

Memorandum

Date: December 19, 2007
To: Investment Committee, Grinnell College Board of Trustees
CC: President Russell K. Osgood, Treasurer David Clay, Investment Analyst Paige Carlson, Lance Burkholder '09 (Chair, Student Endowment Investment Group), Harry Krejsa '10 and Mary Simms '10 (Co-Chairs, Social Entrepreneurs of Grinnell), Student Government Association and Latona Giwa '09
From: Responsible Investment Working Group, Fall 2007

Dear Trustees of the Investment Committee:

We have attached our new proposal for an advisory Committee on Responsible Investment (CRI), which would provide further opportunities to implement responsible investment techniques at Grinnell. As Grinnellians, we are united by our commitment to social and environmental responsibility, and we believe that the Trustees and the Treasurer's Office act with moral intentions in managing the college's endowment, both through the endowment's funding of on-campus programs and through its investment in a manner that reflects college values. As students, we see first-hand proof of the former, and we have evidence of the latter. We encourage the Investment Committee to adopt the responsible investment policy addition that it drafted in Summer 2007 and to take measures to put its commitment into action.

The CRI would provide educational opportunities for students, motivate donors, enhance the college's reputation and exhibit its Core Values. We would greatly appreciate your written feedback to this proposal by February 1, and we would be grateful for the opportunity to answer your questions at the on-campus Investment Committee meeting in February. We also plan to present this proposal at the February Student-Trustee Open Forum.

Moreover, we propose the following timeline for action on these issues: We would like to see the Investment Committee adopt the responsible investment policy addition at its February meeting and approve the CRI by April so that it can begin holding meetings in September 2008. We hope to engage in a dialogue with the Investment Committee throughout the spring. If you would like to suggest an alternative timeline, please also inform us by February 1.

Once again, thank you very much for your time and interest in these issues. We will look forward to hearing from you.

Sincerely,

Kelly Bosworth '10, Rebecca Chohlas-Wood '10, Linn Davis '08,
SGA President Megan Goering '08, Blake Kast '10, Junayd Mahmood '09 and
Jared Rubinstein '10

Responsible Investment Working Group, Fall 2007

Proposal for a Committee on Responsible Investment

December 19, 2007

Responsible Investment Working Group, Grinnell College

I. Introduction

As stated in our Core Values, Grinnell College has a “strong tradition of social responsibility and action.”¹ This tradition would be further demonstrated in an advisory Committee on Responsible Investment (CRI). Such a committee would assist the Trustee Investment Committee in ensuring that all reasonable efforts are being made to apply Grinnell’s mission to its investments, while simultaneously encouraging student experiential learning and alumni giving. The CRI would be directed by a clear mission and guidelines based on Grinnell’s values and policies. It would utilize best practices from its peer committees, but it would adapt to fit Grinnell’s unique values, investment practices and community.

In general, responsible investment strategies fall into two categories: reactive and proactive. Reactive measures that other college committees have employed include, in order of increasing intervention: letter writing, proxy voting, co-filing and filing shareholder resolutions and, in extreme cases, targeted divestment. Proactive measures include: microfinance investments, low-return community-development investments and preferential investments, such as buying shares in environmental ventures.

II. Grinnell Precedent

Grinnell values and policies have already set a precedent for responsible investment. Grinnell committed to a *Statement of Environmental Responsibility* in 2006 and adopted an ambitious *Emissions Reduction Commitment* this past October. The college also initiated a *Setpoints Policy* (2005) to limit energy usage for heating and cooling, a *Statement of Local Foods* (2006) and *Environmentally Responsible Building Guidelines* (2006).² On social issues, the college’s Core Values list “A Diverse Community” and “Social Responsibility” as main tenets.³ Grinnell is governed by a *Diversity Policy* (1977, revised 2006), a *Faculty Diversity Initiative* (2000), a *Statement on Diversity* for non-faculty (2000) and a *Nondiscrimination Policy*.⁴ An *Apparel Purchasing Policy* (2003) requires that college offices buy clothing only from companies whose practices conform to certain environmental, labor rights and human rights standards.⁵ These and other established Grinnell statements would guide the CRI’s work.

