

**COLUMBIA UNIVERSITY**

**ADVISORY COMMITTEE  
ON SOCIALLY RESPONSIBLE INVESTING**

**INTERIM ANNUAL REPORT 2006-2007**

**May 4, 2007**

Advisory Committee Members:

Merritt Fox, *Chair*  
Robert Boothe  
Burton Edelstein  
Frances Freedman  
Charles Hailey  
Geoffrey Heal  
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## **I. 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. Merritt Fox, Michael E. Patterson Professor of Law, chaired the ACSRI during the 2006-2007 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.

The following interim report, released in the interest of informing the University community by the end of the academic year, describes the work and activities of the ACSRI thus far during the 2006-2007 academic year. It provides summary information about ACSRI recommendations and TSSR votes on shareholder proposals during the 2007 proxy season (the period between March and June when most publicly-traded corporations hold annual meetings). It also summarizes the ACSRI's Sudan divestment monitoring process and activities the ACSRI undertook regarding Chevron Corporation's legacy operations in Ecuador. The ACSRI will release a more detailed and complete 2006-2007 Annual Report during the fall of 2007.

The ACSRI is extremely grateful to the University Trustees and the President, and the administrators, particularly the Executive Vice President for Finance and the Coordinator for Socially Responsible Investing, who have given this effort a great deal of their time, provided wise counsel to the ACSRI, and also provided the resources necessary for the ACSRI to perform its mission.

## **II. 2006-2007 Agenda**

Each year, the ACSRI selects a set of SRI issues that it will review in the context of shareholder proposals, as well as other SRI activities that it considers important. This selection occurs in the fall and serves as the basis for the preparation of an annual agenda that is distributed to the

University Trustees and President, the University Senate, and the University community during the fall semester. In December 2006, the ACSRI adopted and disseminated to the University community its 2006-2007 Agenda (Appendix 1). As was the case in the previous academic year, the Agenda focuses 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 endowment portfolio. As part of its 2006-2007 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 2006-2007 Agenda outlined other activities that the ACSRI further considered and explored with the TSSR throughout the year, including the invitation of guest experts to address the ACSRI on relevant social issues.

The issue areas selected for review during the 2006-2007 academic year reflect most of the same broad categories as those selected during the previous academic year. The traditional categories selected for the 2006-2007 Agenda include shareholder proposals related to animal welfare, board diversity, corporate charitable and political contributions, environment and energy, equal employment opportunity, executive pay as tied to social indicators, global labor standards, health issues, human rights, and sustainability. As these broad groupings indicate, most current social issues are covered by the Agenda. During the 2006-2007 academic year, the ACSRI once again chose to leave corporate governance and most executive compensation proposals outside its scope of review, in order to apply greater and expanded focus to issues of social responsibility, most effectively apply its collective expertise, and accommodate the priorities of the University community.

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.

### **III. 2006-2007 ACSRI Activities**

#### *A. Sudan Divestment Monitoring*

In the fall of 2006, in accordance with the April 2006 Statement of Position and Recommendation on Divestment from Sudan, the ACSRI undertook Sudan divestment monitoring. The ACSRI agreed that monitoring would take place annually and established an informal subcommittee of its members to review company activity in Sudan, including those companies included on the April 2006 Sudan divestment list as well as other companies with operations in Sudan. After careful review of available research and deliberation, the Sudan divestment subcommittee developed a recommendation to add ten new companies to the divestment list, and to remove two companies from the divestment list (due to those companies' decisions to withdraw operations from Sudan). The subcommittee presented its recommendations to the full ACSRI in the winter of 2006; 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 full board of Trustees for approval. At its March 2007 quarterly meeting, the board of Trustees formally approved the ACSRI's recommendations to add the ten new companies to the Sudan divestment list and to remove two companies from the list<sup>1</sup>. The related press release with the complete modified list of companies divested is attached as Appendix 2.

