

Brown University
Advisory Committee on Corporate
Responsibility in Investment Policies (ACCRIP)
2007-2008 Annual Report

October 2008

Table of Contents

| | |
|--|----|
| MEMBERSHIP | 3 |
| WEBSITE..... | 3 |
| CHARTER | 3 |
| SUDAN/DARFUR..... | 4 |
| SOCIAL CHOICE FUND..... | 5 |
| GUIDELINES..... | 5 |
| INVESTOR’S NETWORK ON CLIMATE RISK..... | 5 |
| PROXY RECOMMENDATIONS..... | 7 |
| ANIMAL RIGHTS | 9 |
| BANKING AND INSURANCE..... | 9 |
| CHARITABLE CONTRIBUTIONS..... | 9 |
| CLIMATE CHANGE | 10 |
| EQUAL EMPLOYMENT OPPORTUNITY (EEO) | 10 |
| ENVIRONMENTAL ISSUES..... | 10 |
| GENETICALLY-MODIFIED ORGANISMS | 11 |
| HUMAN RIGHTS | 11 |
| INTERNET ACCESS | 11 |
| MILITARY ISSUES..... | 12 |
| POLITICAL CONTRIBUTIONS | 12 |
| SOCIAL IMPACT..... | 12 |
| OTHER..... | 12 |
| APPENDIX A: COMMITTEE CHARTER..... | 13 |
| APPENDIX B: 2007-2008 PROXY VOTING GUIDELINES..... | 16 |

Membership

Faculty:

Harold Ward, Chairman, Professor Emeritus of Environmental Studies
Simone Pulver, Assistant Professor of International Studies, Watson Institute

Undergraduate:

Daniel MacCombie, '08
Michael Boyce

Graduate:

James Palardy

Staff:

Beth Burlingame, Athletics
Beverly Travers, Physics

Alumni:

Stanley Griffith
Laura Posten
Peter Voss

Website

The ACCRIP can be found at the following address:

http://www.brown.edu/Administration/Finance_and_Admin/ACCRIP/

Charter

The original Charter of the ACCRIP was approved by the faculty in 1978, and was still in place at the beginning of the 2007-2008 academic year. This Charter charged the Committee with tasks that properly belong to the Administration, and required activities well beyond the Committee's resources. In consultation with the Administration, the Committee prepared an amended version of the Charter that better represents the Committee's actual practices and expands the Committee's membership by adding two members from the University Staff. This amended version was approved by the faculty on March 6, 2007. (See Appendix A)

Sudan/Darfur

Commensurate with the Sudan Divestment Talk Force's list of "Highest Offenders", the Committee recommended that fourteen corporations be added to the do-not-invest list.* Conversely, the Committee recommended that three corporations, Siemens, Tatneft, and Weir, be removed from the list in line with these companies' commitment to divest themselves from Darfur. Concurrently, letters were drafted to be signed by President Simmons thanking these companies for their decision to divest. The Administration voted on the following do-not-invest list in January 2008:

- Alcatel
- Alstom
- AREF Investment Group
- AviChina Industry and Technology Company Ltd.
- Bharat Heavy Electricals
- China National Petroleum Corporation (CNPC)
- Dietswell
- Dongfeng Automobile Company Ltd.
- Electricity Generating Corporation (EGCO)
- Harbin Power Equipment Co.
- Indian Oil Corporation (IOCL)
- Kejuruteraan Samudra Bhd
- Kencana Petroleum Berhad
- Lundin Petroleum
- Mobile Telecommunications Co. (Sudatel)
- Muhibbah Engineering Berhad
- Nam Fatt
- Oil & Natural Gas Corporation (ONGC)
- PECD Berhad
- PetroChina (and China National Petroleum Corp.)
- Petrofac
- Ranhill Berhad

* In the fall of 2008, it was brought to the Committee's attention that the recommendation to add Dietswell and Kejuruteraan Samudra Bhd had not reached the Advisory & Executive Committee. As of this writing, steps were underway to correct this discrepancy.

- Reliance Industries
- Schlumberger
- Scomi Group Berhad
- Sinopec

Social Choice Fund

In February 2007, the Brown Corporation approved creation of a Social Choice Fund that will be invested in companies with a strong record on environmental issues. As of February 2008, no donations had been made to the fund. The Committee is investigating ways in which the Social Choice Fund may be better promoted in the future.

See http://www.boldly.brown.edu/giving/social_choice.html for more information.

