convince Investure that such a service would be valuable…this will require pressure from Middlebury and other Investure clients, indicating that they are only willing to invest in ways that are morally as well as financially viable."

Why were Olivia and her peers successful?

- They developed a collaborative relationship with their administration, which allowed them to develop open lines of communication with decision-makers.
- They decided what they could work on (setting general goals, evaluation, defining "sustainable investment") and what the managers needed to maintain control over (specific investment decisions and day-to-day management).
- They used fund manager engagement to gain transparency, and then used this transparency to raise accountability and make sure that the fund managers stick to their word.

Conclusion

Work is not finished once a committee or policy is created; however, the creation of a committee launches a legitimate forum for discussion, while a policy serves as a lasting guideline for future matters. For example, The University of Pennsylvania divested from Sudan in months rather than years, partially because Penn already had a committee in place to make recommendations and exercise influence within the university bureaucracy. Likewise, having effective policies around transparency or specific issues (nondiscrimination, etc.) can make concerns of future student activists much easier for the institution as a whole to address and quickly, decisively take action.

Chapter 10: Organizing

> ***When you're working on endowment issues you should expect a lot of fear on the part of your administration.*** *Sometimes you need a bad cop, but far more often the way to get the school to adopt responsible investment policies is to sit down with your administration. Rarely can they be forced to do anything with the endowment, because that decision is often at the trustee level, not just some administrator making a purchasing decision. Time and again students have won RI committees by researching their schools, researching the field, and developing proposals that are custom-fitted to the concerns of their administration. Does this make those activists any less radical? Any less dedicated? No, it makes them strategic.*
>
> - Cheyenna Weber, former REC Organizing Director

In this chapter you'll learn:

- Some organizing tips and tricks

After you've learned about RI and decided it's something you want to bring to your campus, it's time to start a campaign to achieve your goals. It's possible that your school's administration and trustees will be open and willing to work with you. It's also possible that they won't. You need to be prepared for both of those scenarios. The purpose of this chapter is to provide you with strategies and steps for organizing a successful campaign on your campus.

rec can help

Of course, every school and every campaign is different; there is no orthodoxy when it comes to "success." We'll go over some approaches that have worked for students in the past, as well as some organizing pearls of wisdom. Please be in touch with us as you strategize for your campaign. We can give you guidance as you go along.

Some general points to keep in mind throughout your campaign:

- A successful campaign is usually built on a coalition of student groups and enjoys widespread campus support. But in the end, it may only take a small group of students working consistently to make it happen.

- Always begin your campaign with the mindset that what you are asking for is perfectly reasonable.

- Be prepared to collaborate with administrators and work with those in power. An attempt at dialogue should always be made before escalating to more aggressive tactics, but this escalation should always be the fault of bad administrative responses, not premature student fervor .

Five Guiding Questions

Are you confused about what to do? Do you know what your goals are? In order to keep your campaign focused, it is useful to ask these five guiding questions:

1. What do we want?

For example, "We want our school to be as active a shareholder as possible, in line with our community's values."

2. How can that happen?

Set up a concrete and achievable goal, which can be built upon in the future, such as

1) setting up a committee on investor responsibility to vote your proxies &

2) using that infrastructure to file a shareholder resolution in the future.

3. What do they (the Trustees) want?

The answer to this question is, in virtually all circumstances, is

1) a positive reputation for the school

2) strong investment returns from the endowment.

4. How can *that* happen?

1) *Speak about your goals persuasively*. For example, show them "We have to show them that what you're proposing is not only good for the environment and society, but it will be good for the school's reputation, and financially sound.

2) *If persuasion doesn't work, be prepared to apply pressure.* An escalated, negative campaign message: "We will run a media campaign to threaten to damage their reputation if they do not take action."

5) Reflect upon how you want to balance persuasion and pressure

Persuasion Tactics: Thoroughly researching a proposal in order to garner support from well-respected stakeholders within the administration, developing relationships with trustees, establishing your student group as a trusted and respected campus presence, educating the student body about your work.

Pressure tactics: Collecting petitions from the student body, planning student demonstrations, drafting a student government resolution to strengthen your position, getting the attention of the media.

Balancing pressure and persuasion tactics is difficult, and successful campaigns require both. You should always be reassessing your campaign to make sure that you are staying open for dialogue, while at the same time articulating your demands confidently and consistently. We will be returning to the theme of balancing persuasion and pressure as we outline the steps you will need to take to build a successful campaign in the next chapter.

The following success story shows how Gretchen Pilar Collazo managed to accomplish her goals primarily through persuasion tactics, such as building awareness, acting as a moderator between student agitators and the administration, and articulating her expertise about RI to campus administrators.

Campus Success Story: Committee Organizing at Columbia University and Barnard College By Gretchen Pilar Collazo

The story began my freshman year, when I joined the environmental group. Our organization had begun an investigation of Columbia's "ecological footprint," and this included forming a committee to research how Columbia's investments affected the environment. When our group initiated a major campaign to make Columbia a responsible investor, we involved the entire community - students, faculty, alumnae, the administration, and anyone else who would listen. Through awareness campaigns and one-on-ones, our group grew from four to more than twenty members, and we formed a separate group to focus solely on this issue, Students for Socially Responsible Investing. A musician on campus even wrote a song for us. We linked our campaign to other campaigns, meeting with other campus groups to discuss how responsible investment could be applied to different social justice goals. We also held teach-ins to spread the word. We began to make progress. The administration created a working group, in which we were represented, to examine the issue. Our group submitted a draft proposal which was sent to the trustees. In the winter of 1999, the Columbia Trustees adopted a policy, releasing the school's full investment portfolio and forming the Advisory Committee on Socially Responsible Investment, charged with reviewing and making recommendations regarding the ethical and social consequences of the University's investments. The next year, we initiated a similar campaign at Barnard College. We created Barnard Students for Socially Responsible Investing and began having weekly meetings with the Vice President of Finance and Administration to finalize a proposal to submit to the trustees. Fortunately, our President supported the idea and she proved to be a great help in bringing the proposal to our trustees. In the spring of 2002, we presented our proposal to the Trustee's Investment Committee. We argued that as an educational institution, it was our responsibility to vote on proxies after rigorous discussion, rather than surrendering our vote to management. Furthermore, we noted that our school had already committed to certain policies, such as equal opportunity hiring. It would be hypocritical to advance certain social principles within the school, but then defeat them with our investment policy. The Investment Committee discussed our proposal and then reported back to the entire body of trustees. In 2002, the Barnard Trustees voted to create a Committee on SRI as well! We continued our work, and broadened it to be a general social justice group with a particular focus on responsible investment. My experience with responsible investment was incredible. Through participation in the campaign, I came to understand that the codes of shareholder rights and responsibilities hold within themselves the ability to fundamentally shift the guidelines by which society measures worth. Advocating for responsible investment provides schools with an opportunity to influence a wide range of social justice issues, and can lead to long-term positive social changes, most importantly the ability to encourage companies to measure their well-being by considering both their social and fiscal impact on the public.

Gretchen graduated from Barnard in 2002 and was one of the original founders of REC. She then went on to practice law in New York City.

Chapter 11: 7 Steps to Bring Responsible Investment to Your Campus

In this chapter you'll learn how to:

1. Understand what you need to know (and what you don't)
2. Recruit your team and host a launch meeting
3. Consider your group dynamics
4. Write a campaign plan
5. Write a proposal
6. Get media attention
7. Meet with your president or trustees....and win!

By now, you've learned about the wide variety of RI strategies that your school could—and should—be implementing. This guide will show you the path forward to making the changes you want to see.

If you're trying to bring community investment to your campus, we have the "Move Our Money: A Community Investment Toolkit for Students" on our website. The toolkit will give you more specific guidance to organizing a CI campaign. The following steps may still be useful, but it's a good idea to consult the toolkit as well.

Step 1: Understand What You Need to Know (and What You Don't)

Our chapter on research discusses this in-depth, but we believe that organizing an RI campaign does *not* take an extensive amount of research beforehand. Here are three areas in which some background research can be helpful:

1. Responsible investment

2. The investment process at your school

3. Your school's endowment

Of these three, it is most important to have general knowledge about RI and more specific knowledge about the investment process at your school. It's not always important (or possible) to know the specifics of what your school's endowment. In fact, obtaining that information can be a significant time drain. If you can find some particularly shocking specifics, it can be useful for firing up the student body, but don't worry if you can't find anything right away. If you'd like to learn more, see Chapter 13.

