

**COLUMBIA UNIVERSITY**

**ADVISORY COMMITTEE  
ON SOCIALLY RESPONSIBLE INVESTING**

**ANNUAL REPORT 2012-2013**

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Justin Nathaniel Carter

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Arnie Friedland

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Associate Director, Socially Responsible Investing:

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#### **IV. Introduction and Background**

During the 2000 spring semester, Columbia established two committees to assist the University in addressing its responsibilities as an institutional investor: the Advisory Committee on Socially Responsible Investing (ACSRI) and the Trustees Subcommittee on Shareholder Responsibility (TSSR). The ACSRI is a permanent addition to the University, with the mandate to set its own agenda within the broad arena of socially responsible investing (SRI). Its mission is to advise the University Trustees on ethical and social issues that arise in the management of the investments in the University's endowment.

The ACSRI has established a membership process to ensure that it is broadly representative of the Columbia community. The President of the University appoints twelve voting members (four faculty, four students, and four alumni), who are nominated, respectively, by the deans of the schools, the Student Affairs Committee of the University Senate, and the Office of University Development and Alumni Relations. In addition, one administrator (the Executive Vice President for Finance) sits as a non-voting member. Jack McGourty, faculty member at the Graduate School of Business, chaired the ACSRI during the 2012-2013 academic year.

The legal and fiduciary responsibility for the management of the University's investments lies with the University Trustees. As a result, ACSRI recommendations are advisory in nature. The TSSR deliberates and takes final action upon the recommendations of the ACSRI. In some circumstances, the TSSR may bring ACSRI recommendations to the full Board of Trustees for action.

#### **V. 2012-2013 Agenda**

As was the case in the previous years, the ACSRI Annual Agenda focused on making recommendations to the Trustees on how the University, as an investor, should vote on selected shareholder proposals addressed to publicly traded U.S. corporations whose securities are held in Columbia's directly-managed endowment portfolio. As part of its 2012-2013 Agenda, the ACSRI took up the issue of Sudan divestment monitoring in accordance with its April 2006 Statement of Position and Recommendation on Divestment from Sudan. In addition, the 2012-2013 Agenda outlined other activities that the ACSRI further considered and explored with the throughout the year.

As a general matter, the ACSRI expects that making recommendations to the TSSR with respect to shareholder proposals will continue to be one of its core activities. At the same time, each year has brought new elements as well as the accumulation of expertise on both process and substance, which have led the ACSRI to conduct and consider additional activities.

A copy of the 2012-2013 ACSRI Annual Agenda can be found as Attachment A.

## **VI. 2012-2013 ACSRI Activities**

### *A. Sudan Divestment Monitoring*

In the fall of 2007, in accordance with the April 2006 Statement of Position and Recommendation on Divestment from Sudan, the ACSRI undertook Sudan divestment monitoring. The ACSRI established a subcommittee of its members to review company activity in Sudan, including those companies on the current Columbia Sudan divestment list, as well as other companies with operations in Sudan. After careful review of available research, the Sudan divestment subcommittee developed a recommendation to add 27 new companies to the divestment list, to remove 2 companies from the divestment list (due to those companies' decisions to withdraw operations from Sudan), to add 7 new companies to the watchlist to be closely monitored in the future, and to move 2 companies from the divestment list to the watchlist. The subcommittee presented its recommendations to the full ACSRI in the winter of 2013; the ACSRI voted to affirm all recommendations of the subcommittee and formally presented those recommendations to the TSSR. In turn, the TSSR forwarded the ACSRI's recommendations to the Finance Committee of the Board of Trustees for approval. At its March 2013 quarterly meeting, the Finance Committee formally approved the ACSRI's recommendations.. The memo outlining the ACSRI's recommendation can be found in Attachment B.

### *B. 2012-2013 Proxy Season*

The 2012-2013 was an especially light proxy season for Columbia, with only two proxies voted. These were shareholder proposals brought to Time Warner and Western Union regarding the disclosure of

political contributions, and the Committee was in unanimous support for both proposals. The TSSR supported the Committee's decisions in these matters. Review of shareholder proposals requires case-by-case examination, consideration of relevant University precedent, and review of background analyses and information provided by various shareholder services, such as those provided by Sustainable Investments Institute, the company with whom we have contracted to provide us with research on each proxy we vote.

### *C. HEI Hospitality Petition to Divest*

In March of 2013 a group of students presented President Bollinger's office with a petition requesting that the University divest/not invest in a company called HEI Hospitality. This group of students noted that they were "deeply concerned by the stories [they] had heard from HEI Hotel workers." President Bollinger's office asked the ACSRI to make a recommendation on the matter. The petition and the ACSRI's response can be found as Attachment C.