Grinnell has shown a specific commitment to responsible investment practices, especially in its bold pursuit of proactive investments. Notable examples from its history include:

- Investing in local projects, such as the Strand Theater in downtown Grinnell
- Committing to invest in wind turbines to power the campus
- Investing in innovative environmental venture funds
- Divesting from South Africa in 1988 in response to apartheid
- Releasing a quarterly report listing marketable equities

Other campus groups have also engaged in responsible investment. The Social Entrepreneurs of Grinnell, for instance, currently have \$4000 invested in micro-loans in developing countries.

III. Actions of the Committee

Initially, the CRI would start small, focusing on easily executed forms of shareholder engagement—i.e. corporate letter writing and proxy voting. The committee would base all of its action on a set of Guidelines, which in turn would be rooted in established Grinnell values and policies. The committee would augment and change these Guidelines as new issues arose, and it would approve a new annual agenda and review all its Guidelines each October. After gaining a foothold in basic forms of shareholder engagement, the committee would consider adding more activities to its agenda, including seeking out new proactive investments.

In addition, the committee would publicize its activities and the college's other positive responsible investment initiatives through an annual report, published in May, with the support of the Treasurer's Office and the Office of Communication. The committee would also engage the campus community, to the extent it was able, in discussions on responsible investment issues at Grinnell.

Goals for the CRI's first year include the following:

- In September, begin discussing a first draft of the Guidelines
- In October, approve the Guidelines as well as an agenda for the year, in consultation with all CRI members at the year's first Trustee meeting
- During the year, use the Guidelines to engage in letter writing in conjunction with established campaigns and to vote proxies
- In May, publish a report of the committee's activities and other responsible investment steps the college has taken for release to the community and media

IV. Shareholder Engagement Procedure

Letter writing to corporate officials can occur throughout the year. Many shareholder letter-writing campaigns are coordinated through non-profit resources such as the Interfaith Center on Corporate Responsibility (ICCR) and its Ethvest database. The Responsible Endowments Coalition (REC) also provides support to college committees interested in shareholder engagement. Students would be responsible for researching and writing the letters, as well as justifying them based on the CRI's Guidelines.

Students would send a completed letter and its rationale by email to the Treasurer's Office and the CRI's two Trustee members. The letter would require the active approval of the Treasurer before being sent, but—in acknowledgment of their busy schedules—Trustee members would only need to respond if they wished to veto a letter. If no responses were received within two weeks, the Treasurer would assume approval and send the letter. A veto would need to be accompanied by a brief justification, delivered by phone or email.

Most shareholder resolutions occur in the spring, so the CRI would have time in the fall to engage in policy review and agenda setting. Still, it would need to be aware of proxy activity throughout the year. To determine which proxies to vote, the committee would subscribe to a proxy advisory service, such as the one provided by RiskMetrics Group. RiskMetrics' services offer not only searchable proxy vote lists but also background research.

The CRI would compare proxy vote advisories with its Guidelines to determine which resolutions were most relevant. Due to the timing of shareholder resolutions, this would often happen between on-campus Trustee meetings, and Trustee members' participation (by conference call or email) would be voluntary. After deciding to vote a particular resolution, the Treasurer's Office would send requests to the appropriate investment manager. Students would then research and justify a vote on the resolution within three weeks and deliver their recommendation to the other committee members. Again, Trustees would only be expected to respond if they wished to veto a proposal, and any veto would need to arrive within one week and be accompanied by a supporting rationale. Any vote on which a consensus could not be reached would be returned as "abstain."

Student CRI members would also pursue media outreach action on any approved letter or proxy vote, in accordance with Strategy 6 of the Strategic Plan. We understand that part of the power of shareholder engagement is the media attention given to these issues. Thus, in concert with Grinnell's Office of Communication, students would seek opportunities to publicize the work of the committee, both to encourage change at companies and ensure that Grinnell is recognized for its leadership.

