

Item for Information

Subject: South Africa Issue Update

Background and Summary:

In accordance with the Regents' resolution of March 16, letters have been sent to those corporations doing business in South Africa in which the University is a stockholder. Similarly, letters have been sent to those banks that the University has or could have a depository or investment relationship with.

The corporation letter asked for:

- 1) Affirmation of the Sullivan Principles.
- 2) Corporate encouragement to endorse the enhancement of political, economic and social rights for all of the corporations' employees in South Africa.
- 3) Regular reports to publicly disclose corporate progress toward achievements in these matters.

Exhibit 1 is a summary of the responses received to date. A few of the companies indicated that they do not have anything more than a minor participation interest. General Foods and J. P. Morgan have not affirmed the Sullivan Principles since they do not have a subsidiary operation there but are philosophically in support of the Sullivan Principles.

The purpose of our letter sent to banks was to determine the extent of their involvement in South Africa; if they plan to make or increase any loan to the Government of the Republic of South Africa and if so, would the loan be conditioned upon governmental action which shall tend to end the system of apartheid and how the loan will contribute to bringing an end to the system of apartheid.

Most of the bank responses to date addressed the issue as called for by the Regents. They advised us whether they have made loans to the Government of South Africa prior to March 16, 1978, whether they will make loans in the future, and if so, whether they would do so under the Regents' guidelines. Exhibit 2 is a summary of the banks' responses.

Certain banks, however, do not have a published policy regarding their activity in South Africa. Others maintain that the Regents are not entitled to know if the bank is doing business with a client or the nature and extent of the relationship.

Recently we inquired if through some public source, the information of a bank's activities in South Africa could be obtained. Banks provide the Federal Reserve Board

information about their lending activity in South Africa, but the information is treated in confidence and will not be released. The only type of report that the Federal Reserve compiles and makes available is one like the Short-Term Liabilities to Foreigners, which is included in the Federal Reserve Bulletin. This report reflects the short-term loans outstanding of U.S. Banks to countries such as South Africa.

The Corporate Data Exchange Handbook entitled "U. S. Bank Loans To South Africa" is a study of all publicly identifiable loans and trade credits made by U. S. financial institutions to South African borrowers since 1972. The data contained in the Handbook is drawn from public sources ranging from World Bank files, to exclusive banking publications, to clippings from the business section of daily newspapers. The study lists the identifiable banks which were involved in bonds and credits to South Africa from 1972 to mid 1978. None of the banks that we sent letters to have been involved in extending credit to South Africa in 1978. (The Corporate Data Exchange, Inc. is a tax-exempt research organization formed in 1975 to investigate economic concentration and corporate control. The CDE maintains a data base on industries and companies to answer specific requests from labor unions, journalists, public interest groups, other government agencies, and activists.)

The First National Bank in Dallas, owned by First International Bancshares, Inc. was sent a letter because they rank twenty-third in the country based on deposits. The Regents' authorizations and investment procedures allow for Bankers' Acceptances; Bank Certificates of Deposit to be acquired provided the Bank is one of the twenty-five largest banks in the country based on deposits.

There is no published policy for the bank or the holding company regarding South Africa. "nor does the bank feel it appropriate to discuss specific aspects of their lending and investment programs." Since the First National Bank in Dallas did not provide us the necessary assurances called for by the Regents' Resolution of March 16th, we do not concur with the National Bank of Detroit's Trust Department recommendation that First International Bancshares, Inc. be submitted to the Regents as an addition to the University's Approved List of Common Stocks.

The resolution also provided that the University shall vote its proxies in favor of shareholder resolutions that support the actions as asked of the corporations (see above).

The University as a shareholder supported shareholder resolutions submitted to J. P. Morgan and Citicorp. These resolutions asked the banks to either cease lending money to South Africa or to disclose any loans made to South Africa.

Pensions & Investments reports that among institutions, support for bank loan resolutions rose from 15.3% in 1977 to 32.2%. The proposals calling for loan halts

received slightly more support than those seeking disclosure on the loans (September 11, 1978).

Rev. Leon H. Sullivan in July published an amplified version of his six principles of equal employment practices for U. S. firms operating in South Africa. The principles have now been signed by 103 companies. Exhibit 3 is the text of the amplified principles.