Step 2: Recruit Your Team and Host a Launch Meeting

If it's just you or perhaps you and one other person working on this stuff, that's OK! If you don't have a group, here's a method for getting one together:

- Make volunteer cards that people can fill out and indicate if they want to help petition, attend a meeting, sign up for your listserv, or join your leadership. (See Appendix A for a free-to-use example that students in the past have used.)

- Table for 2-4 days and collect petitions and/or volunteer cards. Immediately add everyone to whatever database you choose to set up. Excel or Google Docs are your friends—don't lose that information once you get it!

- Call your volunteers and invite them to help you petition. Expect significant attrition. College students, especially the ones that care, are busy and burdened. Do your best to keep meetings brief and fun.

- Call *everybody* before you have your meeting to maximize attendance—an email, even the night before, is rarely near as effective, even if you get people to commit to joining in writing.

Many successful campaigns have been won with "core" groups of fewer than ten people. Don't be hard on yourself if your group is small – just make sure you're consistently developing new leaders, especially freshmen and sophomores.

Understand the importance—but also the challenges—of working with a diverse group of people from different backgrounds, experiences, and identities. Oppressive societal forces (such as racism, homophobia, etc.) that we see play out in the "real world" can replicate themselves even in a small group of friends, no matter how well-intentioned everyone may be. Ensure that whatever structure you have in place in a group, it allows for all voices to be heard equitably, not just those who most easily take up space.

If you already have a group of people interested in doing this work, that's great. But, a broad coalition can make you even stronger. If you need to elicit the support of other groups, invite them to a launch meeting. If you can find funding to have REC come give a presentation, it can be a great way to introduce people to the issues—not to mention a chance for us to meet!

Step 3: Consider Your Group Dynamics

A student group can help your campaign run smoothly, and provide a pool of people who can take on different roles and responsibilities during the campaign. If you do form a student group, even an unofficial one, it's important to consider its dynamics. Make a conscious effort

to recognize and respect that every member of your group is an individual who has come to RI work from different experiences.[22]

In order to ensure that your group is as effective as it can be….

- Delegate and empower! One person can't do it all. Make sure that everyone gets an opportunity to engage in the campaign in ways that they feel comfortable with and that gives people ownership over the work.

- Rotate tasks so that different people can bring fresh perspectives to different aspects of the campaign.

- Disseminate information widely and frequently, ensuring that all group members are up to date with what is going on. Encourage others to get in touch with REC if they have questions.

- Make sure everyone has equal access to resources that the group needs.

Step 4: Write a Campaign Plan

After you've hosted a launch meeting and garnered a broader base of support, you and your team should write a campaign plan. A campaign plan is a focused document that establishes what you want to achieve, and what steps you need to take to achieve them. We've printed an extensive sample plan in the following pages for you to consider. If your group already has a way to organize all the pieces of your campaign, stick with it! If not, feel free to try this one out.

> Perhaps you're worrying that by writing a plan, you might become one of those dictatorial leaders who alienates members of your group. If so, fear not. You can write a campaign plan and put it forward to your group even if you are not a leader (or better, even if you work on a consensus model). Let your group consider and critique the document. The whole group will be better off for it.

The campaign plan will help keep your work on track and give you concrete goals along the way. Good campaign planning contributes to more effective group coordination. By setting clear priorities along the way, you can make sure that meetings run quickly and smoothly because it will be clear where you need to go.

We'll go over each of the campaign steps below, but here is a brief description of our categories. Add, delete, or edit as you wish!

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[22] "The Tyranny of Structurelessness" by American feminist Jo Freeman is an influential essay that we recommend as a way to explore the importance of anti-oppression within group dynamics. It discusses the feminist movement's experiments with 'structureless' groups, and how that structurelessness led to the privileged taking positions of leadership and power, while the underrepresented and oppressed were silenced. Google "tyranny of structurelessness" and read it yourself if you'd like to learn more.

Dates: Put in any limiting dates here. Trustee meetings, school vacations, etc.

Recruitment: Put in your goal at the far right hand side, under goals, and work backward. How many people do you need to get involved? 10 is a good number of students, but you might need more if everyone is really busy, or you might be able to do it with less if everyone is committed and has the time. You can also include petitions, campus group endorsements, and faculty and staff ally recruitment among your goals for this section. Fill in your recruitment goals for each month. You'll notice REC uses the law of halves in the sample plan, i.e. if 40 people say they will show up to a meeting, 20 actually will.

Leadership Development: What kind of work will need to occur for the campaign to be successful? What kind of education materials or programs will you need to convince your audience? You'll need to:

- Write a proposal
- Write a student government resolution
- Prepare for meetings with the president and trustees.

On the sample plan we recommend completing these steps in the fall so that the administration has the whole winter break to consider/stall. That means you'll have the whole spring to either put together the committee or escalate your campaign.

Press: We recommend having several different press events. These can coincide with meetings with administrators, responses from administrators, trustee presentations, and trustee responses. Good press will help you to hold your administration accountable. You have to shine a light on their decisions and their process.

Engagement: This is where you put any information about when you're engaging the administrators or trustees. You'll notice that our sample spring plan includes "invite officials to attend REC's spring committees meeting." REC hosts a spring meeting every year for active committees and invites schools considering committees to join us to lean more about how committees work.

Hours: You'll need to carefully map out how much time the tasks will take each month. This will help you to better manage your time and to make sure all jobs are getting done. It will also help you to delegate and to be certain your goals are realistic. As you write out tasks in the other areas, place the number of hours you think the task will require next to it, then add them up and put them in the hours section. This will give you a very real way to gauge how much time you need and to effectively manage your time and the time of others.

Priorities: This is the place to wrap up your major concerns for each month. When everyone leaves the campaign plan meeting they should know exactly what to focus on.

On the next page, we've provided a sample campaign plan. Try out this model and see if it's useful for your group. Note that our plan starts in May, but you can modify it to conform to your timeline.

Sample Campaign Plan

	May	June - August	Sept	Oct	Nov
Dates	5th: last day of class 13th: finals	Break 7th-13th: REC Summer Training	2nd: class resumes	27th and 28th: REC national conference	27th-29th break
Recruitment	50 volunteer cards 25 phone calls 15 chats 12 yeses 6 people at meeting	Set up Facebook group Recruit alumni and students	90 volunteer cards 40 phone calls 30 chats 15 yeses 8 people at a kickoff meeting	5 people begin work on campaign 3 attend REC national conference	Ask for backing from 10 campus groups Get backing from 8 groups
Leader Development		2 people to attend annual REC Summer Training	Start writing proposal Identify 3 potential team leaders	Finish proposal Finish petition Draft student gov resolution	Set up president meeting Finalize resolution
Engagement					
Press				Call 4 outlets Identify 3 that want to be kept updated	Follow-up with 5 outlets Write op-ed and letters to the editor
Total Hours	15		30	30	30
Priorities	Find Students!		Find Students!	Proposal	

	Dec	Jan	Feb	March	April	May	Yearly Goals
Dates	11th: Finals 19th: last day		12th: REC Committees Workshop				
Recruitment		2 school officials to attend REC's Annual CIR Workshop	Identify 2 faculty and 2 admin for support				7 groups endorse 150 alumni signatures 750 student signatures Faculty senate endorses
Leader Development	Meet Submit proposal Submit resolution	Team leaders devise strategy based on response		Meet with trustees			Prepare and submit proposal Prepare and submit student government resolution
Engagement	Meet with president	Respond to president	Invite president to CMA meeting		Meet with trustees		Convince trustees to vote for a committee
Press	President meeting press event Student resolution press event		Admin response press event		Trustee press event	Press event on trustee vote	3 press events 3 hits for every event 10 hits total
Hours	15	35	15	25	10	15	220
Priorities	Meet Prez	Press		Trustees		Press	Win!

Step 5: Write a Proposal

The next step is writing a proposal that you will present to school administrators when you meet with them. Ideally, the proposal will be approved by the administrators and will then serve as a starting point to crafting more permanent university policy. Writing a proposal is not as difficult as it may sound, and it's a great idea to base yours off language from other schools' successful proposals from the past.

rec can help

REC has plenty of **templates** available. In the Appendix C of this handbook, you'll find a sample committee proposal, as well as on our website at http://www.endowmentethics.org/sample-proposals.

