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PRESIDENT'S  
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Report and Recommendations  
of the  
Senate Assembly Advisory Committee on Financial Affairs  
on  
Investment Policies and Social Responsibility

February 28, 1978

## Preface

At the "Public Comments" section of Regents' meetings held in May and June, 1977, students asked that the University divest itself of its investments in companies having business operations in South Africa because of the South African government's system of apartheid. At the request of the Vice-president and Chief Financial Officer and in accordance with the "Policies in Handling Stocks" adopted by the Senate Assembly in October 1971, the Senate Assembly Advisory Committee on Financial Affairs undertook a review of the issue.

The Advisory Committee initiated its deliberations at the September 29, 1977, meeting and has discussed the question regularly during the past five months. The Advisory Committee has reviewed the status of University investments and has received extensive background material from numerous sources including other colleges and universities, the Investor Responsibility Research Center, Inc., and the Forum on Corporate Investment in South Africa sponsored by the University Committee on Communications.

## General Principles

The Advisory Committee began its deliberations with several fundamental assumptions about the University's social responsibilities. The Committee recognizes that the principal purpose of the University is to further the education of its students and the general public through teaching and research. Most of society's goals are served indirectly by the education acquired by students and through the advances in knowledge and the broad cultural developments fostered by the University. The University is not primarily an agency dedicated to direct social or political action. Its overriding responsibility is to maintain itself as a neutral forum for analysis, debate, and the search for truth.

Few societies in the world have been able to protect the academic neutrality of their universities. Even an institution as firmly established as The University of Michigan has sometimes found it extremely difficult to maintain an atmosphere of toleration and mutual trust that allows for critical evaluation and the free exchange of ideas. In pursuing the crucial role of society's chief guardian of intellectual freedom, the University must insure that prejudices of all kinds are eliminated from all phases of its own operation, and it must adhere to all of society's laws governing the management of its internal affairs. The University can often render important services to the community through technical assistance or consultation, but it must make strenuous efforts to avoid making commitments, as a corporate body, to political positions that may intimidate its members, produce an atmosphere of distrust and suspicion, or create obstacles to free inquiry.

The right to dissent is precious both to the University and to our society; but this is the right of the individual member of the university community and its exercise should in no way compromise the freedom of others. If the University operates successfully, members of the community should be free to discuss any question or analyze any issue, no matter how controversial or unpopular. However, when the University, acting as a corporate body, adopts a political position by formal statements of the Regents, or by their official actions, it runs the risk of impairing its essential role as a neutral forum for discussion or debate. Such large and dangerous risks should be taken only in those cases where the University's policies or practices clearly affect fundamental human rights and liberties.

### Managing the Endowment

The University's endowment includes gifts from various organizations and private citizens. A few of these are unrestricted gifts intended to support the central educational mission of the University. Most have been donated with a special purpose in mind such as the creation of a scholarship, the maintenance of a laboratory, the support of an artist in residence, the encouragement of research on the peaceful uses of atomic energy, or the acquisition of works of art for the University's museums. The Regents' first responsibility, acting as trustees of these funds, is to insure that they are managed properly and used for the educational purposes for which they were donated. The University's endowment must not be regarded primarily as an instrument of political or social power; its principal purpose is to provide income for the advancement of the important educational and cultural objectives to which the University is dedicated.

Decisions concerning the utilization of the University's properties and the investment of its endowment must also be consistent with the applicable provisions of federal and state laws. The state courts have power to regulate the fiduciary behavior of the trustees of charitable trusts, and the federal and state taxing authorities have the power to enforce the conditions upon which the University enjoys federal income tax exemption and exemption from state and local property taxes. If these laws were violated, the University could lose a substantial portion of the benefits that come from receiving tax deductible contributions from its alumni and friends.

The chief responsibility of the Regents in directing the investment of endowment funds is to seek the maximum return consistent with an acceptable level of risk and with the investment goals of the particular fund. Only if there are compelling reasons should other factors be taken into consideration.

Occasionally certain stockholder issues arise that affect the administrative or managerial functions of a corporation. Ordinarily, these issues are not controversial and require little discussion since the interests of the University are usually best served by agreement with management. However, when controversial issues arise over the rights of shareholders or the prerogatives of management, the University should vote its shares in its own self interest. Sometimes, depending on the dictates of sound business judgment, that will mean taking the side of management and sometimes voting against management.

