REPORT OF THE AD HOC COMMITTEE ON INVESTMENTS IN COMPANIES WITH OPERATIONS IN SOUTH AFRICA
November 30, 1984

Summary
The committee makes four recommendations:

1. The University should convert its temporary "freeze" on investments into a continuing policy. The University should at the same time reaffirm its 1978 principles, in the light of subsequent events in South Africa.

2. The Trustees should take the lead in organizing other universities and similar institutions for a coordinated policy against apartheid. Such a consortium should attempt to mobilize the influence of the business community and the U.S. government to help bring political and economic democracy to South Africa by peaceful means. Such a consortium should also plan to develop a coordinated investment policy which, by requiring strict adherence to tightened and updated Sullivan Principles, would help erode apartheid and bring significant improvement in the lot of blacks in South Africa. Any company that does not meet the requirements of the consortia policy should be targeted for divestment.

3. The President and the Trustees should establish a permanent, broad-based committee to report regularly on University policy toward South Africa including investment in companies operating in South Africa and the use of its shareholder-interests against apartheid.

4. The University should initiate a major program, supported by substantial resources, to study the political and social problems of southern Africa and to promote education for change there.

The committee believes that the policies recommended would be an appropriate expression by the University of its abhorrence for the policy of apartheid and its support for the efforts of all civilized people to help bring about important improvement in the lot of non-white South Africans through significant steps towards democracy and equality in South Africa.

The committee believes that the steps recommended may well lead to policies of total divestment and other actions by this and other universities and by public bodies and institutions in the United States, if the government of South Africa continues to respond to the legitimate demands of its non-white citizens with violent repression and total denial of their human rights to equal opportunity and political economic democracy.

The four recommendations cannot be separated without losing the force of this argument. By simultaneously committing to a freeze on investments, leadership in strengthening the Sullivan conventions, leadership in the development of consortial investment policy and expansion of the University's own resources in African affairs, we believe the Trustees can best apply Columbia's total resources to the most rapid and complete ending of apartheid in South Africa.

History
This report is the latest in a series of exchanges which have formed a con-
arbitration dialogue between the Trustees and the Senate on the thorny problem of including moral considerations in a prudent investment policy. In 1977 this dialogue led the Trustees of the University to ask the Senate to assemble an ad-hoc committee to recommend University investment in corporations doing business in South Africa. In 1978 the Trustees of the University accepted the majority report of the committee and issued a six-point statement of principles: (1) The University will divest itself of holdings and withdraw deposits in financial institutions that provide new or continuing access to capital markets for the governments of South Africa, and which do not announce their intention to cease such activities; (2) The University hereby advises the corporations in which it invests of its concern for the liberties and equal employment opportunity of non-whites in South Africa and intends to ascertain the policies of each of the corporations in these related areas; (3) The University will divest itself of holdings and will not invest in corporations which after inquiry respond in a way that satisfies the university's ethical or moral concerns; and (4) The University will make clear to each of the corporations in question its readiness to consider a case-by-case basis whether or not to support stock dividends and returns on shares a) oppose further expansion of capital investment in South Africa pending modification of apartheid policies, b) mandate cessation of direct dealings with the South African government deemed to aid and abet its policies of apartheid, c) suggest prudent ways in which withdrawal from South Africa might be achieved; (5) The Trustees support the effort of the president of the University to give leadership to other universities on behalf of these objectives and to join in support of similar activities on their part; (6) Implementation of all the foregoing will be given broad publicity, mindful of the concerns at Columbia and other universities for basic human rights and racial justice. Thus in 1978 the Trustees of the University, led by their chairman Arthur Krim, took the dramatic step of accepting a set of ethical restraints as part of a policy on University investment in South Africa. This was a major break with the past, and it stands as an example of our University's taking the lead on a master of world-wide concern.