Before you start writing, you may also want to do a bit more research. If you pull together the right materials, you'll be ready to write a much more specific and effective proposal. Here are a few pointers:

- Check if there is an existing responsible investment policy by visiting the website or the Office of the Treasurer. Call to make sure.
- Look up any past efforts on social responsibility. Did your school divest from Sudan or South Africa? Are you going green? If the school is already taking steps towards social responsibility, your efforts to motivate endowment responsibility can ride the trend.
- You should be able to describe how your endowment is invested, at least in general terms relevant to the asset class(es) you're proposing to impact.
- You may want to read the annual report for the school or for your school's foundation. It has lots of interesting information about how the endowment is doing and how the school is marketing itself.
- Many schools want to keep up with the Joneses. Ask REC what your school's peer institutions are doing. Schools are *always* trying to keep up with each other on rankings and status. You can use this to your advantage.

Be sure to have several parties review the document to ensure that it is as professional as possible. Even if you haven't been in touch with REC much, dropping us a line so we can suggest edits is one of the easiest steps you can take to strengthening your ask.

Step 6: Gain Media Attention

Whatever you do, don't skip this step.

Campus media, while important for student opinion, may not have the weight by itself that students may hope for if dealing with a conservative, recalcitrant university. What does have weight with the administration is the risk of the administration looking bad—a risk that is real if professors read local blogs or media outlets in addition to their *New York Times*. The student paper is low-hanging fruit that you should definitely take advantage of, but an external

media outlet calling up your investment office and asking for comment will surely get your administration's attention.

As soon as you get your team together, you'll want someone to take responsibility for media outreach. Get a volunteer and make sure they have a good sense of how media work gets done. That person should develop a list of media outlets in your area and try to locate reporters at each outlet who are interested in receiving a press release or being kept abreast of the story. Try reporters who cover higher education, metro, school board, youth, columnists, feature writers, etc. Try blogs. Try everyone! On the sample plan we suggest identifying three outlets and getting a good contact at each as a strong strategy for success.

Of course, you won't send them anything right away; you're just giving them a call to let them know who you are and what the campaign is, so that you can get back in touch later on. When you're ready to submit your proposal and meet with the president you'll send all of these folks a press release, with a personal note, and call them to make sure they received it.

The most media-savvy of campaigns will stage press events at four points: when you submit the proposal and meet with your president; when the president responds; when you meet with the trustees; and when the trustees vote. Each time, it's better to loop in the press yourself to make sure there's coverage rather than relying on them to pick up the story themselves.

Why Is Press a Crucial Aspect of a Campaign?

- *Press adds pressure.* If you do not contact the press before your meeting, your administration won't have any reason to respond to you except to be nice.

- *Press creates awareness*. Even if your campaign is a spectacular failure, it's still critical that there is an awareness of our universities' investments and their social and environmental impacts. We must create this dialogue on campus ourselves.

- *Press creates national momentum*. This is one of the coolest aspects of this work! When a major press event happens, or even better, when a school makes a commitment to RI, *people across the country take notice*. If you're a labor activist, the labor movement will be watching the fruits of your work. If you're setting up a committee, schools across the country that have been thinking about setting up committees will read about it. And regardless of what's going on, REC works hard to share news of students' progress throughout its far-flung network.

What if you do all the work and the story doesn't get covered? Well, there are different ways to be creative and get some press. Often times, this begins with a good visual. Students fighting for transparency have constructed people-sized milk cartons with labels that read "Missing: $1 billion" to poke fun at administrators who claim that they don't know where their money is invested. Another group hung fake money from trees. You could also have enormous dollar bills fighting for justice, beating up on "bad" companies. The more creative, the better your chance of getting press.

Top Ten Ways To Get Great Media Coverage

1. *Set realistic goals for your media outreach efforts.* What do you intend to accomplish for your campaign by contacting the media? What message do you want people to hear? What do you want people to do once they are informed about your campaign?

2. *Know your audience.* Who are they—students, administrators, alumni, community members? Where do they get their news—newspapers, TV, radio, blogs, online?

3. *Know your message and make sure it is simple, clear and direct.* Let your campaign goal guide what you plan to say. Pick three concise talking points to emphasize. Visualize the ideal headline you would like to see and then craft your message accordingly.

4. *Know what reporters want.* They want stories that appeal to their local audience, and that present trends and examples that illustrate a broader issue.

5. *Develop a list of media contacts.* Research past articles on topics like yours and find out who wrote them. Find out how reporters would like to receive information. Some prefer to receive press releases in the body of an email. Some still like faxes.

6. *Craft a press release* that answers the five Ws and one H: Who, What, Where, When, Why and How. Follow the format of a good press release: the first, or "lead," paragraph should answer the 5 Ws and one H in just one or two sentences. The second and third paragraphs should include an interesting quote reporters can use in their article. Your entire release should be no longer than two pages. Make sure the release focuses on the public benefits of your campaign and is not self-promoting.

7. *Follow-up on the press release with phone calls to reporters.* Make follow-up calls a few days after to ensure they received it, and resend it to them if they say they didn't receive it. Take the opportunity to pitch your story and build rapport.

8. *Be concise, honest and on guard when talking to the media.* Talk in simple lay terms. No acronyms! They probably know less about responsible investment than you do. Answer questions as fully and candidly as you can, making sure to get your message across. If you don't have an answer now, don't make something up! Ask the reporter for her deadline, and then provide the answer in advance of the deadline. Be wary: reporters sometimes ask loaded questions intended to generate a provocative response. Don't rise to the bait.

9. *Be responsive.* Return a reporter's call as soon as possible. The speed of your response will set the tone for your relationship from that moment on.

10. *Follow-up some more.* Send a thank-you note to reporters when they cover your story well. And keep in touch! Send them emails about interesting story ideas that might appeal to them, and let them know that you can be a resource for them.

Step 7: Meet with Your President and/or Trustees

Big meetings take some planning and rehearsal. Over the years, students have devised multiple lists of talking points and questions that trustees will likely ask. REC has a library of these documents, along with some speeches, on our web site at www.endowmentethics.org. In Appendix D of this handbook you can also find a nice Q&A prepared by students at Tufts. Depending on the campaign that you're running, you'll want to develop your own documents to prepare for important meetings.

Here are a few helpful tips on meetings with your administration, all of which could strengthen your proposal:

- Send your proposal and an ideal meeting agenda to all meeting attendees. Be sure to follow up and confirm before the meeting.

- Developing a friend—if not a champion, at least a sympathetic ear—on the investment committee or in the administration is *never* a bad idea. Having even just one person who will speak up in your favor with the decision makers could make all the difference. Consider doing a bit of background research and getting in touch with 2-3 of the committee members beforehand, even if it's just to send them a short, but well-crafted individual email.

- Even if it's not your usual style, dress up a little for this meeting. You don't have to wear a suit, but if you have one, it wouldn't hurt. It's one way to show your trustees you are serious about getting this policy implemented.

- Be prepared to talk it out. Make sure that all students involved know their roles and responsibilities within the meeting. Anticipate questions and comments and assign people involved in the proposal to be prepared to respond on certain topics.

- Be prepared in writing, too! Prepare good examples of similar successful institutions, and if possible, get their contact information so that administrators or trustees can get in touch directly. You could also go into the meeting with written support of important faculty and staff, and/or a petition with an impressive list of students and/or organizations.

- Make it clear that you are all on the same side. Acknowledge that you recognize the important role that endowment returns play in the quality of your education and that you are not looking to deplete your endowment.

- If your campus has a responsible investment history, acknowledge it.

- Make it personal. Tell your own story about becoming interested in RI. If possible, tie your argument into something that they've said or done that was particularly responsible of the university. If you can find a pet project that seems to be

progressive in the right direction, acknowledge it. Try to build a bridge between your view of the world and your administrator's view of the world.

- Be prepared for feedback, and ask for it. Even if they outright reject the proposal, you still have options—see the next step.

- You'll also want to end by creating a follow-up opportunity. You might:

    - Volunteer to send them the Trustee Handbook, co-authored by REC and Amnesty International and available on our website, so that they can learn more about responsible investment and say that you'll contact them in three weeks if you don't hear back from them before then.