### The University's Responsibility as a Shareholder

Although maximum return within acceptable levels of risk should be the University's principal guide for investment, the Advisory Committee recognizes that by investing in a firm the University must accept some responsibility for the political and social implications of a company's activities. If a set of noncontroversial investments could be found that would not offend the moral sensibilities of any members of the University community, the University's portfolio would never become an issue, but it is doubtful that such investment opportunities exist. The great issues of peace, human rights, and the preservation of the environment arise in all sectors of the economy. There are probably no corporations whose actions could be endorsed in every detail by every member of the University community. Since the University cannot maintain constant surveillance over all activities of every corporation in which it invests, it does not automatically endorse every decision taken by a firm's management. Nevertheless, some measure of responsibility does remain, especially in those cases in which an extraordinary social evil is apparent and a broad consensus develops within the University community concerning the moral shortcomings of a particular firm or type of investment.

Although a stance of political neutrality in the management of its investments is preferred, the Advisory Committee concludes that the Regents should be prepared to express censure or encouragement to the management of portfolio companies in the exceptional cases where political conditions raise serious moral or ethical questions.

The Committee believes that the University should not seek out controversy but rather should act only when a general consensus on a significant moral question has emerged within the University community. The Advisory Committee further believes that in many cases expressions of opinion, either through verbal or written communication, or by the voting of proxies, may often be more effective in stimulating change than selling the securities or refraining from their purchase. It would be inappropriate, however, for the University to join in legal actions or other similar efforts designed to force corporate managements to change their questionable policies. If, after making efforts to encourage change through direct communication with corporate managements and by statements of opinion and proxy voting, the Regents become convinced that the companies in question are not likely to alter their questionable behavior within a reasonable period of time, then the University should sell its shares and should not purchase

any other securities of these firms until their policies have been changed. When required, it is recommended that actions be taken in the following sequence:

- (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 appropriate, explanation of these statements at shareholders meetings;
- (3) divestiture of University holdings in the corporation.

When divestiture of the University's holdings in a corporation is to be considered, hearsay evidence must be avoided and all reasonable means must be employed to be sure that the position of corporate management is unmistakably clear.

#### Procedures for Determining Shareholder Actions

As indicated above, the Advisory Committee believes that the University's 1971 policy of voting all shares with management should be revised. A more active policy is in order in those cases in which the rights of the University as a stockholder are in danger of being diluted or in which serious issues regarding fundamental rights arise. The University should reserve the right to vote in its own best interest and, when appropriate, in a manner consistent with its interest in furthering fundamental human rights.

There are many stockholder initiatives each year on a wide range of issues but only on rare occasions does an issue with such significant social or moral implications arise that the normal investment practices should be altered. To assist in the determination of an appropriate course of action when such issues arise, the Financial Affairs Advisory Committee believes that the Regents should consider establishing an Investments Advisory Committee. The Investments Advisory Committee would be charged with the responsibility of gathering information and formulating recommendations for the Regents' consideration. Although this committee's function and mode of operation would be predetermined, it would otherwise be an ad hoc committee whose members would be appointed only after the Regents had determined that a particular issue that might require a deviation from the normal investment policy had arisen.

Membership on an advisory committee of this kind should not be restricted to faculty members; instead it should be broadly representative of the University community and might include the following:

Two members of the University Senate appointed by the Senate Advisory Committee on University Affairs,

Two students appointed by the current official student government organization,

Two administrators appointed by the President.

### The South African Issue

Since the issue of investments in corporations having business operations in the Republic of South Africa has become one of considerable immediate concern to members of the university community, for purposes of this issue the Advisory Committee on Financial Affairs will function as if it were the committee charged with the responsibilities described for the Investments Advisory Committee. In formulating a recommendation the Committee recognizes that changing political or social conditions may require that the recommendation be amended or even replaced at a future time.

The aggressive pursuit of the policy of apartheid, and the increasingly severe repressive measures taken by the government of the Republic of South Africa against opponents of that policy are in direct conflict with the most basic concepts of human rights. The Advisory Committee on Financial Affairs is convinced that a general consensus exists among members of the university community that this is such a serious violation of human rights that the University must formally recognize the issue. No such clearly apparent consensus exists, however, regarding the best procedure to follow with respect to the management of University investments in corporations having operations in South Africa.

A wide range of options is available to the University. Many universities, churches, and other financial organizations have reviewed the question and have developed different positions vis a vis corporate activities in South Africa. At one extreme is the total disregard of the political, social, and economic conditions in South Africa. Proponents of this view argue that the University should adhere strictly to the principle that maximum return from endowment investments is

paramount. At the other extreme is the divestiture of securities of any company having business activities in South Africa. Proponents of this view argue that withdrawal of investments from corporations doing business in South Africa is the only means of achieving the desired political change and that immediate action is required.