### *B. Chevron*

As of this writing, the ACSRI is in the process of drafting correspondence to Chevron Corporation's management. At the ACSRI's annual Town Hall in November 2006, students representing Columbia's chapter of Amnesty International addressed the ACSRI on the controversy surrounding Chevron's legacy operations in Ecuador, including the alleged dumping of toxic waste in the Ecuadorian rainforest, insufficient remediation of well-sites and pits, and subsequent alleged negative health effects afflicting inhabitants of the region. The student presenters requested several actions to be recommended by the ACSRI, including issuing a public statement and engaging with company management concerning the issue. The presenters submitted a petition signed by over 400 Columbia students in support of their requests. Following the Town Hall, an editorial, published in the winter 2007 issue of the Columbia student publication *The Current* and formally submitted to the ACSRI for consideration, requested that Columbia divest from Chevron. The ACSRI gave its careful consideration to the requests of the students at the Town Hall and in the editorial. To become fully informed on the issue, the ACSRI hosted presentations by a shareholder advocate from Amnesty International (Amnesty International is a co-filer on the 2007 shareholder proposal to Chevron that concerns the adequacy of the host country laws in which it operates abroad, and which references the controversy in Ecuador), members of Chevron corporate management involved in the Ecuador case, and two third-party experts from the Columbia faculty. The final presentation to the ACSRI was completed in late April 2007. Having subsequently completed its discussions on the students' requests and the information garnered from the presentations, the ACSRI determined that, at this time, the most appropriate action is to communicate with corporate management via written correspondence; as stated above, the ACSRI is currently in the process of drafting a letter.

### *C. 2007 Proxy Season*

By the end of the spring 2007 proxy season, the ACSRI will have met eight times for review of shareholder proposals. Issues within the ACSRI's 2006-2007 Agenda raised through the proxy process this year include: review of animal welfare standards and humane slaughter methods; corporate environmental practices related to environmental management and reporting, global climate change and greenhouse gas emissions standards, and assessment/remediation of environmental hazards posed to local communities from current or legacy operations; fair

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<sup>1</sup> On April 19, 2007, British aerospace firm Rolls-Royce (one of the companies added to Columbia's divestment list in March 2007) announced that it will withdraw operations from Sudan due to the humanitarian crisis in Darfur. The ACSRI, on the Sudan divestment subcommittee's recommendation, is recommending to the TSSR that the company be removed from Columbia's divestment list. Trustee action is currently pending.

housing lending practices<sup>2</sup>; diversification of corporate board membership; labor conditions including equal employment opportunities, implementation of global labor standards, fair employment in Northern Ireland, and the outsourcing of jobs; implementation of human rights codes; genetically modified organisms in plants and food products; military contracting issues and foreign weapons sales; reporting on sustainability; and corporate political and charitable contributions. No proposals concerning health issues (e.g., drug pricing/access, pandemics) or executive compensation with links to social issues have come up for review thus far in the proxy season.

The ACSRI has not completed its work for this proxy season, but as of this writing has reviewed 44 social responsibility shareholder proposals. By the end of the proxy season, the ACSRI will have reviewed approximately 66 proposals. The table below summarizes the proposals that the ACSRI and the TSSR expect to review by the end of this proxy season and compares these figures to those of 2006, 2005 and 2004:

Issue	2007		2006		2005		2004	
	Count	%	Count	%	Count	%	Count	%
Animal Welfare	4	6.1	7	8	7	9	3	3
Banking Issues	1	1.5	--	--	--	--	--	--
Board Diversity/Independence	1	1.5	1	1	1	1	--	--
Environment and Energy	18	27.3	20	23	15	19	16	16
Executive Compensation	1	1.5	5	6	3	4	10	10
Global Labor Standards	3	4.5	2	2	3	4	14	14
Human Rights	4	6.1	4	5	4	5	1	1
Equal Employment/Northern Ireland	5	7.6	12	14	7	9	7	7
Health Issues (drug pricing/access, HIV/AIDS)	--	--	1	1	9	12	11	11
Political Contributions/Charitable Donations	20	30.3	31	36	22	28	33	34
Job Cuts and Relocations (Outsourcing)	1	1.5	1	1	1	1	--	--
Military and Security/Weapons	3	4.5	2	2	2	3	2	2
Sustainability Reporting	5	7.6	1	1	4	5	--	--
<b>Total</b>	<b>66</b>		<b>87</b>		<b>78</b>		<b>97</b>	