Guidelines

Only one change to the proxy voting guidelines was submitted for approval by the Administration in the 2007-2008 season. The guideline for “Internet Access” was revised to:

- Support resolutions intended to increase access to the Internet, and to promote security of all communications, including those through the Internet.

This change has not been approved as of October 2008. The guidelines applied in the 2007-2008 season appear in Appendix B.

Investor’s Network on Climate Risk

The Committee voted in December of 2007 to recommend that Brown University join the Investor Network on Climate Risk (INCR), a project of Ceres. In April of 2008, the administration agreed to this proposal. INCR describes themselves as “a group of more than 60 leading institutional investors with collective assets of over \$4 trillion...that promotes better understanding of the financial risks and opportunities posed by climate change”. The benefits of joining were discussed at length, some of which include:

- an opportunity to make a positive impact in mitigating climate change through networks with other institutional investors and state treasurers (i.e., proactive involvement in addressing climate change beyond proxy voting)
- access to timely and quality information on ongoing financial issues related to climate change that could be useful in developing the Social Choice Fund as well as outreach to other university endowment committees

- opportunities to participate in conferences, research projects, etc

Brown University is the first university to join the INCR.

Proxy Recommendations

In the 2007-2008 proxy season, 26 proxy proposals were referred to the ACCRIP. Of these, nine were judged by the Investment Office and the Committee Chair to be clearly covered by the Guidelines and to raise no issues requiring Committee discussion. Accordingly, three proposals were approved, and six voted with management. (In the tables beginning on page 8, these votes are listed under “guidelines”.) The Committee discussed and voted directly on the remaining 17 proposals, of which five were approved and 12 were voted with management – listed under “vote” in the tables.

While a less active season than 2006-2007, environmental issues once again dominated the proposals considered by the Committee. Surprisingly, the majority of the climate change proposals were offered by proponents clearly intending to challenge the science of global warming. Proposals addressing human rights and political contributions were the second most prevalent, with four proposals considered in each category.

For guidelines applied this season, see Appendix C.

Table 1: All Proposals

| | For | Against | Abstain | Total |
|------------|-----|---------|---------|-------|
| Guidelines | 4 | 5 | - | 9 |
| Vote | 5 | 12 | - | 17 |
| Total | 9 | 17 | - | 26 |

Table 2: Proposals by Category

| | For | Against | Total |
|--------------------------------|-----|---------|-------|
| Animal Rights | - | 1 | 1 |
| Banking and Insurance | 1 | - | 1 |
| Charitable Contributions | - | 1 | 1 |
| Climate Change | 3 | 3 | 6 |
| Equal Employment Opportunity | - | 1 | 1 |
| Environmental Issues | 3 | - | 3 |
| Genetically-Modified Organisms | - | 1 | 1 |
| Human Rights | 2 | 2 | 4 |
| Internet Access | - | 1 | 1 |
| Military Issues | - | 1 | 1 |
| Political Contributions | - | 4 | 4 |
| Social Impact | - | 1 | 1 |
| Other | - | 1 | 1 |
| Total: | 9 | 17 | 26 |

Animal Rights

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|------------------|---|------------|---|------|---|--|
| | | F | A | F | A | |
| Procter & Gamble | Report on feasibility of phasing out lab tests of Iams food products on animals | | 1 | | | Guidelines support management when issues are adequately governed by law |
| Total: | | - | 1 | - | - | |

Banking and Insurance

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|-------------|--|------------|---|------|---|--|
| | | F | A | F | A | |
| Wells Fargo | Report on racial disparities in mortgage lending | 1 | | | | Guidelines support reporting on equal credit opportunities |
| Total: | | 1 | - | - | - | |

Charitable Contributions

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|------------------|------------------------------------|------------|---|------|---|--|
| | | F | A | F | A | |
| General Electric | Report on charitable contributions | | 1 | | | Guidelines support management on reports of charitable contributions |
| Total: | | - | 1 | - | - | |

Climate Change

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|----------------------|---|------------|---|------|---|---|
| | | F | A | F | A | |
| Consol Energy | Report on carbon dioxide emission reduction efforts | | | 1 | | Meets climate change guidelines for reasonable reporting |
| Du Pont | Report on climatic affects of global warming policy | | 1 | | | Guidelines oppose resolutions intended to challenge the science of global warming |
| General Electric | Report on global warming science | | 1 | | | Guidelines oppose resolutions intended to challenge the science of global warming |
| Massey Energy | Report on emissions reductions efforts | 1 | | | | Meets climate change guidelines on reasonable reporting |
| Occidental Petroleum | Report on global warming science and measurements | | 1 | | | Guidelines oppose resolutions intended to challenge the science of global warming |
| PepsiCo | Report on climatic affects of global warming policy | 1 | | | | Meets climate change guidelines for reasonable reporting |
| Total: | | 2 | 3 | 1 | - | |