    - Ask the president to discuss your proposal with one or two trustees to gauge their interest. Tell them that you would very much appreciate the feedback.

    - Ask the president to get your proposal on the agenda of the next meeting of the Board of Trustees or the Board of Trustees Investment Committee.

    - Ask for a second meeting to discuss the policy after they've read it.

    - Ask the president to commit to taking action within a certain period of time.

Your president will love the idea, need more convincing, or reject it outright. If she loves it, congratulations—you won! You'll likely be pulled into a working group or a committee to determine specifics of the next steps the school should take to implement RI.

If it's either of the other two responses you'll need to escalate your campaign.

What Happens if They Say No?

How to rethink your balance of persuasion and pressure

A "no" is a reflection of the realities of the power dynamic between the askers and those being asked—it means that those asking (you) do not have enough *leverage* over those whom you are asking. Escalating a campaign is exploring and acting on the ways in which you can further build leverage. Before employing escalation tactics, take a moment to reflect on your campaign up to this point. Ask yourself these questions:

- Did your tactics alienate certain constituencies?

- What role did media play? Was there not enough, or did poorly managed media make you look like the bad guys?

- Did your campaign target the root of the problem AND offer a solution?

Once you've answered these questions, you can begin to create a new plan. Remember to gently highlight the negative problem (your school's lack of RI policies), but mostly focus on the positive solution (your proposed creation of RI policies).

Build support. If your administration is not receptive to your proposal, it is essential to build a stronger coalition of supporters. There are several ways for groups and constituencies to show that they support your mission. Some useful ways are:

- *Petitions*: It can be fairly easy to convince alumni to sign your petition by contacting recent graduates, setting up a Facebook group, or gathering signatures at homecoming.

- *Letter writing:* Convincing some alumni to write letters to the administration saying they support your cause can be effective.

- S*tudent government resolutions:* You can look at our website for examples of student government resolutions. Student government resolutions show the administration that you have broad student support for your request. If you're really ambitious, you can also ask the faculty senate or faculty and staff unions to pass similar resolutions.

- *Bring in other voices:* Reach out to university constituencies at every stage of your campaign. This could be a representative from a state treasurer or pension fund that has been investing responsibly for some time, an alumni, a faculty member, or (at the very least) a REC staff. If you think that you need another voice at the table, let us know and we'll try to help you to find the right person. It's also important to continue efforts to educate the entire student body. One fun and easy way to do so is by creating a "bathroom reader." See Appendix E for an example from a WashU student.

Make connections with schools that have already committed to RI. REC can help you and your school connect with other schools that are considering implementing RI or have already implemented RI. We're happy to set up a meeting for you between your administration or faculty and similar representatives from a peer institution. This approach can be highly effective for administrators who are on the fence.

Refine your argument. You will be pitching your case over and over again, so make sure that you learn as you go. Your argument should grow more convincing and more sophisticated as you begin to understand the most common responses. If you really want to do some honing, go present to people who will likely oppose you. Continue to refine your argument and take the concerns expressed by your administration seriously. Decide when you can compromise and when you cannot.

Stage press events. No RI campaign has been successful by storming a president's office and making demands. However, smart, carefully staged events that draw people in and reinforce the moral high ground and sound reasoning of your argument can make a difference. Create events that do not overtly demean campus officials. Make the case for responsible investment

in ways that draw rather than alienate. The last thing you want is your tactic to get all the attention: it's your message that you want to communicate.

Find an issue that mobilizes your campus. Sometimes just trying to change infrastructure isn't enough to excite your campus. Sometimes it takes a focused issue that is important to your student body. For some it might be tied to genocide or human rights abuses, for others it might be about the environment or general issues like democratizing your school and giving students a greater voice. When trying to find an issue that mobilize your student body, it's important to consider your campus culture. What kinds of activist groups are most visible on campus? Have there been any recent campus controversies that you can capitalize on? Community investment can be important in areas where town-gown relations are poor.

Applying Pressure Wisely

Sometimes when students are frustrated with their administration, they want to plan dramatic, aggressive actions (like a sit-in in the school president's office). And although sit-ins have been an effective tactic in some movements for many years, it is important to keep in mind that there are other tactics that better relate to the endowment and RI activism. Student groups that employ radical tactics risk being perceived as immature and unreasonable. Here are three examples of tactics that are effective *and* relevant to the endowment:

- *Senior gift boycotts.* Though most senior gifts do not go to the endowment, the symbolic act sends a clear message to the administration: clean up your financial responsibility or expect your students to be less willing to donate. Senior giving is intended to start a giving tradition that lasts for a person's lifetime; development offices take it quite seriously when senior giving is reduced. Because senior giving rates are included in most college ranking systems, there are other campus constituencies that take them seriously as well.

- *Symbolic "outside endowments."* This can be quite complicated for legal reasons, but it is possible to have hundreds of students donate a few dollars to a fund that will be made available to the university only when it cedes to student demands. If you want to do this, please get legal advice before you do so. There are important limitations on how you can explain the fund and on how it must be managed.

- *Alumni economic resistance.* Alumni refusing to donate sends a strong message. You may not be able to get the right materials into an alumni magazine, but perhaps you can join and send emails out to regional alumni networks or through Facebook. Check and see if your school gives you access to alumni contact information. If you get 100 alumni to send letters to your university saying that they refuse to donate until the investment policy changes, the right people will be concerned.

Again, direct action has its place in social movements, but in responsible investment activism, many campuses have found success through *trust, education, media coverage, and reason*. Don't underestimate these tactics, either.

Pulling It Together

Ideally, after escalating your campaign, you'll get another chance to meet with your administrators. Hopefully they will have re-evaluated their positions about your proposal. For this meeting, it's a good idea to follow all of the tips we mentioned above, as well as the following:

- If transparency and student involvement makes the powers that be wary, frame your proposal as a chance for free research, advising, and protection from risk (but don't give up your goals!).
- If you're advocating for a committee, remind them that much of this information is already public, and that students will be getting involved for the sake of looking out for their school and its mission, and that the committee will be not only educational for the students, but advisory for the powers that be. You can also explain that a CIR is a great way for the powers that be to be clued into important issues, so that they can take action, before students feel the need to pressure them. *Initiative*, *transparency*, and *responsibility* are great buzzwords.

Conclusion

Organizing a campaign is not always easy, but it can be rewarding and empowering. Furthermore, just because you're talking about serious issues doesn't mean it shouldn't be fun. Remember what we said about national momentum? Don't forget that through your work on your campus you will be paving the way for change at universities and colleges across the nation. And remember, if your campaign stalls at any point, you can contact REC, and we can help you strategize.

Chapter 12: Research

In this chapter, you'll learn:

- How to find the information you need
- How to be confident in presenting the information you have (and don't have)

At this point in your process, you might be feeling a little daunted by a hypothetical looming pile of research. Don't be! First of all, we want to reiterate that REC is here to help you. If fear of research is all that stands in the way between you and a victorious campaign, then let us do the heavy lifting. Don't overestimate the amount of research that you need in order to be a persuasive activist. Knowing the basics about responsible investment, and having some understanding of the investment *process* at our school is both more essential and more feasible than knowing all the specifics and numbers concerning your school's complex investment portfolio.

Step 1: Get to know the basics of Responsible Investment

You're already there! Start with digging deeper into our handbook, and the REC website, and sharing this handbook with others. Get feedback and find out about how and where people are skeptical. If you can, attend a REC conference to hear about other people's experiences. Call or email REC and ask some questions to clarify.

Step 2: Understand the Investment Process at Your School

Large organizations can be very difficult to navigate, even if you're just trying to do well for yourself and get a degree. They can be even more difficult to redirect or change, especially when they are allowed to be faceless conglomerates. So, one of your first steps is to identify key decision makers.

Ask your investment or treasurer's office for information. They might not tell you about its contents, but they will probably tell you about the organizational structure of the endowment's control: they should know who is responsible for making the investment decisions and who is responsible for voting on annual proxy resolutions (For more on proxy voting, refer back to Chapter 6.) Usually the trustees set broad strategy and the investment office or fund managers carry out that strategy.

REC is Delicious!
Check out www.delicious.com/endowmentethics for many links to web resources about responsible investment.