V. Institutionalization and Composition

The CRI would be organized as a permanent committee under the Treasurer's Office. It would be comprised of eight members, including four students, Treasurer David Clay, Investment Analyst Paige Carlson and two Trustee members of the Investment Committee. In order to ensure continuity, the student representatives would commit to serve yearlong terms, which would overlap to ensure that at least two students would be veteran members. The Student Government Association (SGA) President would be responsible for appointing two student members each spring and fall, after an application process.

The committee could cull student members from a variety of student groups. A growing number of groups have taken an interest in investment issues in recent years, including the Student Endowment Investment Group and the Social Entrepreneurs of Grinnell. Members of SGA and other issue-based activist groups might also be interested.

Student members would meet weekly to conduct research based on the CRI's annual agenda, approved each October. Students would meet with the Treasurer and his staff as needed or at least every three weeks, and the full committee would meet once before each Trustee meeting. These meetings would be used for future planning, reviewing Guidelines and making other important decisions.

Potential costs for the committee include:

- Time commitment from the Treasurer's Office and Trustee members
- Subscriptions to RiskMetrics and Ethvest services
- Funds for committee members to attend relevant conferences
- Conference calls and correspondence

Appendix: Additional Resources

Examples of current college committees:

- Barnard College – Committee on Socially Responsible Investing, <http://www.barnard.edu/sri/>.
- Columbia University – Advisory Committee on Socially Responsible Investing, <http://finance.columbia.edu/sri/>.
- Dartmouth College – Advisory Committee on Investor Responsibility, <http://www.dartmouth.edu/~finance/committees/acir.html>. (In particular, see the ACIR’s annual report.)
- Swarthmore College – Committee on Investor Responsibility, http://www.swarthmore.edu/Admin/investment_office/.
- Williams College – Advisory Committee on Shareholder Responsibility, <http://acsr.williams.edu>.

Investment-related student groups at Grinnell:

- Social Entrepreneurs of Grinnell, <http://web.grinnell.edu/groups/socentre/>.
- Student Endowment Investment Group, <http://www.grinnell.edu/student/groups/seig/>.

Other info:

- Jason Camis, Juan Bustamante and Kanthi Karipineni, “Investing in Michigan’s Future: Community Investment Policies for Michigan’s Higher Education Institutions,” (Community and Economic Development Program, Center for Urban Affairs, Michigan State University, 2003).
- Noelle Danian, et al., “Community Investment in an Institutional Portfolio,” <http://www.endowmentethics.org/files/mtholyoke.pdf>.
- “Exercising Ownership – Responsible Investing at the University of Toronto,” http://responsibleinvestment.ca/?page_id=4.
- Interfaith Council on Corporate Responsibility, <http://www.iccr.org/>.
- Responsible Endowments Coalition, <http://www.endowmentethics.org/>.
- RiskMetrics Group’s Pension Fund Services, http://www.riskmetrics.com/serve/pension_funds.html.

Notes:

¹ “Core Values,” Grinnell College, <http://www.grinnell.edu/offices/president/missionstatement/core/>.

² “Environmental Policies and Principles,” Grinnell College, <http://www.grinnell.edu/etal/green/policy/>.

³ “Core Values,” Grinnell College.

⁴ “Diversity Policy,” Section 1.18, Grinnell College Handbook, <http://web.grinnell.edu/humanresources/handbook/affirmative.html>; “Faculty Diversity Initiative,” Office of the President, Grinnell College, <http://www.grinnell.edu/offices/president/diversity/facdiverinitiative/>; “Statement on Diversity—Non-Faculty,” Office of the President, Grinnell College, <http://www.grinnell.edu/offices/president/diversity/nonfaculty/>; “Nondiscrimination Policy,” College Catalog, Grinnell College, <http://www.grinnell.edu/academic/catalog/nondisc/>.

⁵ “Apparel Purchasing Policy,” Office of College Services, Grinnell College, <http://www.grinnell.edu/offices/collegeservices/apparel/>. (See also: “Apparel Code Appendix.”)