These principles have contributed Columbia's policy from 1978 to date. These restraints, though their precise influence must be appraised in the context of the complex of the Trustee's and the University's holdings, had no adverse effect on the value of the University's investment portfolio nor on its financial condition generally. After 1978 there has been no divestment. Since 1978 indeed, by many measures the life of non-whites in South Africa has become more unbearable as the government of South Africa has progressively completed its "homelands" policy, which divides the black majority into a small urban black minority with South African citizenship and an absolute black majority without citizenship except in fictitious internal "homelands". As a result, the issue of investments in corporations doing business in South Africa was reopened by the Senate in the spring of 1983. The Senate resolved that the Trustees' six principles were not a sufficient response to the pervasive evil of a legal system based on intentional racial inequality. The Senate voted to recommend that the Trustees develop and implement a specific plan for the divestment of all its holdings in corporations which have operations in South Africa. The Trustees in reply issued an extensive report in June of 1984. In the report the Trustees reaffirmed the six principles laid down in 1978 and concluded that continued investment under these principles, rather than total divestment of all relevant securities, was still the best policy for the University to follow. In the fall of 1983 this ad-hoc committee was charged by the executive committee of the Senate to prepare a Senate response to the Trustees' report. In June 1983 we have taken our charge to mean that we must recommend to the Senate which position to take on the following differences between the Senate resolution of 1983 and the Trustees' 1983 resolution:

(1) Should the University continue to buy securities in U.S. companies that have South African subsidiaries? Senate: no.

Trustees yes. Providing the local company abides by certain rules of equal opportunity at the workplace. In the moral equation, the degree of evil attached to the purchase of such securities remains outweighed by the expectation of the good done by these corporations for at least some non-white South Africans. This is a continuation of the policy of the Trustees' resolution of 1978.

(2) Should the University sell such securities now? Senate: yes.

Trustees no, unless for reasons of normal portfolio management. So long as a corporation passes the key financial tests of its workplace policies, its securities should be eligible for the University's portfolio. An exception is made for the current spring semester of 1984 this ad-hoc Committee, striving for but unable to reach unanimity, requested that the President of the University determine whether the Trustees would introduce a temporary freeze on further investment in securities of corporations doing business in South Africa. The Trustees' response is to require with a 2/3 resolution, the Trustees have put this ad-hoc resolution in place until they review a report from the Senate. Thus University securities investments policy has been modified by the resolution of the Senate since May 23, 1984 with the added restriction on further investments.

Our committee has chosen to approach our task by a careful examination of the six principles of 1978. In each case we have asked whether in the last five years the University's actions have carried out the principles. We also asked whether principles 3 and 4, which define our current investment policy, are still adequate in the light of events here and in South Africa since 1978.

Findings

The committee has made the following findings of fact concerning the implementation of the Trustees' Principles since 1978. It also examined the continuing adequacy of principles 3 and 4, consistent with the policy, in the light of developments since 1978.

Implementation since 1978 of the Trustees' Principles

(a) Principle 1. The committee finds that the University has totally divested itself of holdings and withdrawn all deposits in financial institutions that provide new or continuing access to capital markets for the government of South Africa. This principle has been followed by the larger Columbia and has thereby become one of a growing number of private and public institutions throughout the world to end this form of indirect investment in the government of South Africa.

(b) Principle 2. The committee finds that the University has been in direct contact with all relevant corporations in its portfolio. It has requested information about the corporations' workplace policies, and has notified them of its objections for its concern for the "liberties and equal opportunities of non-white workers".

(c) Principle 3. The committee finds that the University has divested itself of a considerable fraction of its securities in corporations doing business in South Africa and has chosen in the past few years not to invest in a considerable number of other such corporations. These have been corporations that have not adhered to the Sullivan Principles, or have not cooperated with the University in order to determine the direct and indirect extent of their activities in South Africa. The criteria for judging such corporate behavior between 1976 and the present have been a three-fold response to direct questioning, ratings by the Investment Responsibility Research Center Inc. (IRRC), and ratings by the Reverend Sullivan's office, through the A.D.A. Lester Company. These categories of securities that rank high in the Sullivan ratings (categories, and ) have in almost all cases been found acceptable for investment purposes.

In the period of the temporary freeze since May of 1984 the University has reduced its holdings in corporations doing business in South Africa from $39 million to $32 million, and has in the process completely divested itself of securities in such companies worth over $3 million.