Contact your president. Before you can convince the trustees, you have to get access to them. Your president may act as a gatekeeper to the trustees. He or she has the power to give you access to the trustees, so you might need to convince him or her that a responsible investment initiative is a good idea. Often the president will delegate the conversation to a person more knowledgeable about investment policies, such as the VP of Finance or the Chief Investment Officer. This is fine, so long as you do not find yourself barred from direct conversations with influencers. Clear timelines and expectations can help to maintain accountability.

Find out about outside investment groups. Some schools work through a separately owned investment group or a private foundation. In this instance you should still go to the president first. He or she has the power to make responsible investment a priority and to find ways to sway the foundation officers and board of directors, even without direct influence. If the president is your champion, you have a much better shot at achieving your goal. However, it is still useful to know the contact information for the investment decision-makers so that you can direct future correspondence to the appropriate people.

Assess your work. Your initial research needs to cover the following:

- Who do you need to convince?
- How often are those people available, i.e. when do the trustees meet?
- Who could help you convince these people?
- Who needs to be actively on your side for success?
- Is there anyone who could block you?
- Who are your natural allies?

Administrative assistants and office staff may be the best place to start with these questions. Universities can be labyrinthine bureaucracies, but administrative assistants usually know their way around. Don't forget to befriend the person who answers the phone!

Step 3: Understand Your School's Endowment

Be Friendly and Persevere!

It may be challenging to obtain fully sufficient answers to the range of questions you are asking. Some have high-level investment officers who believe sharing information will hurt returns, while others just aren't accommodating to student activists. Remember to maintain a professional demeanor—after all, these are the people whose support you need on the way to your goal.

You may also wish to develop a better understanding of your endowment. REC can help you with this work, but some of it will be a byproduct of on-campus conversations with administrators. Here are the steps you can take to research your endowment:

Ask. Always remember, the simplest way to get information is to walk into your Treasurer's office and ask for it. Just ask nicely, or have a friend from student government do it! Some schools give information to university affiliates who come into the office with an ID. If the university will provide you with the information directly, that is definitely the easiest way to go about getting a list of investments or *investment managers*. If that doesn't work, try the Board of Trustees' section of your school's website. It will be relatively easy to get information that already has been processed for distribution to alumni, current and prospective students, parents, local governments and others.

Read the annual report. Most schools produce an annual report for their donors and alumni. This document often reveals the size of the endowment and other pertinent investment decisions. It also tells you how the school is positioning itself to alumni, which can be important for your campaign. Tying your message into the narrative the administration is already using can be very effective. You can usually find these online or at the Alumni Office, the Investments Office, the Treasurer's Office, or the Development Office.

File a FOIA. At public universities, you can file a FOIA (Freedom of Information Act) request for the investment information you are looking for. Most public universities and colleges are subject to state open records laws, requiring them to answer your query. Often this query needs to follow a specific format, but REC can provide you with samples. You can use this query to request investment information, the names of the investment officers, and outside investment managers. You can use the same request to ask for the list of companies in which the university is currently invested and for the proxy voting records.

Check out the 990. At private universities and foundations associated with public universities, you can look up relevant investment information on the IRS tax form 990 that they are required to file. This form is available on www.guidestar.org (you must register, but it is free), or you can ask your administration. The university is required by federal law to give a 990 copy to an in-person requestor on the same day, charging no more than reasonable copying fees. For more information on how to read the 990 and use EDGAR, including step-by-step instructions, check out our webinar "Researching Your Endowment" on our website endowmentethics.org/webinars.

Visit the SEC website. You can also research the investment managers and sometimes find public equity investments directly on the Securities and Exchange Commission's website. Companies that advise multiple investors must register with the Securities and Exchange Commission. If you find the name of an investment manager through a open records law request (sometimes referred to as a FOIA), the 990 form, or asking directly, you can look up information including:

- How much money the fund controls
- Where it is located
- What types of investments it makes
- Who runs the company

Likewise, investors owning more than $100 million in shares on the stock market must reveal their investments. Once you know the names of the investment managers, you can look them up on EDGAR, the online filing system for the Securities and Exchange Commission. This can be a complicated search engine to navigate, so we recommend using our webinar to help you through it.

So go off and research! Gather as much information as you need to feel comfortable running your campaign, but just don't let it get you down. If you ever feel overwhelmed or need help, you can always call or email REC. That's what we are here for.

Some Helpful Websites

- www.endowmentethics.org/resources – Home base for research help. We have sample proposals, webinars, success stories, and more handbooks all created for the sole purpose of making your campaign successful.
- Your school's investment or treasurer's office website – This is a great place to find information on your school's investors and investments.
- www.guidestar.org – This website gathers and publicizes data about non-profits. It can be very helpful with deciphering the 990 form.
- www.Investopedia.com – Detailed glossary of any investment terms you might find confusing.
- http://hausercenter.org/iri/about/ri-curriculum - A comprehensive list of academic resources about responsible investment taken from the curricula of professors from across the country.

Conclusion

In the end, we still want our endowments to make money. We still want our schools to provide financial aid and a quality education. We want our trustees to hire effective administrators who can manage large organizations. We want our professors to be good teachers and researchers. We want students to learn, think and grow. But none of the many missions of the modern college or university is at odds with responsible investment, and responsible investment itself is not at odds with profit.

Our schools serve many communities in many different ways, and it is incumbent upon us to hold them accountable to the communities that are outside their dominant concerns and beyond their structure of control. As activists and organizers, it is our job to bring people together and to hold organizations accountable to their missions. This is what we do.

This manual provides a background on how change has been happening in university endowments. It is incomplete in two senses. It is incomplete because the authors have limited knowledge; there are things happening that we just don't know about. It is also incomplete because it represents a movement that is, as of yet, incomplete. There are so many amazing things that could be happening in college and university endowments, and we are just getting started.

This movement is exciting for so many reasons. It's innovative. It's direct and targeted, but can be applied broadly across campaigns, bringing coalitions of people together. It allows us to think about money, power, and change in whole new ways. Above all, it's inspiring. Every day, we are introduced to more and more brilliant, thoughtful, passionate student activists who are applying the tools of responsible investment in ways we never thought of. Here at the Responsible Endowments Coalition, we can't wait to see what you are going to come up with next!

Appendix A: Volunteer Card

Feel free to copy and re-use this at your school.

YES, I WOULD LIKE TO GET

MORE INVOLVED IN THE CAMPAIGN!

NAME: _____

PHONE: _____

EMAIL: _____

MAJOR: _____

YEAR: _____

CHECK EACH BOX THAT INTERESTS YOU:

☐ I would like to volunteer.

☐ I would like to receive updates on events and actions.

☐ I would like to attend a presentation on responsible investment.

☐ I would be interested in petitioning.

Appendix B: Petition (Brandeis University)

An open letter to the Brandeis University Administration and Board of Trustees:

Brandeis University is built on a dedication to the active pursuit of social justice, written into the institution's four founding pillars. This commitment does not stop at education, but includes social responsibility across the board – including the University's endowment policies. Currently, Brandeis does not publicly reveal any of the companies in which it is invested. The university also has no established mechanism for determining the social or environmental impact of our investments. We believe Brandeis has an opportunity to reform these policies, show its commitment to its founding values, and use its investments as a force for social responsibility.

To these ends, we, the undersigned, believe our endowment should have greater transparency. We further believe an advisory committee to the Board of Trustees should be established to consider the social impact of our investments.

Such reforms have been instituted at many of our peer institutions, including Harvard, Brown, Yale, Smith, Williams, Vassar, Stanford, Swarthmore, and Columbia. We hope Brandeis will join the forefront and serve as an example of responsible public citizenship to universities worldwide.

Our namesake, Justice Louis Brandeis, once said,

"There is no such thing to my mind as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with public welfare."

The undersigned affirm this sentiment, and hope our University's policies soon reflect it.

Name	Affiliation with Brandeis	Grad Year	E-mail	Signature

Appendix C: Administrator Q&A (Tufts University)

Q: So, kiddo, how much money will this cost us?

A: Great question. The short answer is it will have no impact on investment performance. Shareholder engagement does not involve any changes in investments, therefore, it does not impact endowment investment returns. More than a dozen other leading universities already have shareholder responsibility committees and have not reported any negative impact on performance. In fact, to give you a better sense of how a shareholder responsibility committee works at another school, we have distributed copies of the 2006 annual report from Dartmouth's Advisory Committee on Investor Responsibility.