The Committee recommends that neither of these extremes be followed. To support the one extreme is to completely ignore the repugnant and morally reprehensible policy of apartheid and give tacit approval to the status quo in South Africa. This position is indefensible if basic concepts of human rights are to have any true meaning. Full divestiture, at the other extreme, would preclude any further influence that The University of Michigan might have in effecting change in South Africa. A position of continual, unequivocal opposition to apartheid will have a greater effect over a longer time than immediate divestiture. The immediate sale of University holdings in corporations that operate in South Africa would be a one-time gesture. Beyond the immediate effect of a public pronouncement it would serve no useful purpose. For these reasons the Committee recommends that the University support the ending of apartheid in South Africa through the judicious exercise of its rights as a shareholder. There are numerous ways by which shareholders rights may be used to exert influence on corporate management. As indicated earlier, these include:

- (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 recommends that the first and second of these be undertaken at the earliest possible time. The initial communication with management should indicate that 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, as the minimum prerequisite for continued investment of University

funds in any corporation. The Committee further recommends 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. The initial communication with corporate management should indicate clearly that the University expects that corporations will provide regular public disclosure of their progress toward full achievement of these goals.

If a corporation fails to satisfy these minimum prerequisites within a reasonable time period, the third alternative, divestiture, should be undertaken. In addition, the Committee recommends 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 recommends 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.

### The Sullivan Principles

These principles, originally proposed by the Reverend Leon Sullivan, a member of the Board of Directors of the General Motors Corporation, have been adopted by numerous United States corporations doing business in South Africa.

The six principles are:

1. Nonsegregation in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. 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.
5. Increasing the number of blacks and other non-whites in management and supervisory positions.
6. Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation, and health facilities.

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THE UNIVERSITY OF MICHIGAN  
ANN ARBOR 48109

RICHARD L. KENNEDY  
VICE PRESIDENT FOR STATE RELATIONS  
AND SECRETARY OF THE UNIVERSITY

MEMORANDUM

To: The Regents  
From: R. L. Kennedy  
Date: March 8, 1978  
Subject: Materials on Investment Policy

Attached is the material related to the discussion on the University's investment policy as it relates to the Republic of South Africa.

These materials have not been included in the regular agenda book as yet so that you have the opportunity to review them prior to a public release scheduled for Monday. Hopefully, this will give you an opportunity to review the material and make any comments to us before their release.

Please let us know if there is any additional material you wish to have or if you have any questions. At Regent Power's request we are compiling information on the position taken by selected universities, the UAW and the AFL on this issue. These will be provided to you shortly.

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THE UNIVERSITY OF MICHIGAN  
REGENTS' COMMUNICATION

TO: Board of Regents

FROM: Norman G. Herbert *Norman G. Herbert*

SUBJECT: Information Relating to South Africa Issue

President Fleming has asked that a copy of the attached memo addressed to Vice President Brinkerhoff concerning the University's banking relationships and the purchase of short-term money market instruments be sent to you.

Vice President Kennedy has requested that additional material on what other universities and Institutional Investors are doing be provided for your information. The information attached is material that we have received subsequent to the I.R.R.C. November, 1977, "U. S. Business in South Africa: The Withdrawal Issue" report.

Also for your information, the members of the Senate Assembly Advisory Committee on Financial Affairs are:

Emery, Allan (Chairman)  
Acting Director of the Computing Center

Caddell, Robert M.  
Professor of Mechanical Engineering

Doerr, Robert E.  
Associate Dean and Professor of Dentistry

Edwards, Alfred  
Director, Division of Research & Professor of Business Administration

Jameson, Harriet  
Head, Rare Books and Special Collections

Leary, Margaret A.  
Assistant Director, Law Library

Miller, James L.  
Professor of Higher Education

Rich, Arthur  
Professor of Physics

Shontz, Patricia  
Professor of Business Administration & Director of Publications

Walker, Jack L.  
Professor of Political Science & Director of IPPS

Attachments  
cc: Executive Officers

THE UNIVERSITY OF MICHIGAN

March 9, 1978

To: J. F. Brinkerhoff  
 From: N. G. Herbert *Norman G. Herbert*  
 Subject: Banks involved with government of South Africa

The March, 1978 Regents Communication, "Investment Policies and Social Responsibility" on Page 3 has two specific recommendations relative to banks doing business in South Africa:

"3. That the University close its accounts in banks that are extending and expanding their loan portfolio in South Africa.

4. That the University discontinue purchasing short-term money market instruments of those banks that are involved in extending or expanding loans to the government of South Africa."