The University does not hold any stock in HEI hospitality in the directly managed portfolio, and because of a serious paucity of reliable information in support of either side of the argument, the ACSRI was unable to make any recommendations regarding future investment decisions.

### *D. Education Subcommittee and Outreach*

During the 2013-2014 academic year, the Committee created and elected members to a new Education Subcommittee. After much discussion, the ACSRI came to the conclusion that as part of its mandate it should develop its efforts to provide educational opportunities not only for the benefit for the Committee, but for the Columbia community at large on issues relating to socially responsible investing. Because of when the Education Subcommittee was formed, we expect its first efforts to be seen in the 2013-2014 academic year.

The ACSRI continued to post its minutes, reports and other announcements throughout the fall and spring so that members of the University community might stay abreast of its activities. The SRI website also enables members of the University community to comment on the issues that the ACSRI may consider and to submit views on the University's ethical and social responsibilities as an investor.

## **Attachment A**

### **ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING 2012-2013 AGENDA November, 2012**

#### **INTRODUCTION**

At the recommendation of the President, and with the approval of the University Trustees, the Advisory Committee on Socially Responsible Investing was established in March 2000 to address issues of corporate social responsibility confronting the University as an investor. The Committee has developed the following agenda for the 2012-2013 academic year, which builds on the Committee's years of experience generally, and which specifically reflects discussion of the shareholder proposals reviewed last year.

#### **AGENDA**

During the 2012-2013 academic year, the Committee will continue to review selected shareholder proposals made to public corporations in which the University has invested its endowment. The Committee will recommend to the University Trustees how to vote on shareholder proposals from several broad social issue categories, namely: animal welfare; board diversity; corporate charitable and political contributions; environment and energy; equal employment opportunity; global labor standards; health issues; human rights; and sustainability. In keeping with its precedent of recent years, the Committee anticipates excluding most shareholder proposals on corporate governance from its review, but may decide to review and formulate recommendations in a select number of cases where it believes it can add some value to the discussion. In addition, the Committee intends to conduct research into the issue of network neutrality by leveraging the expertise available through University faculty.

In accordance with the Committee's April 2006 Statement of Position and Recommendation on Divestment from Sudan, the Committee will monitor company activity in Sudan and may make a recommendation to the Trustees to maintain the current divestment/non-investment list, or to add companies to and/or remove companies from the current list.

Over the course of the academic year, the Committee may advise the Trustees on other compelling issues involving socially responsible investing and adjust its agenda, if and when relevant matters arise. The Committee will explore other ways to communicate its concerns about issues of corporate social responsibility through methods other than proxy review, such as contact with proxy proponents and direct communication to corporate managers.

## Attachment B

### MEMORANDUM

To: Ann Kaplan  
Paul Maddon  
Jonathan Lavine

CC: Anne Sullivan

From: Ursula Bollini

Date: February 25, 2013

Subject: **Sudan Divestment: Recommendations of the Advisory Committee on Socially Responsible Investing Resulting from the Annual Monitoring Process**

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This winter, as prescribed by the Statement of Position and Recommendation on Divestment from Sudan approved by the University Trustees in April 2006 (Appendix I), the Advisory Committee on Socially Responsible Investing (ACSRI) undertook monitoring of the 32 companies currently on the Columbia Divestment List, those companies currently on the Columbia Watch List, as well as the universe of non-U.S. companies with publicly-traded equity currently operating in Sudan. In so doing, the Committee appointed a Sudan Divestment Subcommittee, composed of five members, to review available research and bring recommendations to the full Committee for approval. The Committee used the same service provider for research on companies operating in Sudan, IW Financial (IWF), as last year.

By unanimous vote on February 5<sup>th</sup>, 2013, the Committee adopted the recommendations of the Subcommittee, which included: removing 2 companies from the current Divestment/Non-Investment List; adding 28 new companies to the Divestment/Non-Investment List; adding 7 new companies to the Watch List; and moving 2 companies from the Divest/Non-Investment List to the Watch List. None of the companies recommended for divestment are currently held in Columbia's investment portfolio.