Q: Won't shareholder engagement interfere with our investment managers' strategies?

A: No. Investment managers are tasked with finding the best investments and shareholder engagement does not involve any changes to their investment strategies. Rather, shareholder engagement capitalizes on the rights and responsibilities that universities have by virtue of owning corporate stocks. By voting on shareholder resolutions or engaging directly with a company, the endowment is not buying or selling its shares, it is simply using its voice as a shareholder to assure Tufts is voting in line with campus policies. While I don't know the specifics about Tufts' endowment portfolio, even if only a small fraction is directly owned by the University, that fraction can still represent tens of millions of dollars worth of stock on which we can vote. If we offered recommendations for that stock, the educational value would still be as great as if we were talking about a much greater amount.

Q: Do kids actually care about these issues?

A: The image of Tufts students being concerned about the world around them and taking an active role in it is true. In the last week, we have gathered XX signatures for a petition for you to approve our proposal, YY showed up at a vigil in support of our proposal, and 2 Viewpoints have run in the Tufts Daily and Observer. Students are concerned about this issue, and some student organizations have even chosen to focus on it.

Q: I spend all the free time I have at my house in Aspen. How will the Board of Trustees find time to put up with you guys?

A: Our proposal is carefully structured with that in mind. The vast majority of the work will be done by students, faculty and alumni on the shareholder responsibility committee. The committee will do the research, write the recommendations, and generally do most of the heavy lifting. This leaves considering our recommendations to you. To give you a sense of how little time commitment is required by the board, the committee at Williams has been empowered to vote on behalf of the college. As a result, at Williams board involvement consists of a single 15-minute agenda item at the May trustee meeting where the committee presents its annual report.

Q: What about the administrative cost incurred through having the committee?

A: We know how hard the administration and staff of Tufts works. Fortunately, we are asking for no nothing more than modest allocation of staff time during proxy voting season. The students and other members of the advisory committee would conduct all of the research, write the reports, and issue recommendations. At other schools with committees in place already, most have not had to hire additional staff for the committees, and all other schools have clearly found any costs incurred by the committees to be worth it for all of the educational and community benefits.

Q: When I breathe, I breathe for maximum risk-adjusted return. Won't your proposals infringe upon our fiduciary responsibility to seek maximum return with minimum risk?

A: A recent report by Freshfields Bruckhaus Deringer, the world's third largest law firm, emphasizes the importance of environmental, social, and governance (ESG) issues to the investment decision-making process. The 2005 report was prepared for the United Nations Environment Programme Finance Initiative. Paul Watchman, Partner at Freshfields Bruckhaus Deringer and senior author of the study, commented: "The report confirms that a number of the perceived limitations on the integration of ESG issues into investment decision-making are illusory. Far from preventing the integration of ESG considerations, the law clearly permits and, in certain circumstances, requires that this be done." This legal interpretation has far-reaching implications for the institutional investment community worldwide.

The "Prudent Man Rule" is the fundamental principle that has guided trustees, fund managers and other fiduciaries since the 1830s. In the case of Harvard College versus Amory, Massachusetts, Supreme Court Justice Samuel Putnam declared, "Those with responsibility to invest money for others should act with prudence, discretion, intelligence, and regard for the safety of capital as well as income." This guideline reinforces the need for fiduciaries to recognize the effects of environmental, social and governance issues on the type of long-term investments made by endowments. Shareholder engagement enables trustees to fulfill this aspect of their fiduciary duty as prudent men and women.

Q: Could you give me some concrete examples of what other schools have done in relation to your proposals?

A: Harvard has a good deal of endowment transparency. The Advisory Committee on Shareholder Responsibility advises the Board on a wide range of environmental, sustainability, and social shareholder issues. The Board heeds their recommendations more than 75% of the time, and still the endowment has been wildly successful in recent years.

Dartmouth has a Committee on Investor Responsibility which produces an annual report detailing all recommendations. This report is made available to the Dartmouth community and any interested outside party through Dartmouth's website. The committee also makes recommendations on all proxy resolutions pertaining to social and environmental issues for firms in which the College directly holds shares, which accounts for about 30 percent of the College's endowment.

Members of the Williams community can review information about the endowment by logging on to a secure website, making the endowment very transparent. In addition, Williams

has had its Advisory Committee on Shareholder Responsibility for over twenty years. Interestingly, the Board of Trustees at Williams heeds the advice of the advisory committee 100% of the time.

Middlebury created an advisory committee on socially responsible investment last year, for which it received positive press last October in the "Chronicle of Higher Education." This year is the committee's first opportunity to make recommendations on proxy resolutions.

Q: You asked for the committee to be up and running in a month. Don't you realize how much planning and preparation this will take and how implausible your request is?

A: We realize that we are asking for very rapid movement in establishing the committee. However, we think that one of the best ways to figure out how we want the committee to function is through trying one out. Even if we only advise you on three proxy votes this season, that experience will provide a strong foundation for the future, as well as show us areas where we need to improve.

Q: Now, you've addressed a lot of points, but you haven't told us conclusively why students and the rest of the community should have any involvement in the endowment.

A: There are two important answers to this question. All members of the Tufts community are beneficiaries of the endowment, and we are very thankful to those who give for our benefit. Whether the endowment is sponsoring their research, subsidizing their tuition or paying their salary, everyone is touched by the endowment at Tufts, and by extension everyone deserves equal access to information. Transparency and the committee will provide us with rich connections around our shared interests, and give us a sense of ownership. Also this aids Tufts' educational mission, as those students who participate will have the opportunity to research various aspects of the endowment.

Q: How would the board decide how to vote on different proxy resolutions?

A: To start, the committee would follow the University's existing values on different subjects. For example, we may look to Tufts' Environmental Policy for direction in how to vote on proxy resolutions involving climate change, or we may refer to the Office of Institutional Diversity for relevant information on race issues. Along the road, the committee may find it necessary to codify what it considers when voting on proxy resolutions; at that time, guidelines can be written.

Appendix D: Bathroom Reader (Washington University in St. Louis)

Question: How can Washington University in St.Louis use its

to help

?

Answer: **community investment!** Like keeping some of our **$.4.5 billion endowment** in community development financial institutions instead of

banks.

That way, our

will help build affordable

, charter

, and health clinics. AND help fund small, local businesses, create jobs, and provide financial services to traditionally underserved populations--especially

and people of color. It's

for our

to work for the greater good of

, not the greater good of

!

A message from: Washington University ~~in~~ FOR St.Louis

We need your help! Meetings are Sundays 8pm in DUC 214. Or e-mail us at wu4stl@gmail.com

Glossary

We've compiled a list of some of the financial terms used in this handbook here for your reference.

Active Investment: A strategy where investors attempt to profit from price irregularities and fluctuations by frequently buying and selling stocks, sometimes holding a position in a company for only a few hours or days.

Actively Managed Fund: A portfolio of stocks selected by a fund manager who decides which companies are likely to do well (one alternative, an "index fund," is selected to include many different industries without trying to evaluate whether a given stock is undervalued or overvalued).

Alternative Investments: Asset classes including hedge funds and private equities considered to be especially risky and only appropriate for large investors. More and more, institutional investors like universities are moving towards alternative investments, which have shown to provide solid returns in good times, but which also left endowments particularly exposed to risk and volatility during the financial crisis.

Annual Meeting: Most corporations are required to hold an annual meeting that is open to all investors, including shareholders; such meetings are regulated by internal governance documents, regulations and listing provisions.

Asset: Any possession that has value in an exchange.

Asset Classes: Categories of assets, such as stocks, bonds, real estate and foreign securities.

Asset Allocation: An investment strategy that attempts to balance risk versus rewards by adjusting the percentage of each asset in an investment portfolio according to the investors risk tolerance, goals, and investment time frame.

Benchmark: The performance of a predetermined set of securities, used for comparison purposes. Such sets may be based on published indices or may be customized to suit an investment strategy.

Basis Point: A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. Not sure about this one

Blue-chip company ("blue-chip"): A large and creditworthy company. A blue-chip company is usually renowned for the quality and wide acceptance of its products or services, and for its ability to make money and pay dividends. Blue-chips run little risk of company failure and are considered low risk investments. They often trade at high prices and don't always have high growth potential. More or less synonymous with large-cap equity.

