FOR INTRA-UNIVERSITY CORRESPONDENCE

THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY
ADVISORY COMMITTEE ON FINANCIAL AFFAIRS

RECEIVED
JUL 03 1979
R. L. KENNEDY

July 3, 1979

Mr. Richard L. Kennedy
Secretary of the University
2014 Administration Building
Campus

Dear Mr. Kennedy:

At the March, 1979 meeting the Regents asked that the Senate Assembly Advisory Committee on Financial Affairs review and make recommendations for suggested changes in the Regents' policy with respect to investment in corporations doing business in South Africa.

Attached is the Committee's report.

Sincerely,

Patricia Shontz Longe

Patricia Shontz Longe
Chairman

PSL/as
attachment
cc: Prof. Richard Corpron
J. F. Brinkerhoff
Committee Members Dingle, Fullerton, Jameson, Johnson, Macnee, McClenney, Miller, Moerman, Portman, Rich and Walker

(1) we have little or no control over the affairs of S. Africa (4)
(2)

excellent issue
[illegible] most 6 times

(1) Seek a max & prudent return
but Univ. should [illegible] social evils
(2)

THE UNIVERSITY OF MICHIGAN
SENATE ASSEMBLY
ADVISORY COMMITTEE ON FINANCIAL AFFAIRS

Report To The Regents

REPORT TO THE REGENTS

At the request of the Regents, the Committee has reviewed its previous recommendations on investment policy relative to South Africa and the subsequent Regental and University action.

In 1978, SACFA recommended:

(1) direct communication of the University's concern to corporate management via letters or meetings:

(2) the publication of statements describing the University's general position on the issue and, when judged most effective, explanation of these statements at shareholders meetings;

(3) divestiture of University holdings in the corporation.

These represent progressively stronger actions in the support of corporate social responsibility in South Africa.

The Committee recommended that the first and second of these be undertaken at the earliest possible time and that the initial communication with management should indicate the University considers the endorsement of principles such as those embodied in the statement formulated by the Reverend Leon Sullivan (appended), and active pursuit thereof, to be the minimum prerequisite for continued investment of University funds in any corporation. The Committee further recommended that, in addition to the Sullivan principles, corporations should be encouraged to work for the enhancement of political, social, and economic rights for all of their employees in South Africa, and that the initial communication with corporate management should indicate clearly the University expectation that corporations will provide regular public disclosure of their progress toward full achievement of these goals.

If a corporation did not satisfy these minimum prerequisites within a reasonable time period, the third alternative, divestiture, should be undertaken. In addition, the Committee recommended that, in view of the current political climate in South Africa and barring substantial improvements in that climate, the University should divest itself of shares in any corporation that undertakes significant capital expansion of its operations in South Africa. The Committee also recommended that the University, without delay, terminate its business dealings with banks that are making or renewing loans to the government of the Republic of South Africa.

We now recommend the following change in general policy:

General action number 2 of the 1978 recommendation should be amended to read:

(2) The publication of statements describing the University position on the issue, the appropriate voting of proxy statements and, when warranted, explanation of the University position at shareholders meetings.

We further recommend these five specific courses of action:

1. The University shall not purchase stocks or bonds in any corporation or bank which does not meet the criteria set forth here for University stock or bond holding.

2. The University will in an expeditious and prudent manner dispose of stocks or bonds of any corporation or bank doing business in South Africa that does not annually submit a complete Sullivan Principles Summary Report or equivalent as determined by the University of Michigan South African Investments Committee.

3. The University will in an expeditious and prudent manner dispose of stocks or bonds of any corporation or bank that approves after December 31, 1979, significant new capital appropriations for South Africa where such new investment is not necessary for corporate implementation of the six Sullivan Principles or their equivalent.

4. The University will in an expeditious and prudent manner terminate business dealings with banks that make or renew loans to the government of South Africa or parastatals (government-owned corporations), such action to commence 90 days after Regental approval of this provision.

5. The University shall establish a South African Investments Advisory Committee composed of two members of the University Senate appointed by the President from a panel of four chosen by SACUA; two students appointed by the President from a panel of four chosen by the Michigan Student Assembly; two Alumni appointed by the President from a panel of four chosen by the Alumni Association; two administrators appointed by the President. The committee shall establish standards for corporate implementation of the Sullivan Principles and make recommendations for appropriate University action regarding compliance. In addition, the Vice President and Chief Financial Officer shall consult as necessary with this committee on questions of interpretation and implementation of Regental policy.

PSL/as
7/3/79