Equal Employment Opportunity (EEO)

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|-------------|---|------------|---|------|---|--|
| | | F | A | F | A | |
| Wells Fargo | Remove sexual orientation from EEO policy | | | 1 | | Proponent exhibits anti-homosexual agenda; guidelines oppose this type of resolution |
| Total: | | - | - | - | 1 | |

Environmental Issues

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|--------------------|--|------------|---|------|---|---|
| | | F | A | F | A | |
| PepsiCo | Report on goals to increase container recycling/recycled content | | | 1 | | Proposal only asks for report; goal is commensurate with environmental guidelines |
| PepsiCo | Report on water use policies | | | 1 | | Statement of policy could give point of leverage to communities where laws do not adequately cover damage to local aquifers |
| Southwest Airlines | Report on environmental and social sustainability issues | 1 | | | | Falls under general reporting guidelines |
| Total: | | 1 | - | 2 | - | |

Genetically-Modified Organisms

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|---------|--|------------|---|------|---|---|
| | | F | A | F | A | |
| PepsiCo | Report on genetically-engineered food products | | | 1 | | Report would amount to a redundant statement of company's beliefs in the safety of their products |
| Total: | | - | - | - | 1 | |

Human Rights

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|---------------|---|------------|---|------|---|--|
| | | F | A | F | A | |
| Cisco Systems | Amend bylaws to establish Board Committee on Human Rights | | | 1 | | May create administrative burden on company with sound record in this area |
| Du Pont | Amend Human Rights Policy to include seed-saving rights for traditional agriculture | | | 1 | | Proposal language too ambiguous; impact unknowable |
| JP Morgan | Report on Human Rights Policy with regards to investments | | | 1 | | Proposal intends to develop an SRI policy |
| Wells Fargo | Report on Human Rights Policy with regards to investments | | | 1 | | Proposal intends to develop an SRI policy |
| Total: | | - | - | 2 | 2 | |

Internet Access

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|---------------|--|------------|---|------|---|--|
| | | F | A | F | A | |
| Cisco Systems | Report on rights concerning use of products on free speech issues overseas | | | 1 | | Committee believes benefit of spreading internet outweigh possible costs of censorship; this company has also been cited as a model in social responsibility |
| Total: | | - | - | - | 1 | |

Military Issues

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|---------|----------------------------------|------------|---|------|---|--------------------------------|
| | | F | A | F | A | |
| Textron | Report on foreign military sales | | | 1 | | Area adequately covered by law |
| Total: | | - | - | - | 1 | |

Political Contributions

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|--------------|--|------------|---|------|---|---|
| | | F | A | F | A | |
| AT&T | Annual report on political contributions | | | 1 | | Matters of corporate political contributions should be handled by government entities |
| CVS-Caremark | Annual report on political contributions | | | 1 | | Matters of corporate political contributions should be handled by government entities |
| JP Morgan | Annual report on political contributions | | | 1 | | Matters of corporate political contributions should be handled by government entities |
| Wyeth | Annual report on political contributions | | | 1 | | Matters of corporate political contributions should be handled by government entities |
| Total: | | - | - | - | 4 | |

Social Impact

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|---------|---|------------|---|------|---|--|
| | | F | A | F | A | |
| Du Pont | Formation of committee to assess community impact of plant closures | | | 1 | | Federal and state law already covers such matters; amounts to interference with management |
| Total: | | - | - | - | 1 | |

Other

| Company | Proposal | Guidelines | | Vote | | Reasoning |
|-----------|-------------------------------|------------|---|------|---|--|
| | | F | A | F | A | |
| JP Morgan | Report on lobbying priorities | | | 1 | | Proposal appears openly hostile to socially responsible corporate behavior |
| Total: | | - | - | - | 1 | |

Appendix A: Committee Charter

Charter of the Advisory Committee on Corporate Responsibility in Investment Policies

Approved by the Faculty on March 6, 2007

I. *Charge*

The Advisory Committee on Corporate Responsibility in Investment Policies (hereafter "Committee") shall:

