

LOYOLA UNIVERSITY CHICAGO

Shareholder Advocacy Committee

2007-08 Annual Report

Shareholder Advocacy Committee Members (SAC):

Raymond Catania, *Staff Representative & Chair*

Patrick Eccles, *Staff Representative*

Megan Gibbons, *Undergraduate Representative & Communications Committee*

James Jansen, *Graduate Representative & Communications Committee*

Elaine Lehman, *Staff Representative & Secretary/Communications Committee*

A. (Tassos) Malliaris, *Faculty Representative*

Charles Murdock, *Faculty Representative*

David Ozar, *Faculty Representative & Treasurer*

Lucia Samayoa, *Undergraduate Representative & Communications Committee*

Ex-Officio, Non-Voting Members

Erik Grimshaw, Manager, Investment Administration - Office of the Treasurer

Eric Jones, Assistant Treasurer - Office of the Treasurer

I. Background

Loyola University Chicago has had a longstanding policy on responsible investing dating back to the 1970s. In 2006, the Board of Trustees of Loyola University Chicago responded to students and other members of the LUC community who expressed concerns about the University's holdings in companies and published its updated **Policy Statement on Socially Responsible Investing**. In this Statement, the Trustees stated that the University "is firmly committed to an investment policy that balances effective support of its academic programs and broader educational and social mission with the promotion of social justice and the dignity of the individual."

In Spring 2007, through the Office of Finance, the Trustees established the Shareholder Advocacy Committee (SAC) to engage with companies – through an approach centered on advocacy - in discussion concerning their practices and policies (e.g., letters of concern, inquiries); to join forces with other like-minded advocacy groups in initiatives to effect positive change; to advise on the voting of the University's shares; and to serve the University as a resource for information on advocacy issues, social responsibility, and corporate governance.

To ensure that the SAC represents the University community, its nine voting members are comprised in equal proportion from students (two undergraduate students, one graduate student), faculty, and staff of the University, and the process for the selection of its members provides for balanced representation of the University's Unified Student Government Association, Dean of the Graduate School (previously by Dean of Students: please see "V. Recommendations"), Faculty and Staff Councils, with final appointment by the President. At least one University administrator from the Office of Finance who is familiar with the University's investments sits as a non-voting member, in addition to the nine voting members. The Shareholder Advocacy Committee will be responsible for communicating with nominating groups when new members are needed.

It is understood that the final fiduciary responsibility and decision for the management of the investments that support the University's mission rests with the Investment Office, a division of the Office of Finance. The SAC, advisory in nature, may determine the SRI issues it researches and recommendations it makes in regard to proxy voting. Responsibility for administrative functions of the committee may be distributed in any manner members find suitable. Through Fall 2007, the SAC met and explored ways to ensure that Loyola's investment choices reflect the values nurtured by our University and its promise of "*preparing people to lead extraordinary lives.*" To execute its efforts, the Shareholder Advocacy Committee seeks input from the Loyola community on areas of SRI concern, in order to focus and be well-informed on the issues that may pertain to the University's investments.

II. Outreach

Dedicated in serving as the University's representative and resource on socially responsible investing issues and initiatives, and endeavors for its activities to reflect the concerns and

voices of Loyola's students, faculty, and staff, the Shareholder Advocacy Committee in AY2007-08 employed the following primary vehicles to interact with the LUC community:

- **The SAC Web Site.** The site, www.luc.edu/sac, was created to provide the Loyola community with information about the Shareholder Advocacy Committee and its mission and activities. It was designed, researched, and developed beginning in August 2007, and finalized and uploaded in early 2008. The SAC web site contains information such as the background of SRI at Loyola, Policy Statement, meeting minutes (AY2007-08 summarized within this report), reports, and other resources. It also encourages members of the LUC community to submit their comments, concerns, and proposals for the Committee's consideration.
- **LUC Input.** To help guide the Committee's activities, the SAC invited the LUC community to complete a survey concerning socially responsible investing issues. Between 8 February and 5 March 2008, more than 800 people responded to the survey. The audience represented the students, faculty, and staff at LUC. The SRI survey was distributed weekly in the internal online publications *Inside Loyola Weekly* (for faculty and staff) and *Loyola Focus* (for students); it was also publicized on the flat screens at Water Tower and Lake Shore Campuses. Additionally, the survey was distributed through department contacts via email. A link to the survey was promoted on the University's web home page; it was also made available online within the SAC web site, for those people who found the survey through their own web searches and who were inclined to participate. The results of the survey were shared with the University community at the SAC's first Community Meeting on 3 April 2008.

The top five major categories (with subcategories) considered very important to respondents can be broadly summarized as follows:

Corporate Governance: Diversity/Non-Discrimination 58.3%

Environment: Global Warming 58.3% ; Sustainability 58.4% ;
Global Pandemics 53.8%

Labor-Related: Human Rights 76.9%

Health Care (Access): 69.7%

Violence: Weapons/Armament Manufacture and Distribution 55.6%;
International Violence 58.2%; Workplace Violence 53.9%

- **Community Meeting.** The SAC held its first Community Meeting on April 3, 2008, at Lake Shore Campus. At the meeting, the Committee invited members of the Loyola community to share the results of the SAC's SRI Survey, to discuss their views on the issues presented, and to learn more about the Committee. While sparsely attended due to multiple events on Campus, we received positive response and interest. Future Community Meetings may include participation of experts, from within and outside of Loyola University Chicago.