Board of Trustees: A legal term that refers to a holder of property on behalf of a beneficiary. A Board of Trustees typically has ultimate responsibility for the financial, administrative and academic affairs of a College. Among its responsibilities are the appointment of the President of the College and the approval of institutional policies.

Bond: Bonds are debt and are issued for a period of more than one year. The U.S. government, local governments, water districts, companies and many other types of institutions sell bonds. When an investor buys bonds, he or she is lending money. The seller of the bond agrees to repay the principal amount of the loan at a specified

time. Interest- bearing bonds pay interest periodically.

Capital: Money or wealth used in the production of more money or wealth, money used as an investment to grow.

Capital Gains: Profit earned from selling a stock at a higher price than you paid for it. Capital gains should not be confused with dividends which are paid to investors.

CDFI: See Community Development Financial Institution.

Certificate of deposit (CD): Also called a time deposit, this is a certificate issued by a bank that indicates that a specified sum of money has been deposited. A CD bears a maturity date and a specified interest rate, and can be issued in any denomination. The duration can be up to five years.

CFO (Chief Financial Officer): The corporate officer primarily responsible for managing the financial risks of a business or agency.

Co-file: When shareholders file a resolution they will sometimes be joined by others who support the resolution. The group or individual who submits the resolution is the lead filer, the others (co-filers) submit a letter asking to be added to the list of filers.

Committee on Investor Responsibility: A committee formed by a university to define policy for responsible investment issues. Committees often include students, faculty, staff, alumni and administrators. Some committees have binding or de-facto authority, others make recommendations. Names differ between schools, but variants include Social Responsibility Advisory Committee, Advisory Committee on Social Responsibility and Responsible Investment Committee.

Community Development Bank: A type of CDFI that provides low-income communities with financial services. Community Development Banks focus on strengthening communities' local economies by investing in small businesses and other community revitalization projects.

Community Development Credit Union: A type of CDFI that is a member-owned bank specializing in low-income communities typically underserved by mainstream banks.

Community Development Financial Institution (CDFI): A unique entity established to provide credit, financial services, and other services to underserved markets or populations.

Community Development Venture Capital Institution: A type of CDFI that focuses exclusively on stimulating community economies by providing people in low-income communities with small business loans.

Community Investment: Any kind of investment that directly benefits the community. Different from philanthropy because the investor hopes to profit from the investment, and because control over the use of invested capital rests in the hands of community institutions rather than the investor.

Community Reinvestment Act: A United States federal law passed in 1977 that requires banks to offer credit throughout their entire market area and prohibits them from exclusively serving wealthy neighborhoods, a practice known as "redlining." The purpose of the CRA is to provide credit, including home ownership opportunities to underserved populations and commercial loans to small businesses.

Corporate dialogue: A process of engagement where individuals or groups outside of a corporation attempt to change the way the firm behaves by talking to individuals within the corporation.

Corporate engagement: Any time a shareholder writes a letter or calls a

company to discuss an ethical issue.

Credit: The provision of resources by one party to another party where that second party does not immediately pay the first party for the resources in full, thereby generating a debt, and instead arranges either to pay for or to return those resources (or equivalent value) at a later date.

Credit Union: A cooperative financial institution that is owned and controlled by its members.

Diversification: Dividing invested funds among a variety of assets and asset classes to minimize the "unsystematic risk." Diversification suggests that an investor ought not put all of her eggs in one basket.

Divestment: The sale of an asset for a financial goal or ethical objective. Often the term is used to describe a corporate sale of a business unit.

Dividends: Portion of a company's profit paid out to its shareholders in the form of quarterly payments. A company's board of directors decides how large a dividend the company will pay, or whether it will pay one at all. Usually only large mature companies pay dividends. Smaller ones need to reinvest their profits to continue growing. Dividends are sometimes confused with returns and capital gains.

Dow Jones Industrial Average ("the Dow"): The best known and most widely reported market indicator. When people say "The market was up 15 points today," they mean the Dow rose 15 points. The Dow measures the performance of 30 key companies which are worth about 25% of the total value of all stocks listed on the NYSE. To the extent that those companies represent key sectors of the economy, their performance indicates how the economy as a whole is doing.

Economics: A social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services. The discipline of economics should not be confused with that of finance.

Emerging markets: The financial markets of developing economies.

Endowment: A set of investments held by an organization that intends to spend the returns and to keep the principal, thereby enjoying perpetual support. Endowment donations offer relatively stable revenue streams over time. Academic institutions, such as colleges and universities, will frequently control an endowment fund that finances a portion of the operating or capital requirements of the institution. In addition to a general endowment fund, each university may also control a number of restricted endowments that are intended to fund specific areas within the institution. The most common examples are endowed professorships (also known as named chairs), and endowed scholarships or fellowships.

Equity: Represents ownership interest in a firm.

ESG issues: Environmental, social, and governance issues; synonymous with responsible investment considerations.

FDIC insured: Deposit insurance which currently guarantees checking and savings deposits in member banks up to $100,000 per depositor.

Federal Deposit Insurance Corporation (FDIC): A federal institution that insures bank deposits, guaranteeing the safety of deposits up to $250,000 per depositor per bank, for most banks in the United States. It was created after the loss of millions of dollars by the runs on the banks during the Great Depression.

Fiduciary: Also known as a trustee, a person who is responsible for acting in the

interest of an institution or person.

Fiduciary responsibility: A legal relationship between two or more parties (most commonly a "fiduciary" or "trustee" and a "principal" or "beneficiary"). The obligation of a trustee or board member to act in the best interest of the institution she serves.

Finance: A discipline concerned with determining value and making decisions. The finance function allocates resources, including the acquiring, investing, and managing of resources.

Financial manager: A professional who renders investment advice and financial planning services to individuals and businesses, also known as a financial advisor.

Fixed Income: Any kind of investment which pays a fixed rate of return. These instruments are usually a form of bond or debt issued by a government, corporation, or other institution.

Fortune 100: A ranking of the top 100 American public corporations as measured by gross revenue, although eligible companies are any for which revenues are publicly available (which is a larger universe than "public companies," as the term is commonly understood, meaning "companies having common stock that trades on a stock exchange").

Fund Manager: A person who is hired as an individual or as part of a group to manage an investment account. Fund managers are usually hired based on their investment track record and may also be called portfolio managers, investment managers or money managers, though the status and meaning of these titles can be somewhat inconsistent. To be consistent in this document, "fund manager" is used to describe people who work outside of universities on a fee for service basis whereas "investment officer" is used to describe the professional (inside) management staff.

Fund Manager Engagement: The process of working with fund managers to incorporate environmental, social, and governance considerations into their investment strategies. This can take many forms, including establishing environmentally and/or socially screened funds, convincing fund managers to vote their proxies in more responsible ways, and asking fund managers to adhere to certain principles when choosing which securities to include in their funds.

Hedge Fund: A fund that may employ a variety of techniques to enhance returns, such as both buying and shorting stocks based on a valuation model. Hedge funds avoid many regulations by only taking money from a small pool of "qualified investors." These are typically large-scale investors, such as institutions, pension funds, high net worth individuals, or university endowments. Hedge funds invest in a diverse range of assets, but they most commonly trade liquid securities on public markets.

Holdings: The collection of stocks owned by an investor.

Illiquid Asset: An illiquid asset is one that cannot be immediately converted to cash, or at least one that cannot be immediately converted into cash without a loss.

Index Fund: Investment fund designed to match the returns on a stock market index. For example, a mutual fund with a portfolio that contains an entire market index matches that of a broad-based index such as the S&P 500. The performance of such a fund should match the index.

Investment Committee: Made up of members of the Board of Trustees chosen to oversee investments.

Investment officer: Investment professional employed directly by the university to oversee the application of policies set by the trustees or other fiduciaries.

Initial public offering (IPO): The initial release of stock in which a private company is sold to the public.

Institutional investor: An organization that invests its own assets or those it holds in trust for others. Institutional investors frequently own large blocks of stock and hold more clout with corporate managers than individual investors. Examples of institutional investors include investment companies (including mutual funds), universities, private foundations, pension systems, religious organizations, insurance companies, banks and state treasury offices.

Interest: The price paid for borrowing money. It is expressed as a percentage rate over a period of time and reflects the rate of exchange of present consumption for future consumption.