Senator Dick Clark (D-Iowa) chaired the Senate Subcommittee on African Affairs which conducted an extensive study of the activities of U. S. based companies doing business in South Africa. Senator Clark's report to the Senate Foreign Relations Committee states that "U. S. economic interests in South Africa 'have been pivotal in indirectly assisting the South African government' and recommended that the United States 'actively discourage' new investments in South Africa." That report cites some 21 banks that have provided credit which "directly assisted the South African government in its efforts to attain economic and strategic self sufficiency." The 21 largest banks, providing loans to South Africa in 1975 were: Bank of America, Citibank, Chase Manhattan, Manufacturers Hanover, Morgan Guaranty, Chemical Bank, Continental Illinois, Bankers Trust, First National Bank of Chicago, Security Pacific, Wells Fargo, Crocker National, Irving Trust, Mellon Bank, United California Bank, First National Bank of Boston, National Bank of Detroit, Marine Midland (New York), Republic National Bank of Dallas, First National Bank of Dallas, European American Bank & Trust.

The University currently does not have a depository relationship with nineteen of those banks. The University does have an account relationship with the National Bank of Detroit and Citibank. The Citibank account is one used only for the remittance by Citibank of the trust income from the W. W. Cook Fund and a nominal balance of \$200 is maintained to keep the account open. The National Bank of Detroit has assured us that they currently have no outstanding loans to the South African government. Based on our research it does not appear that the approval of item #3 by the Regents will have an effect on the University bank account relationships.

As to item #4, we will need to acquire some additional information from the banks before we can be sure of the effect. If all 21 banks were "involved in extending or expanding loans to the government of South Africa" the list of eligible banks that we could acquire certificates of deposit or banker's acceptances from would be reduced considerably. Of the 25 largest banks based on deposits, only 4 would be available.

Page 2 - Banks involved with government of South Africa

However, other money market instruments are available although there may be times when the rates offered are not as attractive as for the certificates of deposits. The University's current holdings of certificates of deposits is limited to those issued by the National Bank of Detroit. They total \$15,035,000 and have maturity dates ranging from June 1, 1978 to November 13, 1978.

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RESOLUTION  
THE UNIVERSITY OF MICHIGAN  
BOARD OF REGENTS  
March 16, 1978

WHEREAS the Regents of The University of Michigan have received the Report and Recommendations of the Senate Assembly Advisory Committee on Financial Affairs (the Committee) on Investment Policies and Social Responsibility dated February 28, 1978, and

WHEREAS the Regents are in general agreement with the Report and Recommendations, and

WHEREAS the Regents agree that the issue of investments in corporations having business operations in the Republic of South Africa has become one of considerable concern to many of the University community, and involves extremely serious moral and ethical questions, and

WHEREAS the Regents believe that the system of apartheid and the oppressive practices of the Government of the Republic of South Africa related thereto are immoral and unconscionable,

NOW, THEREFORE, BE IT RESOLVED:

1. The policy reaffirmed by the Regents at their April, 1971 meeting with respect to the voting of proxies of corporations at shareholders meetings is modified as hereafter set forth.

2. When review and analysis of proxy materials and financial data indicates to the Office of the Vice President and Chief Financial Officer that it is not in the financial

interest of the University as a stockholder to vote in accordance with a management proposal, a recommendation shall be made to the Regents through normal investment review procedures concerning voting on such proposal, selling the stock, or other appropriate action.

3. If the Regents shall determine that a particular issue involves serious moral or ethical questions which are of concern to many members of the University community, an advisory committee consisting of members of the University Senate, students, administration and alumni will be appointed to gather information and formulate recommendations for the Regent's consideration.

4. The Committee having served the function of such advisory committee with respect to the issue of investment in corporations doing business in South Africa, and the Regents having duly considered its report, and the comments and concerns of other members of the University community, the following action shall be taken:

A. The Vice President and Chief Financial Officer shall send letters to corporations doing business in South Africa in which the University is a stockholder stating the University's strong opposition to apartheid and racial injustice and asking for:

- (1) Affirmation of the Sullivan Principles.
- (2) Corporate encouragement to endorse the enhancement of political, economic and social rights for all of the corporation's employees in

South Africa.

(3) Regular reports to publicly disclose corporate progress toward achievements in these matters.

B. The University shall vote its proxies in favor of resolutions supporting the actions of A, above.

C. The University shall withdraw its deposits from and discontinue purchasing short-term money market instruments of those banks that hereafter make or increase loans to the Government of the Republic of South Africa, unless it is demonstrated that such loans are conditioned upon governmental action which shall tend to end the system of apartheid.

D. The Vice President and Chief Financial Officer shall report to the Regents within one year concerning the actions taken and corporate response or lack of response thereto.

E. The Regents shall sell the shares of any corporation which does not within a reasonable period of time take reasonable steps to effectuate the purposes of this resolution.

THE UNIVERSITY OF MICHIGAN  
REGENTS' COMMUNICATION

ACTION REQUESTED

Subject: Investment Policies and Social Responsibility

Action

Requested: To Adopt a New Policy on Handling Voting of Proxies and to Adopt Specific Actions Dealing with Investments in Corporations Which Do Business in South Africa

Background:

At the April, 1971 meeting the Regents reaffirmed the policy with respect to the voting of proxies of corporations at stockholder meetings. That policy is to vote with management unless the Regents seriously disagree with the recommendations of the management, in which case the Regents would consider selling the stock.