Endowment fund trustees have taken a variety of stands on the issues. Most schools have adopted resolutions similar to that of the Regents. Harvard, Amherst, Columbia, Princeton, Yale, Stanford, Cornell are some others who have taken a stance similar to the one adopted by the Regents.

Harvard was also instrumental in gathering together a group of about 30 colleges to work with the Investor Responsibility Research Center, Inc. (IRRC) in establishing a South Africa Review Service providing detailed information and analysis on the activities of U. S. corporations in South Africa.

The service will provide data obtained from corporations and banks and a series of analytical reports on the political and economic situation in South Africa; the constraints on and opportunities for American companies there; concerns about companies' involvement in South Africa; the role--both collective and individual--of U. S. companies there; and the contribution--negative or positive--that American companies may make toward changing the situation in that country. The service includes these components:

Questionnaires to corporations and banks: Responses of some 125 corporations to an IRRC questionnaire on their labor practices; their investment and sales in South Africa; and their efforts to discuss matters relating to their operations in South Africa with U.S. and South African government representatives.

Responses of some 90 U.S. banks to an IRRC questionnaire about their lending policies and practices with respect to South Africa.

IRRC will begin to distribute responses to questionnaires on October 1. In August 1979, IRRC will develop follow-up questionnaires and, on October 1, 1979, will distribute the responses.

Special reports: A report on the pressures on U.S. corporations doing business in South Africa and the corporations' responses to these pressures, scheduled for

publication in fall 1978.

A consolidated report on U.S. corporate activity in South Africa, analyzing the environment for corporations there; the opportunities South Africa presents for corporations and the constraints it places on them; current practices and policies; and changes taking place that affect companies' operations there. This report is scheduled for publication late in 1978.

Industry sector reports: Profiles of individual industries in South Africa: mining; computer/electronics; automobile manufacture and related industries; petroleum pharmaceuticals and consumer items; and banking. The reports, to be distributed in January, 1979, will describe the relative importance of foreign investment in these industry sectors and their relationship to the South African economy.

Individual company reports: Separate reports on some 50 U.S. corporations that represent 80 to 90 percent of all U.S. business in South Africa. The reports, to be published beginning in summer 1979, will cover the labor practices, sales policies and over-all performance of each corporation.

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# Letters to corporations regarding South Africa issue

Forty seven letters were sent to corporations in which the University is a stockholder. The companies that do business in South Africa, which responded to our letter have committed themselves 1) to the Sullivan principles and 2) to endorsing the enhancement of political, economic and social rights for all of the corporations' employees in South Africa (corporate encouragement). A few of the companies that indicated that they do not have anything more than a minor participation interest are sympathetic to the Sullivan Principles. The listing below summarizes the responses received to date.

| <u>Corporation</u>              | <u>No<br/>Response</u> | <u>Affirmation<br/>of Sullivan<br/>Principles</u> | <u>Corporate<br/>Encouragement</u> | <u>Does Not Have<br/>South African<br/>Affiliation</u> |
|---------------------------------|------------------------|---------------------------------------------------|------------------------------------|--------------------------------------------------------|
| Abbott Laboratories             |                        | X                                                 | X                                  |                                                        |
| American Airlines, Inc.         |                        |                                                   |                                    | X                                                      |
| American Cyanamid Company       |                        | X                                                 | X                                  |                                                        |
| American Express Company        |                        | X                                                 | X                                  |                                                        |
| The Black & Decker Mfg. Co.     | X (Second letter sent) |                                                   |                                    |                                                        |
| Burroughs Corporation           |                        | X                                                 | X                                  |                                                        |
| Caterpillar Tractor Company     |                        | X                                                 | X                                  |                                                        |
| Citicorp                        |                        | X                                                 | X                                  |                                                        |
| Colgate-Palmolive Company       |                        | X                                                 | X                                  |                                                        |
| CPC International Inc.          |                        | X                                                 | X                                  |                                                        |
| Dart Industries, Inc.           |                        | X                                                 | X                                  |                                                        |
| The Dow Chemical Company        |                        |                                                   | X                                  |                                                        |
| Eastman Kodak Company           |                        | X                                                 | X                                  |                                                        |
| Exxon Corporation               |                        | X                                                 | X                                  |                                                        |
| The Firestone Tire & Rubber Co. |                        | X                                                 | X                                  |                                                        |
| Ford Motor Company              |                        | X                                                 | X                                  |                                                        |
| General Foods Corporation       |                        | Support                                           |                                    | X                                                      |
| General Motors Corporation      |                        | X                                                 | X                                  |                                                        |
| Gerber Products Company         |                        |                                                   |                                    | X                                                      |
| The B. F. Goodrich Co.          |                        |                                                   |                                    | X                                                      |
| Goodyear Tire & Rubber Co.      |                        | X                                                 | X                                  |                                                        |
| INA Corporation                 |                        | X                                                 | X                                  |                                                        |
| International Bus, Mach. Corp.  |                        | X                                                 | X                                  |                                                        |
| International Tel. & Tel. Corp. |                        | X                                                 | X                                  |                                                        |
| Johnson & Johnson               |                        | X                                                 | X                                  |                                                        |
| Kellogg Company                 |                        | X                                                 |                                    |                                                        |
| Kimberly-Clark Corporation      |                        |                                                   | X                                  |                                                        |