As of May 4, 2007, the ACSRI has deliberated on 44 such shareholder proposals to which the University had voting rights. The ACSRI made formal recommendations to the TSSR on 38 of these shareholder proposals, having been unable to develop sufficient consensus (six uniform votes required for a formal recommendation) on six occasions. As has been the case in previous

<sup>2</sup> Consistent with recent years, the ACSRI did not enumerate “banking issues” as one of the traditional categories for review in its 2006-2007 Agenda since such proposals had not been filed in the past several years. During the current proxy season, however, some banking proposals (for example, proposals on fair housing lending) did come up for review. The ACSRI felt that such proposals were relevant to its mandate and would be of concern to the Columbia community, and therefore included these proposals in the current proxy season’s review.

years, coordination and cooperation between the ACSRI and the TSSR have been excellent. The voting pattern so far this year shows 97% agreement between the TSSR and the ACSRI on the 38 recommendations, with both committees supporting shareholder proposals in 19 cases. The table below summarizes results for this year as of May 4, 2007 and prior years:

Year	Number of		
	Proposals Reviewed	Recommendations to the TSSR	Agreement by the TSSR (%)
2006-2007 (as of 5/4)	34	38	97%
2005-2006	89	83	95%
2004-2005	78	74	99%
2003-2004	97	87	94%
2002-2003	132	122	92%
2001-2002	89	68	82%
2000-2001	32	19	89%

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 the Institutional Shareholder Services' (ISS) Social Issues Service<sup>3</sup>. Information was also provided by other public sources and by members of the University community. In the fall a more detailed discussion of the specific issues involved in the various shareholder proposals and the reasons for the ACSRI's recommendations will be provided in the 2006-2007 Annual Report.

#### IV. Outreach to the University Community

In order to develop its 2006-2007 Agenda and related processes, and to conduct business outside of proxy review, the ACSRI met four times during the fall, winter and spring of 2006-2007. During this period, the ACSRI deliberated, gathered information, invited guest speakers to educate members on relevant topics of social responsibility, and considered the opinions and priorities of members of the University community. The ACSRI held an informative and productive Town Hall on November 14, 2006, offering members of the Columbia community an open platform to address the ACSRI. In addition to the speakers who presented on Chevron (discussed above), during the 2006-2007 season the ACSRI invited a faculty expert from within the Columbia community to address and educate members on global climate change. As the ACSRI's reserve of experience and expertise grows, it will manage an expanded scope of proxy review while proactively identifying future issues and projects.

The Coordinator for Socially Responsible Investing met with students to educate them on the ACSRI's mission and processes and to exchange views about possible SRI activities. The

<sup>3</sup> In 2005, ISS acquired the Investor Responsibility Research Center (IRRC), an organization created in 1972 to supply institutional investors with objective analysis of issues of social concern and corporate responsibility raised through the proxy process. ISS, through its Social Issues Services, continues to provide IRRC-style, non-recommendation-based reports.

ACSRI encouraged all members of the community to submit written views and suggestions by letter and e-mail. In spring 2007, the ACSRI launched the re-designed SRI website (<http://finance.columbia.edu/sri/>). The ACSRI kept the previous and current websites up-to-date by posting 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.

In addition to the shareholder proposal review meetings described above, the ACSRI met with the TSSR at the start of the proxy season and will have an additional “wrap-up” and planning meeting with the TSSR at the end of the proxy season.

## **V. Looking Ahead**

During the spring 2007, the ACSRI continued its discussions on possible activities in addition to proxy review. Such activities may include corresponding with shareholder proponents and/or company management in selected cases and continuing to invite faculty members and other experts from the Columbia community to address and educate the ACSRI on relevant social issues. Finally, the ACSRI may consider other actions with respect to the issues on its Agenda as it evaluates the need for these actions in the context of specific shareholder proposals.

During the remaining weeks in the spring term and over the summer months, the membership selection process will be completed to replace those members rotating off the ACSRI for the upcoming 2007-2008 academic year. The ACSRI looks forward to the joint meeting with the TSSR in late May to review the 2007 proxy season and other activities carried out by both committees over the year; at the joint meeting, the committees may discuss planning issues and other anticipated activities for the upcoming academic year. Should it become necessary, over the summer months the ACSRI may rely upon a steering subcommittee of its members to address any pressing SRI matters that arise before the fall 2007 semester begins.