Since May, 1977 several individuals have appeared before the Regents to urge the sale of investments in corporations which do business in South Africa, because of the South African government system of apartheid.

In accordance with the "Policies in Handling Stocks," adopted by the Senate Assembly in October, 1971, the Vice President and Chief Financial Officer requested the Senate Assembly Advisory Committee on Financial Affairs to review the matter and make recommendations. As the Committee report states (see Exhibit A), the University's first responsibility, acting as trustee of the endowment funds, is to insure that the funds are managed properly and used for the educational purposes for which they were donated.

To provide information about the issues to the university community, the University Committee on Communications sponsored a Forum on Corporate Investment in South Africa on Campus from January 30 through February 2, 1978. This Committee also prepared Forum Conclusions, Committee on Communication Conclusions, and transmitted a resolution prepared by a group of Forum attendees. These were sent to the Regents earlier. The consensus of the forum participants, as expressed at the summing-up session, was that the University should sell its investments in those businesses dealing with South Africa. Sale of the investments should be accompanied with a public condemnation of apartheid and of white minority rule and support for majority rule in South Africa. It was further recommended that a committee be established "to monitor the University's investments and any other ties it has with South Africa."

As of June 30, 1977, the University's holdings of common stocks in the endowment and other invested funds totaled approximately \$59 million. To identify the United States firms operating in South Africa, the May, 1976 list provided by the American consulate in South Africa was reviewed. In addition to 319 companies, 21 banks are known to have loaned money to the South African government. The University has common stock holdings in 45 of these companies and banks which represent approximately 64 percent (\$38 million) of the total market value of its common stock holdings. Also attached for your information is a "Checklist of 1978 Shareholder Resolution" (Exhibit B) which is an indication of the extent and nature of the proposed shareholder resolutions.

We have extensively reviewed all of the aforementioned report, as well as information about what other universities are doing. On that basis we recommend adoption of the following:

A. General Recommendations on Investment Policy

1. The present policy that proxies be voted with management or consideration be given to selling the stocks be replaced.
  - a. There are some occasions when management proposals could result in a dilution of the stockholder's interest. Such a determination is the result of the analysis of financial data and does not involve major questions of social responsibility. While it may be true that the wisest course of action in such an isolated situation would be to sell the stock, the present Regental policy does not provide the flexibility to retain it, and vote against such management actions, should careful review prove that to be prudent. Recommendations on such votes would be made to the Regents through normal investment review procedures.
  - b. As stated in the Senate Assembly Committee Report, when major questions of corporate social responsibility arise, and when a general consensus on a significant moral question has emerged within the university community, it is recommended that a flexible response be available, including communication with management, voting proxies for shareholder initiatives, and the sale of the stock.
2. To help identify and assess issues, and to advise on appropriate University actions, it is recommended that an Advisory Committee on Issues of Social Responsibility in University Investments be established. The Senate Assembly Advisory Committee and the Committee on Communications have both recommended such a group, and have suggested membership from the student body, faculty and administration. The Senate Assembly Committee has recommended an ad hoc committee, to be "appointed after the Regents had determined that a particular issue might require a deviation from the normal investment policy."
  - a. It is recommended, however, that a standing committee be established. To properly review major issues takes a substantial commitment of time. Much of the time is spent in developing expertise and understanding of the University's investments, the proxy mechanism, and the general range of social responsibility issues currently under study by institutional investors. A standing committee, with overlapping terms, would be able to develop that expertise, and retain it, while an ad hoc group would require substantial start-up time, which would begin only as an issue arose.
  - b. It is recommended that the particular issue which the Committee is being asked to review be assigned by the Regents after the Regents had determined that a particular issue had arisen that might require a deviation from the normal investment policy. The Regents would receive suggestions about potential issues from the Vice President and Chief Financial Officer or through other channels, such as the "Public Comments" session.

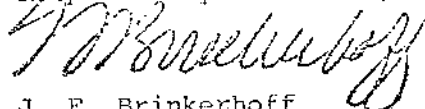
- c. It is recommended that the Committee be composed of two members of the University Senate, appointed by the President from a slate of four proposed by the Senate Advisory Committee on University Affairs, two students appointed by the President from a slate of four proposed by the Michigan Student Assembly, and two administrators appointed by the President. The University Investment Officer would serve ex officio, without vote, and would provide staff support for the Committee. Initial terms would be split, one year and two years, with two year terms to follow.

