

Statement on Shareholder Advocacy Committee Activities

COMMITMENT

Adopted on March 3, 2006, Loyola University Chicago's Policy Statement on Socially Responsible Investing expressed a commitment to ensure that invested funds are used responsibly, with attention to balancing the institution's fiduciary responsibilities in a way consistent with Jesuit, Catholic social teachings and the values inherent to its mission of the service of faith and promotion of justice. The Shareholder Advocacy Committee (SAC) was formed to assist University administration in the work of exercising Loyola's shareholder responsibilities, in order to achieve and implement these goals.

ADVOCACY

The Shareholder Advocacy Committee, advisory in nature, pursues the University's commitment to socially responsible investing and endeavors to effect change in unjust corporate behaviors through an approach centered on shareholder advocacy. This includes discussion concerning their practices and policies (i.e., letters of concern, inquiries); engaging with like-minded advocacy groups in corporate dialogue, shareholder resolutions, and proxy voting of University shares. Shareholder advocacy efforts can involve long-term engagements with corporate management, often through years of work and dialogue. The National Jesuit Committee for Investment Responsibility (NJCIR) maintains that this kind of "faith-informed socially responsible investment (SRI) is a work of structural justice."

The Committee also serves the University as a resource for information on advocacy issues, social responsibility, and corporate governance.

To develop its agenda and initiatives - and to execute its efforts, the SAC independently researches socially responsible investing concerns and issues from information received on the world wide web, publications, newspapers, government agencies, as well as from an independent proxy advisory firm Risk Metrics (formerly known as Institutional Shareholder Services (ISS), and resources such as the Interfaith Center for Corporate Responsibility (ICCR).

Additionally, the SAC seeks input from the Loyola community on areas of SRI concern, in order to focus and be well-informed on the SRI issues that may pertain to the University's investments. The Committee employs four primary vehicles to interact with the LUC community:

Equitable Representation. To ensure equitable representation of the University's constituencies, the SAC is comprised of two undergraduate students nominated by the Unified Student Government Association (USGA); two graduate students nominated by the Dean of the Graduate School; three faculty, one of whom should be tenured, nominated by Faculty Council; and three staff members nominated by Staff Council. Fr. Garanzini, President, confirms these nominations.

The SAC Web Site. The site was created to provide the Loyola community with information about the Shareholder Advocacy Committee and its mission and activities. The SAC web site also encourages members of the LUC community to submit their comments, concerns, and proposals for the Committee's consideration. (It does not address the day-to-day business affairs and operations of Loyola University Chicago, and final decisions on the investment of the University's endowment securities lie with the Investment Office.)

LUC Input. The SAC welcomes comments from the LUC community, as well as proposals for consideration regarding specific investment responsibility concerns through their web site's CONTACT US page. The SAC reviews the issues presented at its regularly scheduled meetings and provides response. The SAC also encourages LUC students, faculty, and staff to participate in the Committee's endeavors by contacting one of its members; the LUC community is also invited to attend SAC's regular meetings: Those interested in attending are asked to focus their comments on the issue(s) of concern, and strongly encouraged to read the Committee's Annual Report in order to better understand the work of the SAC and to learn how issues of concern were addressed. Additionally, any member of the LUC community who wishes to attend should complete the CONTACT US page, specifying his or her University's affiliation and the specific concerns. The SAC will respond and inform to those interested of the next scheduled meeting.

Community Meeting. Each year, the SAC holds a Community Meeting, which may be in the form of a "town hall meeting," where interested LUC students, faculty, and staff who confirmed participation are invited to speak and present their views on any topic relating to the SAC's Agenda. All LUC students, faculty, and staff who wish to speak should complete the CONTACT US page and forward available written materials to loyolasac@luc.edu: Announcements and deadlines will be posted. The SAC's Community Meeting may also be held in the form of a roundtable or conference, and may include participation of experts and other interested persons, from within and outside of Loyola University Chicago.

STOCK SELECTION, SHAREHOLDER RESOLUTIONS AND PROXY VOTING

Separately, the University, through Risk Metrics (formerly known as Institutional Shareholder Services), votes proxies on all of its stock holdings.

The Committee can make specific voting requests and recommendations to the University on proxy issues arising from specific areas and/or companies of interest. Proxies for companies owned for the express purpose of shareholder advocacy will be voted at the direction of the Committee. In no event will the Committee select or retain stock for the primary purpose of thereby encouraging or expressing approval of a company's activities.

DIVESTMENT

While many in the community of socially concerned investors, like the NJCIR along with the Interfaith Committee on Corporate Responsibility (ICCR), now view divestment as an ineffective and complicated tool for affecting corporate behavior, there are examples of carefully prepared, targeted divestment campaigns and non-investment strategies that are having an effect (i.e. Sudan Divestment Task Force).

The Committee, following recent trends in socially responsible investing, views recommendation for divestment as a strategy of last resort. Moreover, the social teachings of the Church are clear about the use of divestment as a tool of shareholder action, indicating that "when the decision to divest seems unavoidable, it should be done after prudent examination and with a clear explanation of the motives [3540]." (*Economic Justice for All*, U.S. Catholic Bishops Pastoral Letter, 1986).

Where the SAC, through careful and comprehensive research, determines that a company's activities or policies have such negative, harmful and unrecoverable impacts that cannot be improved or mediated through shareholder advocacy, and it can be concluded that:

- a) a desired change in the company's activities would have a direct and material effect in alleviating such impacts,
- b) the SAC have exhausted opportunities to affect changes in corporate behavior that would modify the company's activities to eliminate or reduce such impacts, through dialogue and advocacy initiatives with other shareholders,
- c) the company has been afforded the maximum reasonable opportunity to alter its activities,
- d) no alleviation of the company's impacts is likely within a reasonable time;

As a result of these conditions and protocol being met, the Committee will recommend to the University the alternative of not continuing to exercise its shareholder rights and, when such an action is consistent with its fiduciary obligations, instead sell the stocks in question within a reasonable period of time. Additionally, the Committee will recommend to the University to refrain from future investment in such holdings until the company has remedied its questioned activities.

In the event that the University accepts the Committee's recommendation to divest of stock, the Shareholder Advocacy Committee will establish a process to periodically research, monitor and assess the activities of the respective company; it will review its divestment recommendation periodically, and as information becomes available that may be relevant to the continuation of the divestment decision.

It is understood that the final fiduciary responsibility and decision for the management of the investments that supports the University's mission rests with University administration.