III. Research

In addition to soliciting input from the LUC community, the Committee also sought information from outside sources. The Committee utilized two organizations Loyola's Investment Office subscribes to in support of the Committee's research efforts: ISS (Institutional Shareholder Services), a proxy research and advisory firm to recommend votes on shareholder initiatives and other proxy measures, and the ICCR (Interfaith Center for Corporate Responsibility). Additionally, each SAC member used other resources as necessary, such as government agencies, non-profit organizations and newspapers. The SAC also began dialogue with external groups:

- Beginning in February 2008, members of the SAC reached out to representatives of the National Jesuit Committee on Investment Responsibility (NJCIR), notably Mr. John Sealey of the Wisconsin Province and Ms. Anna Bradley, Consultant to the Board, as well as the Illinois Committee for Responsible Investment, to learn more about becoming involved as a partner in shareholder activism. The SAC began initial discussions regarding collaborating in actions on Chevron on the issue of Human Rights, as well on the OM Group.
- Student representatives began outreach to and participated in strategy meetings via teleconference with the Responsible Endowment Coalition (REC), to learn about student initiatives nationwide and how to augment student participation at Loyola. The Committee has agreed to support resolutions submitted to the shareholders of Chevron Corp. (please see Appendix), which garnered approximately seven percent of the vote, Wal-Mart, and ExxonMobil.
- In April 2008, the SAC sent members to participate among over 60 representatives from various U.S. colleges and universities from across the country in a daylong conference at Columbia University in New York City that was hosted by the REC, the Advisory Committee on Socially Responsible Investing at Columbia at Columbia University (ACSRI), and the Columbia University Human Rights Law Clinic. Finance officials, faculty, students, and staff that serve on various campus-based committees on investor responsibility at institutions such as Brown University and Duke University came together for the first time, providing a forum for representatives to share best practice models for corporate engagement and the leveraging of school endowments for social (and environmental) justice to help ensure the effectiveness of the committees' endeavors. Michael Musuraca, trustee of the New York City Retirement System (NYCERS); Laura Berry from the Interfaith Council for Corporate Responsibility (ICCR); Don Kirschbaum, a representative from the Connecticut State Treasurer's Office; and other well-known responsible investment industry leaders also participated in the event. Sessions included: Goals and Strategies of Corporate Engagement, Social Responsibility as Part of Fiduciary Responsibility, and Models of Collaboration.
- In June 2008, the SAC sent members to participate among over 75 representatives of various professional organizations and companies, and universities and colleges, from across the nation in "The Summer Faith-Based Investment Leadership Summit," a

two-day conference in Chicago hosted by the Investment Management Institute. Finance professionals and university faculty and staff convened to discuss a variety of critical topics of interest to religious organizations and foundations. Topics included: Mission Investing: Do Returns Override SRI Goals?, Does Divestiture Work?, SRI From The European Vantage Point, Quantitative Approaches to SRI Investing, Shareholder Activism: The Importance of Engaging Management To Enact Change, After The Storms: Community Investment As SRI Focus, International Investing: Is There More Alpha Ahead?, and Taking A Longer View: The Costs Of Not Implementing SRI Options.

- In June 2008, the SAC hosted a lunch for Laura Berry, executive director of the Interfaith Center for Corporate Responsibility (ICCR), inviting a cross-section of the LUC community which included Dr. William French, director of the Center for Ethics and Social Justice, Jack McLean, director of Student Leadership Development, and student leadership of the Unified Student Government Association (USGA), to hear about ICCR's endeavor with Jesuit universities nationwide and to explore how to engage student groups in the Committee's initiatives. We also asked Ms. Berry to provide an overview of ICCR's successes in pursuing SRI in dialogues with companies; to discuss the value of collaboration and the rich network ICCR has built over the years; to explain the nuts and bolts how we as a committee and Institution can pursue shareholder advocacy initiatives; describe what an ICCR working group is and what kind of work is expected as a representative; and to recommend a possible strategy on approaching companies and filing. Ms. Berry emphasized that this work "is not for the faint of heart" and can take years to make the slightest amount of progress; she suggested that the Committee pick "a lens through which to learn" about a specific issue, i.e. pick one or two issues, use the investment portfolio to identify companies, interact with other resources and organizations to get involved; to look at local companies; and to do deep research, without spreading efforts too thinly to cover too many topics and issues. She also expressed the importance of dialogue and shareholder advocacy versus divestment.

IV. Agenda Setting

Pursuant to the June lunch with Laura Berry, the Committee agreed that it should meet certain milestones over the next three to five years, which would include further engagement of the student body, and possible lead filing after the SAC has made the necessary commitments to an initiative.