Investment: Saving or deferring consumption. An asset is usually purchased, or equivalently a deposit is made in a bank, in hopes of getting a future return or interest from it.

Investment Bank: A firm that helps companies and governments to raise money by issuing and selling securities in the capital markets (both equity and debt), as well as providing advice on transactions such as mergers and acquisitions.

Investment Management Firm: Organization that provides professional management services for various securities assets to achieve specified investment goals for the benefit of the investors.

Investment Manager: See fund manager.

Investment Portfolio: The collection of stocks held by an investor.

Investment Strategy: A set of rules, behaviors, or procedures designed to guide an investor's selection of an investment portfolio.

Investment Vehicle: A way of investing money with other people to participate in a wider range of investments than may be feasible for an individual investor, and to share the costs of doing so.

Liquid Asset: A liquid asset is one that can be quickly, easily and cheaply turned into cash. Money invested in a long-term bond is very illiquid since you cannot have the money returned to you until the bond has reached maturity (after a few months or years). Money invested in the stock market is semi-liquid because it takes a few hours to a few weeks to sell the stock. Money placed in a savings account is very liquid since it can be taken out of the account at any time.

Loan Default: Default may occur if the debtor is either unwilling or unable to pay their debt or loan.

Market capitalization: (often simply **market cap**) is the total value of the tradable shares of a publicly traded company; it is equal to the share price times the number of shares outstanding. As outstanding stock is bought and sold in public markets, capitalization could be used as a proxy for the public opinion of a company's net worth and is a determining factor in some forms of stock valuation. Preferred shares are not included in the calculation.

Microfinance: Broadly refers to a movement that envisions "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers."

Microfinance Institution: A type of CDFI that gives loans to small businesses in developing countries. Made famous by Dr. Muhammad Yunus of the Grameen Bank, microfinance stimulates local economies by providing scarce capital to would-be entrepreneurs.

Microloan: The extension of very small loans to the unemployed, to poor entrepreneurs and to others living in poverty who are not considered bankable.

Mission statement: Statement of purpose and intent required from all non-profits and public institutions, including most schools.

Money Market: Money markets are for borrowing and lending money for three years or less. The securities in a money market can be U.S. government bonds, Treasury bills and commercial paper from banks and companies.

Money Market Fund: A mutual fund that invests only in short term securities, such as bankers' acceptances, commercial paper, repurchase agreements and government bills. The net asset value per share is maintained at $1.00. Such funds are not federally insured, although the portfolio may consist of guaranteed securities and/or the fund may have private insurance protection.

Mutual Fund: A pool of funds collected from many investors that is managed by an investment company. Some funds seek to generate income on a regular basis. Others seek to preserve an investor's money. Still others seek to invest in companies that are growing at a rapid pace.

Negative Screen: See screen.

Operating Budget- A section of the endowment set aside to pay operational expenses during the year (i.e. salaries, electric bills, etc.) Generally not expected to yield returns.

Passive Investing: A financial strategy in which a fund manager makes as few portfolio decisions as possible, in order to minimize transaction costs, including the incidence of capital gains tax. In the extreme, investors buy index funds under the assumption that the market can do a better job of pricing stocks than they can.

Principal: The total (original) amount of money being borrowed or lent.

Principles of Responsible Investing: See United Nations Principles of Responsible Investing.

Private Equity Firm: A firm involved in the purchase and often resale of private companies. In many cases, private equity firms buy businesses from founders, hire professional managers and then take them public, sell them or keep them. Some private equity firms are long-term investors and others are turn-around firms.

Proxy, Proxy Resolution: See shareholder resolution.

Proxy Voting Guidelines: Guidelines developed to assist investors when making decisions about how to vote on their proxies. Sometimes these are even given directly to fund managers.

Publicly Traded Company: A company that is permitted to offer its securities (stock, bonds, etc.) for sale to the general public, typically through a stock exchange.

Rate of return: The ratio of money gained or lost on an investment relative to the amount of money invested.

Responsible Investment (RI): An investment strategy which combines the intentions to maximize both financial return and social good.

Returns: The change in the value of a portfolio over an evaluation period, including any distributions made from the portfolio during that period.

Revolving Loan Fund: A type of CDFI that operates on a smaller scale than other CDFIs, providing only one or two loans at one time. Once the current loans are repaid, Revolving Loan Funds will use that capital and the interest earned on it to make new loans in the community.

Reward: Income that a company receives from its normal business activities, usually from the sale of goods and services to customers.

RiskMetrics: A firm which provides proxy analysis reports to assist investors in voting their proxies. The proxy analysis reports attempt to be unbiased and comprehensive for each proxy, including background on the company and other pertinent information.

Risk-reward Ratio: Used in the context of general equities. Concept of demanding substantial reward that corresponds to the amount of risk taken; mathematically represented by dividing the expected return by the standard deviation.

Screen: Any kind of established ethical criteria applied to investments to determine whether to invest in or avoid a given investment.

Screened Fund: Any fund that uses screens to determine ethical investments.

Sectors: The global economy can be divided into sectors that are providing similar services. Examples include financial, manufacturing, health care, information technology.

Securities and Exchange Commission (SEC): A federal agency that regulates the U.S. financial markets. The SEC also oversees the securities industry and promotes full disclosure and protection of the investing public against malpractice in the securities markets.

Security: A fungible (tradable), negotiable instrument representing financial value.

Separately Managed Account: A portfolio of assets that is managed by a professional investment firm. Different from a pooled vehicle like a mutual funds, because each portfolio is unique to a single account, i.e. the investor directly owns the securities instead of owning a share in a pool of securities. It is often argued that separately managed accounts offer the benefits of professional money management plus the benefit of individually customized portfolio management.

Shareholder: An individual or institution that owns stock in a company.

Shareholder Activism: The act of using an equity stake in a corporation to put public pressure on its management. The goals range from financial (increase of shareholder value through changes in corporate policy, financing structure, cost cutting, etc.) to non-financial (disinvestment from particular countries, adoption of environmentally friendly policies). Also known as shareholder advocacy.

Shareholder Resolution: A proposal submitted by stockholders for a vote at the company's annual meeting. Also known as shareholder proposal, proxy resolution, or just proxy.

Social Resolution: Resolutions that address the social impact of corporate behavior.

Social Venture Capital: Venture capital earmarked for investment in socially responsible or worthwhile projects and companies.

Socially Responsible Investment (SRI): See Responsible Investment. REC prefers to use the term 'Responsible Investment' as a broader term to describe a philosophy of social responsibility, ecological stewardship, and future-oriented, long-term, truly sustainable investing.

Standard & Poor's 500 Index (S&P 500): An index that incorporates a broad base of 500 stocks, including 400 industrial companies, 20 transportation companies, 40 utilities and 40 financial companies. Because some of its stocks have a greater influence on the direction of the market than others, the S&P 500 is calculated by giving greater

weight to some stocks.

Stock: An ownership stake issued by a corporation represented as a number of shares which represent a piece of the corporation's assets and earnings. In a technical sense, stock gives a limited ownership claim to residual value after all other debts and liabilities are paid.

Stock Market: The market for trading equities. There are three major markets in the U.S. (AMEX, NYSE and Nasdaq).

Stock Market Index: A collection of companies grouped together to be broadly representative of the market. Companies are selected by committee and the composition of the index changes slowly over time. The S&P 500 is a well known example of an index. Conceptually, an index is similar to an industry-stratified sample. Possibly keep this. Not really necessary though.

Sustainability: A dynamic process which enables all people to realize their potential and to improve their quality of life in ways which simultaneously protect and enhance the earth's life-support systems.

Transparency: Full public disclosure of necessary information.

Triple Bottom Line: People, profit, and planet; or financial, environmental, and social equity. Three different levels at which one should account for an organization's benefit or burden.

Trustee: A legal term that refers to a holder of property on behalf of a beneficiary.

United Nations Principles of Responsible Investing (UNPRI): An investor initiative in partnership with UNEP Finance Initiative (UNEPFI) and the UN Global Compact that focuses on integrating environmental, social and governance (ESG) factors into investment decisions

Venture Capital: Money invested in young, private companies that are doing something particularly new, unusual and risky. Such companies often are referred to as startups, or early-stage companies. Venture capital firms typically finance companies they think have high growth prospects and will therefore produce high returns for the firm.

Yields: The amount in cash that returns to the owners of a security.