| <u>Corporation</u>            | <u>No<br/>Response</u> | <u>Affirmation<br/>of Sullivan<br/>Principles</u> | <u>Corporate<br/>Encouragement</u> | <u>Does Not H<br/>South Afri<br/>Affiliatio</u> |
|-------------------------------|------------------------|---------------------------------------------------|------------------------------------|-------------------------------------------------|
| (Eli) Lilly & Company         |                        | X                                                 | X                                  |                                                 |
| Merck & Company, Inc.         |                        | X                                                 | X                                  |                                                 |
| Minnesota Mining & Mfg. Co.   |                        | X                                                 | X                                  |                                                 |
| Mobil Corporation.            |                        | X                                                 | X                                  |                                                 |
| Monsanto Company              |                        | X                                                 |                                    |                                                 |
| J. P. Morgan & Co., Inc.      |                        | Support                                           |                                    | X                                               |
| Owens-Corning Fiberglas Corp. |                        |                                                   | X                                  | X                                               |
| Owens-Illinois, Inc.          |                        |                                                   | X                                  | X                                               |
| Pfizer Inc.                   |                        | X                                                 | X                                  |                                                 |
| Polaroid Corp.                |                        | Withdrew from South Africa                        |                                    |                                                 |
| G.D. Searle & Co.             |                        | X (Second letter sent)                            |                                    |                                                 |
| Security Pacific Corp.        |                        |                                                   |                                    | X                                               |
| Shell Oil Co.                 |                        |                                                   |                                    | X                                               |
| Square D Company              |                        |                                                   |                                    | Considered<br>Insignificant                     |
| Sterling Drug, Inc.           |                        | X                                                 | X                                  |                                                 |
| Texaco Inc.                   |                        | (Caltex)                                          |                                    | X                                               |
| Trane Company                 |                        | X                                                 | X                                  |                                                 |
| Union Carbide Corporation     |                        | X                                                 | X                                  |                                                 |
| Warner-Lambert Company        |                        | X                                                 | X                                  |                                                 |
| Weyerhaeuser Company          |                        |                                                   |                                    | X                                               |

Letters to Banks Regarding Involvement With South Africa

Letters were sent to banks in which the University is a stockholder or a depositor, presently or potentially. The listing below summarizes the responses received.