## Appendix 1

### ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING 2006-2007 AGENDA December 5, 2006

#### 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 was asked to “set out a specific agenda” for each academic year, and to provide it to the Columbia community during the fall semester. The Committee has developed the following agenda for the 2006-2007 academic year, which builds on the Committee’s first six years of experience generally, and which specifically reflects discussion of the shareholder proposals reviewed last year, other issues – such as Sudan divestment – ongoing from last year, the input from the Committee’s annual Town Hall on November 14, 2006, consideration of external sources and materials, and careful discussion and deliberation.

#### AGENDA

During the 2006-2007 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; executive pay as tied to social indicators; 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. The Committee may further refine its focus as the proxy landscape becomes better defined in the winter of 2007.

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/disinvestment 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.

#### PROCESSES

With respect to proxy review for 2006-2007, the Committee anticipates continuing to address shareholder proposals on a case-by-case basis, as this approach allows for a thorough and nuanced response to each proposal as it pertains to a specific company or industry. The Committee will strive to hone its expertise and proficiency on matters identified on its agenda and develop sound and consistent positions; in so doing, members will review shareholder statements and company responses, as well as other supporting and opposing statements and independent reports and opinions. The Committee intends to invite outside experts and members of the University community with expertise in selected areas covered by this agenda to address the Committee and further educate members on these issues. The Committee will create an informal subgroup to engage in Sudan divestment monitoring and will undertake the monitoring process once annually. The Committee may continue to form other subgroups, where appropriate, to consider select issues.

The Committee will keep a record of all matters that are put to formal vote, including all recommendations that are submitted to the University Trustees. The Committee will work with the Trustees’ Subcommittee on Shareholder Responsibility to make possible the timely and accurate submission of proxy ballots.

An interim annual report of the activities of the Committee will be released at the conclusion of the academic year, and a final report will be released the following autumn along with other reports, as appropriate. The Committee will communicate this agenda to the President, the University Trustees, and the University Senate, and will post it on its website.

## Appendix 2



### Columbia Revises Sudan Divestment List

Columbia University announced March 20 that it will remove two companies, ABB and Siemens, from the [Sudan divestment list](#) developed in April 2006, and it will add ten new companies to that list.

The decision is based on the unanimous recommendation of Columbia's [Advisory Committee on Socially Responsible Investing](#), a 12-member body composed of students, faculty and alumni that makes recommendations to the University Trustees on social and ethical issues confronting the University as an investor. The Advisory Committee's recommendation was approved by Columbia's Board of Trustees at its most recent meeting. The decision follows the Board's approval of the Advisory Committee's April 2006 Statement of Position and Recommendation for Divestment from Sudan, which called for divestment from and prohibition of future investment in 18 companies with business operations in Sudan.

In the fall of 2006, as prescribed by the April 2006 Statement, the Advisory Committee undertook monitoring of the 18 companies on the divestment list, as well as monitoring of the activity of other companies active in Sudan. After extensive review of the available research, the Advisory Committee recommended divesting from 10 additional companies with activity in Sudan. Columbia University currently does not have any direct holdings in the 10 companies to be added to the divestment list. The 10 new companies marked for divestment are Bollore, Electricity Generating Company (EGCO) PLC, Ericsson, ICSA, Indian Oil Corporation, Mobile Telecommunications Co., Muhibbah Engineering (M) Berhad, Petrofac, Reliance Industries, and Rolls-Royce Group PLC.

Below is a full list of all companies marked for divestment.

- Alcatel
- Alstom
- Bharat Heavy Electricals
- Bollore
- Electricity Generating Company (EGCO) PLC
- Ericsson
- Harbin Power Equipment
- ICSA
- Indian Oil Corporation
- Lundin Petroleum International
- Mobile Telecommunications Co.
- Muhibbah Engineering (M) Berhad
- Nam Fatt
- ONGC
- PECD Berhad

- PetroChina
- Petrofac
- Reliance Industries
- Rolls-Royce Group PLC
- Schlumberger
- Sinopec
- Sudatel
- Sumatec
- Tatneft
- Videocon Industries
- White Nile Petroleum

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