(d) Principle 4. This principle committed the University to notify corporations to which it was imposing a moratorium on new investment and to choose those willing to meet with the University, and then to divest and remove those which met with the University. The committee examined the University's recordings of meetings and compared them with its holdings in such companies. The committee also examined the record of proxy voting by the University since 1979. We find that the University has usually, but not always, voted in ways consistent with its policies, a and b, and this of this principle.

The committee finds that the voting record of the University, while on the whole, has been sporadically inconsistent because of an over reliance on the current Sullivan rankings. The University has apparently concluded at times that a number 1 or 11 ranking alone implied substantial compliance with all the principles of the 1978 policy. The committee also finds that this assumption is almost certainly inadequate to assure compliance with the Trustees' policy of 1978.

(e) Principles 5 and 6. The committee finds that the University has not sufficiently publicized its actions since 1978 neither the University community nor the world at large has been adequately informed that the University has followed an investment policy which interposes a moral and symbolic barrier between its endowment and a considerable number of potentially important corporations. The University has not done enough publicly in other ways "on behalf of these objectives. Though others have done even less, even such as the moral degree accorded to Nobel Laureate Bishop Desmond Tutu and current enrollment of a large percentage of South African students at Columbia are not sufficient activities for a University of its size and importance.

Recent developments in the Schools of Law, Medicine, Public Health and International and Public Affairs place the University in an advanced position in constantly and cooperatively within the University on the linked issues of poverty, health and state power. The committee endorses these recent initiatives, which re...
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require increased financial support from the University.12

Ensuring Adequacy of the 1978 Principles

The committee has also reexamined the adequacy of the policy underlining the six principles, as restructured particularly in principles 3 and 4, in view of intervening developments in South Africa.

When the Trustees put forward principles 3 and 4 in 1978 the government of South Africa had not yet apartheid a set of laws described below and now in place. These new laws, and their deplorable effect on the lives of nonwhite South Africans, require a reexamination of the continuing adequacy of principles 3 and 4.

a. In the past five years the government of South Africa has engaged in a massive and forcibly redistribution of nonwhite workers. It seems clear that the government's intention is to have South Africa proper with an elite of skilled black workers but a majority of nonblack citizens. To accomplish this, the government has expelled more than four million black people in the past five years from within South Africa to a set of tiny, internal island in the so-called "independent homelands."13

Once in a homeland a black worker ceases to be a South African citizen. To work in South Africa he must become a transient visitor. Benefits of the workplace for nonwhite South African citizens, such as equal wages and membership in a black labor union, often cease to be relevant to him or to the family from which he must absolve himself at work.

The committee finds that the increase rate of deportations to homelands, and other forms of discrimination against African corporate do not address the workplace conditions of nonwhite South Africans under the current political system. While precise numbers are hard to obtain, our best estimate is that a few thousand of the 70,000 employees of American corporations in South Africa are black migrant workers. To date the University has not asked corporations for their policies with regard to the living conditions of workers from the homelands, or of their families in those barren places.

b. Principles 3 and 4 do not address the least onerous conditions of government relations in South Africa.

The committee finds that all foreign corporations are obliged to do business under the laws of the Republic of South Africa and are therefore ineluctably part of the fabric of apartheid. Some corporations have shown an interest in South Africa now have the obligation to provide direct support to the military and the army of apartheid under the Key points Act, which requires certain important investments in its recent fiscal year.

(2) Proposals requesting issuers to prepare reports on specific social conditions in South Africa must be excluded, to include those who have policies in South Africa.

13 The committee is aware of the recent changes in the number of black labor force in South Africa. For example, the Key points Act specifically designates certain human rights as being of military significance in time of national emergency, which workplace are legally obliged to assist the South African government in all ways it sees to require.

b. Nonwhite workers are illegally benefited at the workplace of certain American corporations. However, these few are part of a small fraction of South Africans. These homelands laws have already caused the forced deportation of millions of blacks to interior "camps," which in the cruelty of their living conditions resembles extremely large and abandoned African village. These blacks, deprived of their citizenship in South Africa, comprise the large body of black migrant workers which now provides a majority of the black labor force in South Africa.14 The Sullivan conventions and other policy statements do not expect corporations to

That the University has current financial investments in South Africa, as the Committee on Business Policies notes. 19 The University's holdings are a very small fraction (0.01% or less of the total thousand) of the value of the common stock of South African corporations.