- a. consider issues of moral responsibility in the investment policies of Brown University. The Committee shall evaluate information on such questions that are submitted to the Committee from individuals, groups, and organizations within and outside the University community;
- b. examine all proxy resolutions that are presented to the University as a shareholder in any company and that raise issues of social responsibility. The Committee shall develop guidelines for voting on proxy resolutions and from time to time, as appropriate, amend these guidelines. The guidelines and any amendments shall be submitted to the Advisory and Executive (A&E) Committee for their review and approval. After A&E approval of such guidelines, each proxy resolution shall be reviewed and, if the resolution clearly is covered by the guidelines, that resolution shall be voted in accord with the guidelines. If a particular proposal is not covered by the guidelines, that proposal shall be considered by the Committee. If the Committee recommends voting against the proposal, that vote will be cast. If the Committee recommends voting in favor of a proposal or abstaining from a vote, that recommendation will be sent to the Proxy Committee of the Corporation, for its review and action;
- c. consider requests by any member of the Brown Community to examine issues of alleged "social harm" with respect to the activities of corporations in which the University is an investor. Social harm is defined for the purpose of this charge as the harmful impact that the activities of a company or corporation have on consumers, employees, or other persons, or on the human or natural environment;
- d. carefully balance (in making its judgment on any specific question of social harm) the gravity of the social harm, the potential effectiveness of various means of influencing corporate policy, the University's need to maintain a sound financial policy, and the consistency of various proposed courses of action with the maintenance of an environment at Brown conducive to teaching and scholarly inquiry. In no event will a recommendation be made that an endowment security be selected or retained solely for the purpose of encouraging or expressing approval of a company's activities or, alternatively, for the purpose of placing or leaving the University in a position to contest a company's activities;
- e. not recommend action on any proxy resolution or other aspect of investment that advances a position on social or political questions unrelated to the conduct of the company's business or the disposition of its assets;

f. have the power to recommend one or more of the following actions if it deems a proxy or other issue raises a significant question of "social harm" (as defined above):

- that letters of inquiry and/ or protest be directed to the corporation(s) involved, expressing the University's concerns and requesting further information, and that (in appropriate cases) such letters establish specific terms and deadlines for the correction of the social harm involved and suggest that the University might divest itself of its shares in that corporation if these terms are not met;
- that the University make its views on these issues known to the public;
- that a representative of the University appear at the shareholders' meeting where the proxy is to be voted and present on behalf of the University its views on the issue;
- that the University cooperate with other interested groups and institutions to exert additional pressure upon the company (or companies) involved to correct the social harm; and
- that the University pursue any other measures the Committee deems likely to be constructive.

g. recommend divestiture (keeping in mind the fundamental principle of sound financial policy, the legal responsibilities of the Corporation to sustain fiscal soundness and stability of the endowment fund, and the kinds of balanced judgment called for above) when divestiture will likely have a positive impact toward correcting the specified social harm, or when the company in question contributes to social harm so grave that it would be inconsistent with the goals and principles of the University to accept funds from that source.

h. conduct open meetings, except when the Committee specifically votes that they should be closed, and

i. report annually to the University community on its actions by posting this report on the Committee's website.

2. Membership

There shall be three faculty members to be elected by the faculty; three students, two to be elected by the undergraduates and one by the graduate students, for terms to be decided by their councils; three alumni to be chosen by the President, in consultation with the Board of Directors of the Associated Alumni, for such terms as they may recommend, and two University staff members, serving staggered two-year terms, recommended by the Staff Advisory Council and approved by the President. Staff of the Investment Office shall not serve as voting members of the Committee. Faculty members shall serve for three-year terms, and can be elected for successive terms.

3. Organization

The Committee shall establish its own by-laws for election of officers, and for conducting its business. Committee members may participate in decisions by their presence at meetings, by participation via telephone conferencing or by e-mail voting.

4. Assistance to the Committee

In order that the Committee may carry out its charge with efficiency and dispatch it is recommended:

- a. that the President make available to the Committee the reports of a reputable proxy issue research service but that additional material for information and evaluation also be sought;
- b. that the University join in any consortium with sister institutions of higher learning that would be mutually beneficial to the fulfillment of its corporate responsibilities in investment; and
- c. that the President arrange for the appointment of a research assistant to help the Committee in its investigations and analyses.