The 2 companies recommended for removal from the Divestment/Non-Investment List are:

- Brinkley Mining
- Central African Mining

The 27 new companies recommended for divestment/non-investment are as follows:

- Abu Dhabi Islamic Bank
- Acotel Group Spa
- Alcatel Lucent
- Amlak Finance
- Andritz AG
- Asec Company for Mining
- Audi Saradar Group
- China Camc Engineering Co. Ltd

- China Petroleum & Chemical Corp
- Egypt Kuwait Holding Co
- Emirates Telecommunications Co.
- Faisal Islamic Bank
- Hail Agricultural Development Co
- Harbin Electric Corporation
- Independent Petroleum Group Co.
- Indian Oil Corporation Ltd.
- International Consolidated Airlines Group
- Kingdream Public Ltd. Co.
- Kuwait Finance House
- La Mancha Resources Inc.
- Larsen & Toubro Ltd.
- Managem
- Mangalore Refinery & Petrochemicals Ltd.
- Mena Touristic & Real Estate Investment
- Mobile Telecommunications Company K.S.C (Zain)
- OFFTEC Holding
- Orascom Telecom Holdings S.A.E (OT)
- Sinohydro. Group, Ltd.

The 7 new companies recommended to be added to the Watch List are as follows:

- China Railway Erju Co Ltd
- Dubai Investments
- El Sewedy Electric Company
- LG Electronics Inc
- NEC Corporation
- Nokia Corp
- Shanghai Electric Group Co

The 2 companies recommended to be moved from the Divestment/Non-Investment List to the Watch List are:

- Africa Cellular Towers Ltd
- Nam Fatt Corp. Berhad

Only companies operating or doing business with North Sudan were reviewed.

### Divestment Criteria and Review Process

Companies that fit Columbia's divestment criteria include non-U.S. companies with publicly-traded equity whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government (1) through their involvement in the oil and gas industry – including goods and services providers, as well as explorers and extractors, (2) as providers of infrastructure – specifically those companies in the energy/utilities and telecommunications sectors, or (3) as providers of military and defense products and services.



As indicated by the ACSRI's December 2002 formal statement on divestment, the Committee sets a high bar for divestment. The ACSRI does NOT recommend divestment from the following classifications of companies:

- 1) Companies active in Sudan in the past and/or companies having expressed intent to operate in Sudan in the future, but for which there is no (conclusive) evidence of current activity in Sudan.
- 2) Companies which may currently be active in Sudan, but have demonstrated a willingness (or even undertaken some action) to change their corporate behavior in Sudan. The Committee may judge that these companies are strong candidates for continued shareholder engagement and ongoing communication.
- 3) "Second order" and logistical support/service providers: companies which provide services to other suppliers/service providers in the industries matching the divestment criteria. The Committee did not recommend divestment of these companies for the following reasons:
  - a) The Committee wished to establish a precedent of not targeting companies on the supply chain beyond the first order;
  - b) The Committee believed that these companies do not directly/substantially contribute revenue to the Khartoum government.
- 4) Subsidiaries of parent companies with known involvement in Sudan, unless the subsidiary itself fits the criteria and is actively involved in Sudan.
- 5) Companies providing goods or services that sustain life, including, without exception, pharmaceutical companies, medical service providers, and agricultural fertilizer producers.

The Committee may place companies which meet this exception criteria on a Watch List, in order to highlight them for careful monitoring during the ensuing monitoring process.

In developing its recommendations, the Sudan Divestment Subcommittee reviewed the activity of all non-U.S. companies with publicly-traded equity currently operating in Sudan, including the companies currently on the Columbia Divestment List and Watch List. The universe of companies and supporting research was provided by IW Financial (IWF).<sup>1</sup> For companies included on the current Divestment List and Watch List, the Subcommittee developed a recommendation to retain a company on the list, remove it, or shift a company between the lists (i.e., remove a company from the Watch List and add it to the

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<sup>1</sup> In its review, the Subcommittee – and hence the Advisory Committee – relied upon data from IW Financial (IWF). IWF provided the Committee with a list of all non-U.S. companies with publicly-traded equity currently operating in Sudan. The list included information on the companies such as, level of involvement (active or plan to cease) and industry (government, power, energy, telecom, defense, and financial). Each company on the list was accompanied by a page of research outlining the company's involvement in Sudan. IW Financial is a leading provider of objective research and technology solutions that help financial professionals evaluate the environmental, social, and governance performance of companies.

Divestment List). For newly reviewed companies, the Subcommittee developed a recommendation to add a company onto the Divestment or Watch List, or perform no action.

If you have any questions, please do not hesitate to contact me at 646 584 2842 or [ub2@columbia.edu](mailto:ub2@columbia.edu) if I can be of assistance.