| <u>Name of Banks</u>                                     | <u>No<br/>Response</u> | <u>University<br/>Stockholder Depositor</u> | <u>Policy</u>                        |                                                                         |  |
|----------------------------------------------------------|------------------------|---------------------------------------------|--------------------------------------|-------------------------------------------------------------------------|--|
|                                                          |                        |                                             | <u>Not<br/>To<br/>Make<br/>Loans</u> | <u>Consider<br/>Future Loans<br/>Under<br/>Regents'<br/>Guide Lines</u> |  |
| Ann Arbor Bank & Trust Co.                               |                        | X                                           | X                                    |                                                                         |  |
| Ann Arbor Trust                                          |                        | X                                           |                                      |                                                                         |  |
| Bank of America                                          |                        |                                             |                                      | X                                                                       |  |
| Bank of New York Co., Inc.                               |                        |                                             | X                                    | X                                                                       |  |
| Bankers Trust Co.                                        |                        |                                             |                                      | X                                                                       |  |
| The Chase Manhattan Bank, N.A.                           |                        |                                             |                                      | X                                                                       |  |
| Chemical Bank                                            |                        |                                             | X                                    |                                                                         |  |
| Chelsoa State Bank                                       |                        | X                                           | X                                    |                                                                         |  |
| Chicago-Tokyo Bank                                       |                        |                                             | X                                    |                                                                         |  |
| Citibank, N.A.                                           |                        | X                                           |                                      | X                                                                       |  |
| Continental Illinois Nat. Bank<br>& Trust Co. of Chicago |                        |                                             |                                      | X                                                                       |  |
| Crocker National Bank                                    |                        |                                             |                                      | X                                                                       |  |
| The Detroit Bank & Trust Co.                             |                        | X                                           | X                                    |                                                                         |  |
| The First Nat. Bk. of Boston                             |                        |                                             | X                                    | X                                                                       |  |
| First Nat. Bank of Chicago                               |                        |                                             |                                      | X                                                                       |  |
| First Nat. Bank in Dallas                                |                        |                                             |                                      |                                                                         |  |
| The First Nat. Bank & Trust Co.<br>(Petoskey)            |                        | X                                           | X                                    |                                                                         |  |
| First Pennsylvania Bank, N.A.                            |                        |                                             | X                                    |                                                                         |  |
| Genesee Merchants Bk. & Trust Co.                        |                        | X                                           | X                                    |                                                                         |  |
| Harris Trust & Savings Bk.                               |                        |                                             |                                      | X                                                                       |  |

| <u>Name of Banks</u>            | <u>No<br/>Response</u> | <u>University</u>  |                  | <u>Policy<br/>Not<br/>To<br/>Make<br/>Loans</u> | <u>Consider</u>     |                           |                    |
|---------------------------------|------------------------|--------------------|------------------|-------------------------------------------------|---------------------|---------------------------|--------------------|
|                                 |                        | <u>Stockholder</u> | <u>Depositor</u> |                                                 | <u>Future Loans</u> | <u>Under<br/>Regents'</u> | <u>Guide Lines</u> |
| The Iron River Nat. Bank        |                        | X                  |                  | X                                               |                     |                           |                    |
| Irving Trust Company            |                        |                    |                  | X                                               |                     | X                         |                    |
| The Jackson State Bank          |                        | X                  |                  | X                                               |                     |                           |                    |
| Manufacturers Hanover Tr. Co.   |                        |                    |                  |                                                 |                     |                           | X                  |
| Marine Midland Banks, Inc.      |                        |                    |                  | X                                               |                     |                           |                    |
| Mellon Bank, N.A.               |                        |                    |                  | X                                               |                     |                           |                    |
| Morgan Guaranty Tr. Co. of N.Y. |                        | X                  |                  |                                                 |                     |                           | X                  |
| National Bank of Detroit        |                        | X                  | X                |                                                 |                     |                           | X                  |
| National Bk. & Tr. Co. of A.A.  |                        |                    | X                | X                                               |                     |                           |                    |
| Old Kent Bank & Trust Co.       |                        |                    | X                | X                                               |                     |                           |                    |
| Republic National Bk. of Dallas |                        |                    |                  | X                                               |                     |                           |                    |
| Seattle-First National Bank     | X (Second letter sent) |                    |                  |                                                 |                     |                           |                    |
| Second National Bk. of Saginaw  |                        | X                  |                  | X                                               |                     |                           |                    |
| Security Pacific National Bk.   |                        | X                  |                  | X                                               |                     |                           |                    |
| State Bank of Escanaba          |                        |                    | X                |                                                 |                     |                           |                    |
| Traverse City State Bank        |                        |                    | X                | X                                               |                     |                           |                    |
| Union Bank                      | X (Second letter sent) |                    |                  |                                                 |                     |                           |                    |
| United California Bank          |                        |                    |                  |                                                 |                     |                           | X                  |
| Valley National Bk. of Arizona  |                        | X                  |                  | X                                               |                     |                           |                    |
| Wayne Oakland Bank              |                        | X                  |                  | X                                               |                     |                           |                    |
| Wells Fargo Bank, N.A.          |                        |                    |                  |                                                 |                     |                           | X                  |

## Sullivan Principles - Amplification of Equal Employment

### PRINCIPLE I - Non-segregation of the races in all eating, comfort and work facilities.

Each signator of the Statement of Principles will proceed immediately to:

- . Eliminate all vestiges of racial discrimination.
- . Remove all race designation signs.
- . Desegregate all eating, comfort and work facilities.