Appendix B: 2007-2008 Proxy Voting Guidelines

In General:

Support proposals for reports and development of standards where cost does not appear excessive and when the intent is to inform and to focus management attention on issues of moral responsibility. Oppose proposals that are already adequately covered by existing relevant law, where the intent appears to be to expose the company to private agendas, or which would impose an unreasonable cost or administrative burden on the company. Proposals judged not to be covered by these guidelines will be reviewed by the ACCRIP.

Animal Rights:

Support management, as these issues are adequately governed by law or where practices are consistent with U.S. law

Banking and Insurance Issues:

Oppose resolutions asking for analysis of the impact of structural adjustment programs on debtor countries' ability to repay loans, labor forces, natural resources, social and political stability, and potential for sustainable, democratic development. Oppose resolutions seeking community reinvestment programs. Support reasonable reporting requirements and codes of conduct in areas such as equal credit opportunity and corrupt practices.

Board Diversity:

Support resolutions to increase board diversity and oppose quotas.

Charitable Contributions:

Oppose limitations and reports on charitable contributions, as these are generally proposed to fulfill private agendas. Support resolutions where information is requested on charitable gifts that are to organizations where the top officers (the Proxy top five) or directors have a vested interest (i.e. are members of the board, committees, etc.)

Climate Change:

Support reasonable reporting of corporate greenhouse gas emissions and on actions to reduce these emissions, such as setting goals for emissions reduction and the development of alternative energy sources. Oppose resolutions intended to challenge the scientific consensus on climate change.

Environmental Issues:

Support the adoption of environmental guidelines/principles (e.g. Ceres Principles and the Global Reporting Initiative) and reasonable reporting of the adverse environmental impacts of corporate actions, plausible impacts of proposed actions, and corporate activities to mitigate these impacts. Support reports of all governmental fines paid due to environmental misconduct.

Equal Employment Opportunity:

Support resolutions asking management to issue reports and/or release EEOC report on work force composition. Support diversity, but oppose quotas. Support equal treatment for employees regardless of sexual orientation, including domestic partner benefits for gay and lesbian employees.

Executive Pay and Social Performance:

Support consideration of social performance as one of several criteria to determine executive pay. Oppose explicit linkage of executive pay to social performance when the proposal is narrowly defined, almost to the exclusion of attention to financial performance. Oppose resolutions based primarily on reporting comparisons of compensation for executives and lowest-paid employees.

Genetically-Modified Products:

Oppose resolutions requiring actions from corporations that cannot feasibly identify or influence the amount of genetically engineered materials incorporated in their products. Support resolutions requesting corporations to identify financial and social impacts as a result of regulatory or legal actions/sanctions due to health, environmental, or biological issues caused by the unintended distribution of genetically modified materials.

Global Labor Standards:

Support development of, reports on and compliance with codes of conduct.

Health Issues/ Abortion:

Oppose resolutions seeking policies of price restraint on drugs. Oppose resolutions seeking plans to inform women of the possible abortifacient action of any products when proposed in pursuit of an anti-abortion agenda. Oppose resolutions requesting spin-off of contraceptive business. Support resolutions in favor of the International Code of Marketing for Breastmilk Substitutes.

Human Rights:

Support resolutions seeking reports and codes of conduct on investment in countries where there are pervasive violations of human rights. Refer resolutions to limit or prohibit doing business in such countries to the ACCRI.

Internet Access:

Support resolutions intended to increase access to the Internet and to protect the privacy of Internet users.

Mexico:

Support Maquiladora resolutions on environmental and equal employment standards.

Military Issues:

Oppose most resolutions seeking to limit corporate involvement in military contracts on the grounds that this is a national issue and should be addressed in the political arena, not at the shareholder level. Support resolutions requiring reports on criteria for foreign military sales.

Northern Ireland:

Oppose resolutions in favor of the MacBride principles.

Nuclear Power:

Support proposals for reports on procedures for safe storage of nuclear waste only if the company has direct control over managing the waste.

Pandemics:

Support proposals seeking reports of the impact of pandemics (e.g. malaria, TB, HIV/AIDS) on company operations and/or on the actions a company is taking to prevent or treat these diseases in employees.

Political Contributions and Related Issues:

Support resolutions requiring disclosure to the stockholders (e.g. in the annual report) of policy, criteria and aggregate amounts of contributions. Oppose requirements to publish such reports in newspapers or to provide details of contributions. Oppose bans on political contributions.

Tobacco:

Support resolutions that seek to ban, limit, or seek the divestiture of operations that are involved with the manufacturing, distribution, marketing and sales of tobacco and related products.