

University of Rochester

Ethical Investment Advisory Committee Meeting Notes

March 8, 2018

Members attending: Professors Randall Stone (chair), Randall Curren and Robert Foster; graduate student Dan Curran; undergraduate student Henry Scharfe. Ex-Officio member Doug Phillips participated by phone and agreed to take meeting notes.

Professor Stone indicated the newly formed Ethical Investment Advisory Committee (EIAC) will meet twice each year with the University's Board of Trustees Investment Committee and more often than that in order to formulate proposals. He reviewed its role and indicated the scope is wider than matters of sustainability, but fossil fuel divestment is at the top of the agenda. He indicated he met with Doug Phillips earlier in the week and received materials from him describing the University's policy on socially responsible investing and practices of peer endowments. The Investment Office included these in its report to the Board of Trustees Investment Committee last year, when the Committee discussed the possibility of the faculty forming the EIAC. Discussion of the materials ensued, including a question on the low ranking for proxy voting, as shown on the sustainability report card. Mr. Phillips indicated the low ranking resulted from the decision to delegate proxy voting to investment advisors, unless a specific proxy vote is requested under the University's Socially Responsible Investment Policy.

The committee discussed reports alleging that certain energy companies are disseminating misinformation on climate change, and inquired whether the University owns such companies. Mr. Phillips referred the Committee to the policy on such matters (<http://www.rochester.edu/endowment/investment-policies/>) and indicated the EIAC may inquire about whether specific companies are owned. He also described the actions of the Investment Office to assure investment firms hired by the University are monitoring portfolio holdings to assure they are complying with laws and regulations (known as corporate shareholder responsibility, or "CSR"). Mr. Phillips agreed to send Professor Stone an example of CSR monitoring performed by the Investment Office (note – the example is shown below).

The Investment Office, in monitoring managers in relation to what are known as corporate socially responsible (CSR) investing practices, seeks to assure that holdings in the portfolio adhere to applicable laws and regulations. These include CSR matters pertaining to the environment, fairness in employment, corporate governance, health matters, political engagement, etc. Please describe how your firm evaluates and considers CSR matters in your investment process and disclose any areas of concern that arose in portfolio holdings over the past year. If your firm has a CSR policy, please attach it to this response.

The members of the committee raised a series of other potential concerns related to ethical investing:

- Major holders of fossil fuel reserves
- “Extreme” forms of fossil fuel production with low ratios of output to input, including tar sands
- Fracking
- Tobacco production and cigarette companies
- Firearms
- Private prisons
- Positive policies on investing in renewable energy sources (solar, wind, hydro, geothermal, battery storage)
- Positive policies on community investment
- Proxy voting as a positive action

Members of the committee also noted the existence of resources that we could consult about ethical investment:

- Union of Concerned Scientists
- Responsible Endowments Coalition
- Institutional Shareholder Services

Professor Stone and Mr. Phillips discussed confidentiality, and noted that only faculty members of the EIAC are eligible to execute the Investment Office’s confidentiality/nondisclosure agreement. Mr. Phillips said the agreement is necessary in order to view portfolio holdings as many of those positions are subject to confidentiality agreements the University executed with investment advisory firms. Mr. Stone agreed to review the agreement and, if acceptable to him, sign it and review the holdings. Mr. Phillips agreed to make reports available to him.

Professor Stone said the EIAC needs a staff member to join the EIAC who is "ideally a member of the university sustainability council" and "elected by their representative bodies." He noted recent past members of the council would qualify, and Prof. Randall Curren said that he would contact Holly Crawford to request the appointment of a staff member. A member commented that the University should increase its efforts on sustainability, through the council.

Mr. Stone indicated he plans to report on the activities of the EIAC at the University's Board of Trustees Investment Committee on May 16, including presenting recommendations, if any.

The next meeting EIAC will be Wednesday, March 21st, 3-4:30pm, in the Philosophy Library, Lattimore Hall, 5th floor.