## Appendix I

### COLUMBIA UNIVERSITY ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING

Statement of Position and Recommendation<sup>3</sup> on Divestment from Sudan

April 4, 2006

The Advisory Committee on Socially Responsible Investing (“The Committee”), as chartered by the University Trustees in March 2000, is the University’s vehicle to advise the Trustees on ethical and social issues confronting the University as an investor. At its annual community hearing on November 15, 2005, the Committee was formally presented with the *Proposal for Divestment from Sudan* by the student-led Columbia University Sudan Divestment Taskforce.

#### **Committee principles on divestment:**

In December 2002, the Committee released a formal statement in which divestment was determined to be the strongest action an institution can take as a socially responsible investor. Divestment ends communication between shareholder and corporation, thereby attempting to affect corporate behavior through the symbolic act of ceasing all connection with the company in question. The statement delineates three basic tests that should be considered with respect to divestment: 1) there must be broad consensus within the University community regarding the issue at hand; 2) the merits of the dispute must lie clearly on one side; and 3) divestment must be more viable and appropriate than ongoing communication and engagement with company management.

#### **The situation in Darfur, Sudan<sup>2</sup>:**

In Sudan’s western province of Darfur, the Arab Janjaweed militias, believed to be acting in cooperation with the Sudanese Khartoum regime, have been systematically perpetrating atrocities, including rape, torture, and murder, against the indigenous, non-Arab ethnic groups in the region. Estimates vary, but there are reports that since February 2003 well over 200,000 Darfurian civilians have died<sup>3</sup> and over 2 million have been displaced internally or to neighboring Chad.<sup>4</sup> On July 22, 2004 the U.S. House of Representatives passed House Concurrent Resolution 467 and the U.S. Senate approved Senate Concurrent Resolution 133 by voice vote, declaring the atrocities committed in Darfur to constitute genocide; in September 2004, the U.S. State Department confirmed this designation. While the United Nations has stopped short of classifying the atrocities in Sudan as genocide, the January 25, 2005 U.N. Report of the International Commission of Inquiry on Darfur refers to the offenses in Darfur as “war crimes,” “crimes against humanity,” and crimes that “may be no less serious and heinous than genocide.” As recently as December 21, 2005, the U.N. Security Council passed a resolution (S/RES/1651 2005) determining that “the situation in Sudan continues to constitute a threat to international peace and security in the region.”

#### **Revenue support of the Khartoum government:**

The United States government has since 1997 imposed a trade embargo against Sudan relating to the activities of U.S. companies, to which some exemptions have been granted. However, the Committee is strongly concerned that non-U.S. companies, which are not subject to this sanctions regime, with material involvement in Sudan provide the infrastructure and revenues necessary to sustain the Khartoum regime, that these revenues directly

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<sup>2</sup> For a more extensive discussion of the situation in Darfur, the reader may wish to consult the Columbia University Sudan Divestment Taskforce’s *Proposal for Divestment from Sudan*.

<sup>3</sup> Gareth Evans, “End the Death, Suffering and Destruction in Darfur,” International Crisis Group (March 10, 2005): <http://www.crisisgroup.org/home/index.cfm?id=3336&l=1&m=1>.

<sup>4</sup> *Intelligence Unit, Sudan Report, The Economist*, 27 (Sept. 2005).

relate to large increases in governmental military and weapons expenditures, and that these military enhancements are being used for the perpetration of atrocities against the civilians of Darfur.

The oil and gas industry is of paramount concern, having been shown to provide the Khartoum government with 70% of total export revenues this year,<sup>5</sup> and with output expected to double by year-end.<sup>6</sup> Furthermore, revenues generated by the oil and gas industry are disproportionately funneled into military and weapons spending.<sup>7</sup> Companies in the energy/utilities and telecommunications sectors are also problematic. In addition to generating revenues,<sup>8</sup> these companies provide the necessary infrastructure for both the government and the oil industry.<sup>9</sup>

#### **Committee position and recommendations:**

As indicated by the December 2002 statement, the Committee sets a high bar for divestment. In this case, the Committee is unanimous in its belief that its threshold criteria for considering divestment have been fulfilled. There is broad consensus across the University in support of divestment from Sudan. The merits of the case lie clearly against the human rights violations and atrocities being committed in Darfur and against the Khartoum government's complicity with offending militias. The Committee believes that communication with company management is not a sufficient response given the urgency of the situation in Darfur. The Committee concludes that divestment from companies whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government is the most appropriate action to take in order to avoid supporting the regime and its involvement in the perpetration of atrocities.

The Committee at this time recommends that the University divest from and prohibit future investment in all direct holdings of publicly-traded non-U.S. companies whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government. Our research demonstrates that the companies subject to this policy include all those companies doing business in Sudan that are (1) involved in the oil and gas industry – including goods and services providers, as well as explorers and extractors; or (2) providers of infrastructure – specifically those companies in the energy/utilities and telecommunications sectors.