V. Recommendations

The SAC discussed its efforts in replacing its graduate student representatives and recommended that for the following year, that it may be more appropriate for the selection to be made by the Dean of the Graduate School (previously, selection was made by the Dean of Students).

The Committee discussed that it would further SAC collaboration with external groups, as well as “quietly participate” in ICCR’s “working groups” to better learn shareholder advocacy in the following year.

VI. Plans

The Shareholder Advocacy Committee’s plans for the next academic year 2008-2009 include a review of the Survey results (please see “II. Outreach: LUC Input”) and selection of one or two key issues on which to focus (please see Appendix); identifying, using the University’s investment portfolio as the lens, a short list of companies (ideally a local company) facing one of these issues selected; and continued engagement among the advocacy community. Each SAC member will conduct independent research on the selected subject to understand all aspects and sides of the issue. The SAC endeavors to create a three-to-five year plan of action to meet the milestones identified as critical, and to expand our community outreach, with emphasis on the student body. Additionally, the Committee will finalize research on and develop a non-investment/divestiture statement.

VII. Conclusion

The Shareholder Advocacy Committee wishes to thank Eric Jones, Assistant Treasurer, and Erik Grimshaw, Manager, Investment Administration, for their time, guidance, and encouragement. Our appreciation goes as well to Loretta Morales, Administrative Assistant-Financial Planning, and Kathy Bell, Administrative Assistant-Office of the Provost, for their patience and assistance in coordinating committee needs. We are equally appreciative to the student leadership of the United Student Government Association (USGA); Jack McLean, Director of Student Leadership Development; Kelly Shannon, Chief Marketing Officer, and her excellent team in University Marketing & Communications; Amanda Hitterman of Campus Reservations; and the Advancement Division. We are especially grateful to the University Board of Trustees and the President for their continued support of the Committee’s advocacy endeavors.

The Shareholder Advocacy Committee looks forward to refining our agenda and to broaden our outreach and dialogue efforts.

APPENDIX
Human Rights – Develop and Adopt Policy
2008 Chevron Corporation

WHEREAS:

Corporations operating in countries with civil conflict, weak rule of law, endemic corruption, poor labor and environmental standards face serious risks to reputation and shareholder value when they are seen as responsible for, or complicit in, human rights violations.

Chevron operates in numerous areas that the U.S. State Department classifies as high-risk environments. Conditions in such areas continue to experience significant human rights violations, notably Burma and Nigeria. <http://www.state.gov/g/dri/rls/hrrpt/2006/>

This urgency is further highlighted by UN Special Representative John Ruggie, "The extractive sector – oil, gas, and mining – utterly dominate the sample of reported [Human Rights] abuses...The extractive industries also account for most allegations of the worst abuses, up to and including complicity in crimes against humanity, typically for acts committed by public and private security forces...large-scale corruption; violations of labor rights; and a broad array of abuses in relation to local communities."
<http://www.umn.edu/humanrts/business/RuggieReport2006.html>

Chevron's brief one-page human rights statement does not prescribe the desired *action* that a comprehensive, transparent, verifiable human rights policy will achieve. While citing general values, the language is vague and lacks standard components regarding management accountability, specific goals, performance metrics, reporting and evaluation guidelines.

With growing public scrutiny regarding Human Rights, a defined policy will enhance corporate reputation, improve stakeholder relations and employee safety, and reduce the risks of adverse publicity, boycotts, divestment campaigns, sanctions and lawsuits.

Creating policies with meaning is the first skill necessary for operating in high-risk environments. ("Caught in Turbulence," *Foreign Direct Investment Magazine*, April 2007).

Other companies, including our extractive peers, are developing human rights policies. This effort is critical for responsible leadership and shareholder value.
<http://www.business-humanrights.org/Documents/Policies>.

A comprehensive policy includes: rights to equal opportunity and non-discriminatory treatment; security of persons; worker rights including association, collective bargaining and safe/healthy workplaces; rights of indigenous peoples; economic, social and cultural rights, the right to development, adequate food and drinking water; and the right to health and environmental protection.

Chevron Chairman/CEO David O'Reilly correctly observes: "we are uniquely and powerfully positioned to deliver what millions of people worldwide long for – investment, jobs, a stable environment, healthy communities and a vibrant economy...This leadership must be rooted in action, not words."
http://www.opec.org/opecna/Speeches/2006/OPEC_Seminar/PDF/David%20Oreilly2.pdf

We believe that an effective policy will also describe specific actions to prevent, investigate, report and mediate.

RESOLVED:

Shareholders request the Board to adopt a comprehensive, transparent, verifiable human rights policy and report to shareholders on the plan for implementation by October 2008.

The report to be prepared at reasonable expense, omitting proprietary information.

SUPPORTING STATEMENT:

Shareholders made their concerns clear through strong votes FOR this resolution in 2007 and 2006.

1. This policy will help avoid human rights violations and associated shareholder risks.
2. By avoiding incidents rather than reactively managing crises, Chevron safeguards its partner of choice status by stakeholders.
3. Chevron's corporate HIV/AIDS policy launched in 2005 clearly illustrates the strengths of a policy. Human Rights require the same attention.