B. Specific Recommendation for Investments in Companies Doing Business in South Africa

It is recommended that the Regents adopt the recommendations of the Senate Assembly Committee on Financial Affairs. Specifically:

1. That through the Vice President and Chief Financial Officer, letters be sent to corporations in which the University is a stockholder asking for:
  - a. Affirmation of the Sullivan Principles.
  - b. Corporate encouragement to endorse the enhancement of political, economic and social rights for all the corporation's employees in South Africa.
  - c. Regular reports to publicly disclose corporate progress toward achievements on these matters.
  - d. Understanding that the University intends to sell stock in any corporation that:
    - 1) Does not show progress in the above.
    - 2) Undertakes significant capital expansion of its operations in South Africa while a government policy of apartheid is being followed.
2. That the University vote its proxies in favor of resolutions supporting the actions in 1. above.
3. That the University close its accounts in banks that are extending and expanding their loan portfolio in South Africa.
4. That the University discontinue purchasing short-term money market instruments of those banks that are involved in extending or expanding loans to the government of South Africa.
5. That the Vice President and Chief Financial Officer regularly inform the Regents of the actions taken, and recommend to the Regents the sale of stock in corporations which fail to achieve the actions required in 1. above.

Respectfully submitted,



J. F. Brinkerhoff  
Vice President

## Checklist of 1978 Shareholder Resolutions

Following is a list of all shareholder resolutions dealing with questions of corporate social responsibility which have come to IRRC's attention, as well as selected resolutions that raise issues of corporate governance which seem particularly interesting. The list will be updated in subsequent issues of News for Investors. (For full details, see accompanying text. For full names and addresses of sponsors, see p. 31.)

|   |   |   | Corporation              | Subject                            | Coordinator or Sponsor | Date of vote, status or % of vot |
|---|---|---|--------------------------|------------------------------------|------------------------|----------------------------------|
|   |   |   | Aetna                    | insurance redlining                | E/I                    | withdrawn                        |
| x | x |   | American Airlines        | former government officials        | Davis                  | May 17                           |
|   |   |   | ABC                      | TV commentary                      | AIM                    | May 16                           |
| x | x |   | American Express         | former government officials        | Davis                  | April 24                         |
|   |   |   | American Fletcher        | woman on the board                 | church                 | April 18                         |
|   | x |   | American Home Products   | infant formula                     | church                 | April 26                         |
|   |   | x | American Hospital Supply | former government officials        | Davis                  | May 20                           |
| x |   |   | AT&T                     | labor rep. on the board            | Local 81               | April 19                         |
|   |   |   | Avon Products            | directors on other boards          | unions                 | April 26                         |
|   |   |   |                          | loans and perks                    | Davis                  |                                  |
| x | x |   | BankAmerica              | stop loans to Chile                | church                 | April 25                         |
|   |   |   |                          | stop loans to South Africa         | church                 |                                  |
| x |   |   | Beatrice Foods           | food and nutrition                 | church                 | June 7                           |
|   |   |   | Becton Dickinson         | political nonpartisanship          | Davis                  | February 1                       |
|   |   |   | Bell & Howell            | woman on the board                 | Gilberts               | May 4                            |
|   |   | x | Bendix                   | political contrib. report          | Davis                  | February 2                       |
| x | x |   | Bristol-Myers            | political contrib. report          | Davis                  | April 15 ?                       |
|   | x | x | Carnation                | infant formula                     | church                 | Mar. or Apr                      |
|   |   |   | Carter-Wallace           | political nonpartisanship          | Davis                  | July 18                          |
|   |   |   | Castle & Cooke           | labor practices abroad             | church                 | April 20                         |
|   |   |   |                          | TV commentary                      | AIM                    |                                  |
|   |   |   | CBS                      | cumulative voting                  | AIM & Pullen           | April 19                         |
| x |   |   | Chase Manhattan          | former government officials        | Davis                  | April 18                         |
|   |   |   |                          | former government officials        | Davis                  |                                  |
|   |   |   | Chemical New York        | community reinvestment com.        | church                 | April 26                         |
|   |   |   | Chessie System           | former government officials        | Davis                  | mid-April                        |
|   |   |   |                          | reform incentive comp.             | SCPCC                  |                                  |
|   |   |   |                          | reform stock option plans          | SCPCC                  |                                  |
|   |   |   | Chrysler                 | membership of board coms.          | SCPCC                  | May 2                            |
|   | x |   |                          | two candidates for board vacancies | employees              |                                  |
| x | x | x | Citicorp                 | loans and perks                    | Davis                  |                                  |
|   |   |   |                          | report on S. African loans         | church                 | April 18                         |
|   |   |   | Citizens & Southern      | political contrib. report          | Davis                  | April                            |
|   |   |   |                          | equal employment                   | church                 |                                  |
|   |   |   | Coca-Cola                | overseas labor practices           | church                 | May 1                            |
|   | x |   |                          | adopt Sullivan principles          | U. of Minn.            |                                  |
|   |   |   | Comsat                   | former government officials        | Davis                  | May 9                            |
|   |   |   | Connecticut General      | insurance redlining                | E/I                    | April 11                         |
|   |   |   | Continental Air Lines    | political contrib. report          | Davis                  | May 3                            |
|   |   |   |                          | report on S. African loans         | church                 |                                  |
|   |   |   | Continental Illinois     | community reinvestment             | church                 | April 24                         |
|   |   |   |                          | branch banking                     | church                 |                                  |
|   |   |   |                          | stop sales to South Africa         | church                 | May 3                            |
|   | x | x | Control Data             |                                    |                        |                                  |