After a thorough review of research compiled<sup>10</sup> on companies with business in Sudan, the Committee finds that the following companies fulfill the criteria for divestment described above and recommends their immediate divestment:

ABB  
Alcatel  
Alstom  
Bharat Heavy Electricals  
Harbin Power Equipment  
Lundin Petroleum International

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<sup>5</sup> Energy Information Administration: <http://www.eia.doe.gov/emeu/cabs/Sudan/Background.html>.

<sup>6</sup> Sudan Tribune: [http://www.sudantribune.com/article.php3?id\\_article=14079](http://www.sudantribune.com/article.php3?id_article=14079).

<sup>7</sup> Human Rights Watch: *Sudan, Oil and Human Rights* (2003):  
[http://www.hrw.org/reports/2003/sudan1103/21.htm#\\_Toc54492697](http://www.hrw.org/reports/2003/sudan1103/21.htm#_Toc54492697).

<sup>8</sup> The IMF reports that strong performance in the energy/utilities sector was one of the major contributors to Sudan's significant revenue growth in 2004:  
<http://www.imf.org/external/np/sec/pn/2005/pn0567.htm>.

<sup>9</sup> The Sudan Tribune reports that in a country that is over 70% rural, nearly all telecom clients are in the oil industry: [http://www.sudantribune.com/article.php3?id\\_article=14398](http://www.sudantribune.com/article.php3?id_article=14398).

<sup>10</sup> The Committee reviewed research compiled by several sources, including (but not limited to): (1) *An Analysis of Select Companies' Operations in Sudan: A Resource for Divestment* by the Allard K. Lowenstein International Human Rights Clinic/Project at Yale University; (2) Company research compiled by the University of California Sudan Divestment Taskforce; (3) In-depth company reports commissioned from the Investor Responsibility Research Center; (4) Institutional Shareholder Services' SIMON Sudan screen; and (4) original research performed by Committee members and staff.

Nam Fatt  
ONGC  
PECD Berhad  
PetroChina  
Schlumberger  
Siemens  
Sinopec  
Sudatel  
Sumatec  
Tatneft  
Videocon Industries  
White Nile Petroleum

As of February 28, 2006, Columbia University held none of the above-referenced companies in its public-equity portfolio. The Committee strongly recommends that these companies be prohibited from future investment by the University's public-equity managers. The Committee recommends that the University communicate its position and divestment policy to all managers investing Columbia's funds.

The Committee will establish a process to periodically research, monitor, and assess the activities of these and other companies doing business in Sudan; the Committee may make recommendations for removal of any or all of the above-referenced companies from the divestment list, and/or may make further recommendations for divestment from additional companies that meet the Committee's stated divestment criteria. In this connection, the committee identified certain companies whose activities raise concerns but require further research, including certain U.S. companies that have received waivers from the U.S. sanctions regime. The Committee will review its recommended divestment policy periodically and as information becomes available suggesting that human rights violations and atrocities in Darfur have ceased; or the

Khartoum government can be shown to no longer be complicit in these acts; or the government of the United States, the United Nations or other credible and international human rights organizations have deemed the situation in Sudan significantly improved; or OFAC has lifted economic sanctions against Sudan and its government.

## Attachment C

Dear Mr. Martinez,

Columbia is not invested in HEI Hospitality, LLC. The Advisory Committee on Socially Responsible Investing does not make any recommendations on individual securities the University does not own unless the business being considered participates in an industry or geopolitical situation that is widely considered to be unacceptable by the Columbia community. Such is the case with tobacco and Sudan. Only in these two instances do we review, annually, companies that directly manufacture tobacco products or provide support to the Khartoum government.

Despite this, we felt compelled to review HEI, both because the petition was presented to President Bollinger by Columbia students, and because fair labor practices are one of the core issues that the Committee considers when making its proxy voting recommendations. We elected a subcommittee whose members reviewed legal action taken against HEI; settlements paid by HEI; complaints filed with the National Labor Relations Board; and the responses made by other universities when they were asked to consider divestment from HEI. These institutions included: Harvard, Yale, Princeton, Brown, Notre Dame, Dartmouth, Vanderbilt, University of Pennsylvania, Swarthmore, and Cornell.

Ultimately, we do not feel we can make a recommendation regarding HEI Hospitality. What information is available is not persuasive enough to cause us to suggest a course of action.

Best regards,

Ursula Bollini  
Associate Director,  
Finance Communications  
And Socially Responsible Investing  
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