13 These corporations have a population in 1981 of 7,527,000. In the same year 1,329,000 were working as migrant laborers in South Africa (U.S. Department of Commerce, The Africa Fund, January, 1984).
provide the same workplace benefits to migrant workers.

c. Further investigation and analysis are required to order principles of
formulate new policy statements that take into account developments in South Africa. Some of this work has already been initiated by the U.S. Congress and the office of the Reverend Sullivan, and we want the University to play a more prominent role in doing this work as soon as possible. On the basis of the information now known to us, we think that any policy statement on investments in South Africa, and principles 3 and 4 of the Trustees' report of 1978, will need to be revised to include the following five recommendations for evaluating companies in which the University invests:

(i) The company should not be under the Keypoints Act.
(ii) The company should not sell its products to the South African military or military industries. Such sales clearly undermine the effectiveness of sanctions as effective instruments to combat apartheid.
(iii) The company should demonstrate to us that it will not aid, abet, or help support the apartheid regime.
(iv) The company should provide information about it business operations in South Africa to the University.
(v) The company should not be under the Keypoints Act.

We believe that without waiting for the University to take action, the standard questionnaire sent by the University to companies immediately be revised to reflect the information on these principles.

Providing that no significant reversal occurs in the hardening of the apartheid regime in South Africa, we think that the acceptance of principles 3 and 4 would require eventual full divestment. However, the University believes that the acceptance of such action would be modest unless the University were joined by other universities and similar institutions. Therefore, the University makes recommendation 2:

Recommendation 2: The Trustees should take the lead in organizing other universities and similar institutions for coordinated action against apartheid. Such a consortium should attempt to mobilize the international community in lifting the trade sanctions against South Africa and the U.S. government to help bring political and economic democracy to South Africa by peaceful means. Such a consortium should also work to develop a coordinated investment policy that would require strict adherence to the seven principles of the Sullivan Principles would lead to apartheid and bring significant improvement in the lot of blacks in South Africa. Any company that does not meet the requirements of the consortium policy should be targeted for divestment.

Crises of divestment claim that companies or divestment by the University would have little direct or indirect impact on apartheid since the amount of South Africa's GDP is only small in relation to the total outstanding securities of the companies involved. They also claim that divestment would undermine the credibility and the U.S. government to help bring political and economic democracy to South Africa by peaceful means. Such a consortium should also work to develop a coordinated investment policy that would require strict adherence to the seven principles of the Sullivan Principles would lead to apartheid and bring significant improvement in the lot of blacks in South Africa. Any company that does not meet the requirements of the consortium policy should be targeted for divestment.

The University has already been established as a center for the study of apartheid and the securing of a democratic society. It is the responsibility of the University to work for the implementation of the principles of the Trustee's report of 1978, by requiring divestment of holdings and withdrawal of investments in financial institutions that provide new or continuing access to capital markets for the government of South Africa. A few other institutions follow this principle, but not many. It is one of the steps that has the greatest potential for a direct impact on the South African government.

C. Because of its special relationship to educational institutions, the U.S. Congress should be considered a principle of the Trustees' 1978 report, requiring divestment of holdings and withdrawal of investments in financial institutions that provide new or continuing access to capital markets for the government of South Africa. A few other institutions follow this principle, but not many. It is one of the steps that has the greatest potential for a direct impact on the South African government.

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3. The University, in its endowment policy, should seek to persuade portfolio managers to support the initiative of the Trustees. Particular attention should be paid to proposals like the Solomon Amendment to the proposed Export Administration Act of 1978. The University should introduce legislation in the next Congress that would mandate non-discriminatory employment practices for U.S. companies doing business in South Africa, prohibit bank loans to the South African government and prohibit the im-