| U Hold | Bus. S | Sulliv |                                    |                                                                                               |                                     |                       |
|--------|--------|--------|------------------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------|-----------------------|
|        |        |        | Cook Industries                    | grain sales                                                                                   | church                              | ?                     |
|        |        |        | Crocker National                   | stop loans to South Africa                                                                    | church                              | April 18              |
|        |        |        | Eastern Air Lines                  | political nonpartisanship                                                                     | Davis                               | April 25              |
|        |        |        |                                    |                                                                                               | church/                             |                       |
| x      | x      | x      | Eastman Kodak                      | stop sales to South Africa                                                                    | Bryn Mawr                           | April 25              |
|        |        | x      | Engelhard                          | adopt Sullivan principles                                                                     | U. of Minn.                         | May 3                 |
| x      | x      | x      | Exxon                              | political nonpartisanship                                                                     | Davis                               | May 18                |
|        |        |        | Fairchild Industries               | political contrib. report                                                                     | Davis                               | April 26              |
|        |        |        | Federal National<br>Mortgage Assn. | former government officials                                                                   | Davis                               | May 18                |
| x      | x      |        | Firestone Tire & Rub.              | ethics committee                                                                              | Calvert                             | 4.17%                 |
|        |        | x      | First Chicago                      | report on S. African loans<br>community reinvestment<br>branch banking                        | church<br>church<br>church          | April 14              |
|        |        |        | First Natl. Boston                 | former government officials<br>community reinvestment com.<br>stop loans to South Africa      | Davis<br>church<br>church           | March 30              |
| x      | x      | x      | Ford Motor                         | former government officials                                                                   | Davis                               | May 11                |
|        |        |        | General Dynamics                   | maritime lobbying<br>coal mining in Midwest                                                   | church<br>church                    | May 4                 |
|        |        |        | General Electric                   | foreign military sales<br>equal employment<br>adopt Sullivan principles                       | church<br>church<br>U. of Minn.     | April 26<br>withdrawn |
|        |        |        | General Public<br>Utilities        | political contrib. report                                                                     | Davis                               | May 4                 |
|        |        |        | Girard                             | former government officials                                                                   | Davis                               | April 17              |
| x      | x      | x      | Goodyear Tire & Rub.               | ethics committee                                                                              | Calvert                             | April 3               |
| x      |        |        | Gulf Oil                           | contributions in S. Korea                                                                     | church                              | withdrawn             |
| x      | x      | x      | IBM                                | sales to repressive govts.                                                                    | church                              | April 24              |
| x      | x      |        | ITT                                | contributions in Chile                                                                        | church                              | May 10                |
|        |        |        | Iowa Power and Light               | nuclear power                                                                                 | Hutchison                           | April 26              |
| x      | x      |        | Johnson & Johnson                  | adopt Sullivan principles                                                                     | U. of Minn.                         | withdrawn             |
|        |        |        | Kennecott Copper                   | report on S.A. operations                                                                     | church                              | May 2                 |
| x      | x      |        | Kimberly-Clark                     | withdraw from South Africa                                                                    | church                              | April 27              |
|        |        |        | Lehman Corp.                       | former government officials                                                                   | Davis                               | April 18              |
|        |        | x      | Lykes                              | Youngstown plant closings                                                                     | church                              | May 9                 |
|        |        |        | Manufacturers<br>Hanover           | loans and perks<br>stop loans to South Africa<br>add directors<br>director selection criteria | Davis<br>church<br>unions<br>unions | April 21              |
|        |        |        | Martin Marietta                    | political contrib. report                                                                     | Davis                               | April 27              |
|        |        |        | McDonald's                         | political contrib. report                                                                     | Davis                               | May 4                 |
|        |        | x      | McGraw-Hill                        | adopt Sullivan principles                                                                     | U. of Minn.                         | April 25              |
| x      | x      | x      | Merck                              | political contrib. report                                                                     | Davis                               | April 25              |
|        |        |        | Merrill Lynch                      | former government officials                                                                   | Davis                               | May 2                 |
| x      | x      | x      | 3M                                 | withdraw from South Africa                                                                    | church                              | May 9                 |
|        |        |        |                                    | equal employment                                                                              | church                              |                       |
| x      | x      | x      | Mobil                              | oil sales to Rhodesia                                                                         | church                              | May 4                 |
| x      |        |        | J.P. Morgan                        | loans and perks<br>report on S. African loans                                                 | Davis<br>church                     | April 12              |
|        |        |        |                                    |                                                                                               | church/                             |                       |
|        |        | x      | Motorola                           | withdraw from South Africa<br>adopt Sullivan principles                                       | Haverford<br>U. of Minn.            | May 1                 |
|        |        |        | National Bank of<br>Georgia        | loans and perks                                                                               | Davis                               | April 12              |
|        |        | x      | Newmont Mining                     | report on Namibia operations                                                                  | church                              | May 2                 |
|        |        |        | Northrop                           | foreign military sales                                                                        | church                              | May 9                 |
|        |        | x      | Pan Am                             | former government officials                                                                   | Davis                               | May 9                 |
|        |        |        | PepsiCo                            | adopt Sullivan principles                                                                     | U. of Minn.                         | May 3                 |
|        |        | x      | Phelps Dodge                       | withdraw from South Africa                                                                    | church                              | May 3                 |
|        |        |        | Potomac Electric<br>Power          | political contrib. report                                                                     | Davis                               | April 26              |