### PRINCIPLE II - Equal and fair employment practices for all employees.

Each signator of the Statement of Principles will proceed immediately to:

- . Implement equal and fair terms and conditions of employment.
- . Provide non-discriminatory eligibility for benefit plans.
- . Establish an appropriate comprehensive procedure for handling and resolving individual employee complaints.
- . Support the elimination of all industrial racial discriminatory laws which impede the implementation of equal and fair terms and conditions of employment, such as abolition of job reservations, job fragmentation, and apprenticeship restrictions for blacks and other non-whites.
- . Support the elimination of discrimination against the rights of blacks to form or belong to government registered unions, and acknowledge generally the right of black workers to form their own union or be represented by trade unions where unions already exist.

### PRINCIPLE III - Equal pay for all employees doing equal or comparable work for the same period of time.

Each signator of the Statement of Principles will proceed immediately to:

- . Design and implement a wage and salary administration plan which is applied equally to all employees regardless of race who are performing equal or comparable work.
- . Ensure an equitable system of job classifications, including a review of the distinction between hourly and salaried classifications.
- . Determine whether upgrading of personnel and/or jobs in the lower echelons is needed, and if so, implement programs to accomplish this objective expeditiously.
- . Assign equitable wage and salary ranges, the minimum of these to be well above the appropriate local minimum economic living level.

### PRINCIPLE IV - Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other non-whites for supervisory, administrative, clerical and technical jobs.

Each signator of the Statement of Principles will proceed immediately to:

- . Determine employee training needs and capabilities, and identify employees with potential for further advancement.

#### PRINCIPLE IV (Cont.)

- . Take advantage of existing outside training resources and activities, such as exchange programs, technical colleges, vocational schools, continuation classes, supervisory courses and similar institutions or programs.
- . Support the development of outside training facilities individually or collectively, including technical centers, professional training exposure, correspondence and extension courses, as appropriate, for extensive training outreach.
- . Initiate and expand inside training programs and facilities.

#### PRINCIPLE V - Increasing the number of blacks and other non-whites in management and supervisory positions.

Each signator of the Statement of Principles will proceed immediately to:

- . Identify, actively recruit, train and develop a sufficient and significant number of blacks and other non-whites to assure that as quickly as possible there will be appropriate representation of blacks and other non-whites in the management group of each company.
- . Establish management development programs for blacks and other non-whites, as appropriate, and improve existing programs and facilities for developing management skills of blacks and other non-whites.
- . Identify and channel high management potential blacks and other non-white employees into management development programs.

#### PRINCIPLE VI - Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

Each signator of the Statement of Principles will proceed immediately to:

- . Evaluate existing and/or develop programs, as appropriate, to address the specific needs of black and other non-white employees in the areas of housing, health care, transportation and recreation.
- . Evaluate methods for utilizing existing, expanded or newly established in-house medical facilities or other medical programs to improve medical care for all non-whites and their dependents.
- . Participate in the development of programs that address the educational needs of employees, their dependents and the local community. Both individual and collective programs should be considered, including such activities as literary education, business training, direct assistance to local schools, contributions and scholarships.
- . With all the foregoing in mind, it is the objective of the companies to involve and assist in the education and training of large and telling numbers of blacks and other non-whites as quickly as possible. The ultimate impact of this effort is intended to be of massive proportion, reaching millions.

## PERIODIC REPORTING

The signator companies of the Statement of Principles will proceed immediately to:

- . Utilize a standard format to report their progress to Dr. Sullivan through the independent administrative unit he is establishing on a 6-month basis which will include a clear definition of each item to be reported.
- . Ensure periodic reports on the progress that has been accomplished on the implementation of these principles.