



Brandeis University as a Responsible Investor
General Guideline Adopted by the Board of Trustees
April 1973

Society supports the achievement of these missions [the university mission] by conferring great privileges on university communities. Exemption from income and property taxes, and tax deductibility to the donor for gifts made to universities, are among the important - even crucial - privileges conferred upon universities by the society in which they function. It follows that the energies and funds of a university should be devoted mainly to its primary missions and goals and not diverted to other causes such as official promotion of particular political or social views.

It further follows that capital funds received in support of a university's missions and goals should be invested primarily with a view to financial considerations such as safety and growth of capital and production of income, thereby producing further funds to support and advance such missions and goals. The need for productive economic employment of funds is particularly acute in the present inflationary period of rapidly rising costs.

Even though it is concluded that attempting to pass judgment upon or to influence the conduct of business corporations with regard to the social consequences of their activities is not among a university's primary missions, it does not follow that the university should ignore the ethical implications of the investment of its capital funds in various corporate enterprises. Indeed, we believe a university has the ethical responsibility to exercise such power as it has as an investor in ways designed to prevent or correct social injury caused by corporations in which it invests. Nevertheless, it must be recognized that there are difficult practical problems associated with attempts by a university to exercise this ethical responsibility, among which are the following:

A. A university's power to influence corporate action, while not negligible, is nevertheless quite limited. The amount of funds available to Brandeis University's portfolio managers is too small to cause economic detriment to a corporation by deciding to refuse to buy its stock, or by deciding to sell its stock, if already owned. A university's power of moral persuasion greatly exceeds its economic power as a buyer and seller of securities; if effectiveness is a criterion by which the university's attempts to influence corporate action are to be judged, it is believed that such activities as the voting of proxies, and communication with management to urge upon it various courses of action or inaction (perhaps with accompanying publicity), are much more promising fields of action than the refusal to buy or hold securities.

B. Particularly difficult would be the question of deciding which companies to "reward" or "praise" by buying their securities and which to "punish" or "censure" by selling or refusing to buy their securities. There is probably no company which will not at some

time be engaged in an activity which is offensive to some people, and the larger the company the more likely this is to be the case. It is difficult enough to reach agreement on what particular policies are "good" or "bad"; the difficulty is greatly compounded when it becomes necessary to further decide whether, considering a corporation's activities as a whole, it should be "praised" or "censured." This compounded problem is largely avoided if the university concentrates its efforts on influencing specified activities rather than making the judgment on the corporation as a whole, which would be implicit in a decision to purchase or sell its securities on the grounds of social acceptability of its overall performance.

C. There are some questions on which the university community may be deeply divided. To attempt to adopt an official university position favoring one or the other side on such a question would tend to impair the university's capacity to carry out its educational mission, both because of the distraction and diversion of energies caused by attempting to resolve the question and because of the derogation from academic freedom, which is implicit in the university's taking an official position on controversial issues. Consistent with its ethical responsibilities as an investor, the university can and should avoid taking a position on corporate responsibility questions of this sort.

D. The problem of obtaining sufficient information to reach informed decisions is greater than it might first appear. At any given time, the university is likely to own securities of many corporations. Merely reviewing the proxy statements of these corporations without attempting to be informed on aspects of their activities, which are not the subject of proxy statement proposals, will involve a considerable commitment of time and effort.

With the foregoing factors in mind the Investment Committee of the Board of Trustees proposes the following guidelines in discharging its ethical responsibilities related to investment in corporate enterprises:

RECOMMENDED GUIDELINES

1. The University as an Initial Investor

In deciding whether to purchase securities of a particular corporation, the university will in most cases be guided solely by the financial considerations of safety and growth of capital and production of income. Only when the corporation is directly and substantially involved in activities clearly considered by the university community to be contrary to fundamental and widely shared ethical principles should the portfolio managers be instructed to avoid purchase of its securities.

2. The University as a Continuing Investor

a. The university should exercise its ethical responsibilities as an investor primarily through the voting of its shares on propositions presented in corporate proxy statements. The university may also wish to make formal or informal representations to management concerning the corporation's activities. Only in exceptional cases, where it is found that the corporation's activities are gravely offensive to the university's sense of social justice,

should the university consider initiating formal corporate action such as the proposing of matters for inclusion in a proxy statement, or initiating or joining in shareholder litigation.

b. When the university finds that a corporation in which it owns securities is directly and substantially involved in activities causing social injury, it will vote its shares in favor of propositions, which it considers likely to change such activities or to mitigate the social injury, which they cause, and against propositions, which it believes will have the opposite effect. Written representations may be made to management where appropriate, and other shareholder action may be initiated under circumstances referred to in paragraph A. In deciding whether to take shareholder action, the university should give due consideration to whether the company acting alone has power and responsibility to correct the injury, or whether correction could be made more appropriately through the enactment of new laws and regulations. The university should refrain from taking action on, or should vote against, proxy proposals involving social or political matters which are unrelated to the business of the particular corporation, and should refrain from voting on proposals which are likely to cause deep divisions within the university community.

c. Where a corporation's conduct is found to be clearly and gravely offensive to the university community's sense of social justice and where it is found that the exercising of shareholder rights and powers is unlikely to correct the injury, consideration should be given to selling that corporation's securities. Due regard should be given to both positive and negative conduct of the corporation in such areas as:

- (i) hiring, employment and pension practices;
- (ii) relationships with oppressive governments;
- (iii) product safety and consumer health;
- (iv) extent and nature of military contracts;
- (v) conservation and environmental pollution;
- (vi) participation in charitable, educational and cultural life of the community.

In considering whether a sale should be made, the economic effect of such a sale on the university's portfolio should be a relevant, but not necessarily controlling, consideration.