|   |   |                               |                                                                                                                                                     |                                                       |           |
|---|---|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------|
| x |   | Procter & Gamble              | sponsorship of TV violence,<br>stop coffee imports from<br>Uganda                                                                                   | church<br>church                                      | October 1 |
|   |   | Ralston Purina                | Latin American operations                                                                                                                           | church                                                | 2.72%     |
|   | x | Revlon                        | adopt Sullivan principles                                                                                                                           | U. of Minn.                                           | May 4     |
|   | x | Rockwell Intl.                | military conversion                                                                                                                                 | church                                                | February  |
|   |   | Southern Co.                  | South African coal                                                                                                                                  | church                                                | May 24    |
|   |   | Southern Railway              | political contrib. report                                                                                                                           | Davis                                                 | May 23    |
|   | x | Standard Brands               | food and nutrition                                                                                                                                  | church                                                | May 2     |
|   |   | Standard Oil of<br>California | oil sales to Rhodesia                                                                                                                               | church                                                | May 2     |
|   |   | J.P. Stevens                  | job safety<br>woman & black on the board<br>labor relations report<br>labor relations review com.<br>labor policies/stock price<br>equal employment | unions-<br>Hall<br>church<br>church<br>Hall<br>church | March 7   |
|   | x | Tampax                        | adopt Sullivan principles                                                                                                                           | U. of Minn.                                           | April 26  |
|   |   |                               | overseas contrib. policy                                                                                                                            | church                                                |           |
|   | x | Tenneco                       | maritime lobbying                                                                                                                                   | church                                                | April 26  |
|   |   |                               | withdraw from South Africa                                                                                                                          | church                                                |           |
|   | x | Texaco                        | oil sales to Rhodesia                                                                                                                               | church                                                | April 25  |
|   |   | Textron                       | foreign military sales                                                                                                                              | church                                                | April 26  |
|   |   | Transamerica                  | former government officials                                                                                                                         | Davis                                                 | April 26  |
|   |   | Travelers                     | insurance redlining                                                                                                                                 | E/I                                                   | April 3   |
|   | x | Twentieth Century-Fox         | political contrib. report                                                                                                                           | Davis                                                 | April 27  |
|   | x | Union Carbide                 | no expansion in S. Africa                                                                                                                           | church                                                | April 26  |
|   | x | United Brands                 | overseas labor practices                                                                                                                            | church                                                | May ?     |
|   |   |                               | former government officials                                                                                                                         | Davis                                                 |           |
|   | x | U.S. Steel                    | no expansion in S. Africa                                                                                                                           | church                                                | May 1     |
|   | x | Warner-Lambert                | adopt Sullivan principles                                                                                                                           | U. of Minn.                                           | April 25  |
|   |   |                               | former government officials                                                                                                                         | Davis                                                 |           |
|   |   | Washington Gas Light          | political nonpartisanship                                                                                                                           | Davis                                                 | March 27  |
|   | x | Westinghouse                  | nuclear power                                                                                                                                       | church                                                | April 26  |
|   | x | Xerox                         | adopt Sullivan principles                                                                                                                           | U. of Minn.                                           | May 18    |

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