The New School
Advisory Committee on Investor Responsibility (ACIR)

Sustainability Proxy Voting Guidelines

In line with the mission of this institution, the New School has a responsibility to encourage socially and environmentally responsible behavior by the companies and funds in which the university invests. It is part of the generally accepted standards of fiduciary care that proxy-voting rights must be diligently exercised. The purpose of these guidelines is to establish the principles and processes for the exercise of that duty with regards to shares in which The New School has voting rights.

The following Guidelines indicate how the ACIR believes proxy voting on sustainability issues should be handled within The New School endowment. Voting and sponsoring proxies pursuant to these Guidelines are in the best interests of our endowment and the university community, and will facilitate the goal of promoting responsible investment practices while also maximizing the value of our investments. The Guidelines listed here are not exhaustive, and do not address all potential issues. To the extent that the Guidelines do not cover potential issues, The New School fund managers will vote shares held by The New School on such issues in a manner that is consistent with the spirit of these Guidelines and in a manner that promotes the long-term sustainability goals of the New School community. Fund managers are encouraged to sponsor shareholder resolutions as well as vote proxies in support of these sustainability guidelines.

I.) Operational Guidelines

(i) Proxy Transparency

In order to ensure transparency and allow monitoring of proxy voting and compliance with these guidelines, it is important that The New School--including the Trustees, the Investments Office, and the ACIR--be able to independently evaluate proxy voting actions taken on its behalf and in its funds.
In order to achieve this, the following guidelines will be followed:

• If the investment manager reasonably believes the passage of any proxy resolution will have a long-term negative effect on the stock price the manager should vote to avoid the negative effect.
• Managers or others who have fiduciary responsibility will maintain records on all proxy voting on behalf of the New School and New School shares, funds, and investments, and will provide annual reports regarding votes as well as the outcomes of those resolutions;
• If Managers vote a proxy in conflict with recommendations made in these guidelines, an explanation as to why this decision was made shall be included in the annual report.

II.) Voting Guidelines

When fund managers or other financial advisors are making investment decisions for The New School, the following issues should be given special consideration. If a proxy resolution is brought to a vote in a company in which we have voting rights, these guidelines can help inform managers about how and when to exercise our shareholder rights. It is also important to state that these are not meant to be comprehensive guidelines covering every possible issue that the university may have investments in, but rather that these recommendations should be seen as the first steps towards creating a sustainable New School endowment that helps build a just global economy. Just as we view our education as a means to social transformation and improvement, we also view our role as investors and shareholders with equal importance and weight. In a world where money talks and power listens, we must ensure our investments do not undermine our values and our long-term vision. When they are found to be in conflict, these guidelines can help provide guidance on how to bring our investments back in line with our educational mission and values as a leader in higher education.

(i) Sustainability Reporting

We define sustainability holistically as encompassing social, economic, and environmental concerns. In order to be considered sustainable, proxy voting decisions should seek to preserve the integrity of our communities and our environment. With respect to proxies on shares held in The New School funds:
•Managers will **SUPPORT** proposals requesting companies to report on their policies, initiatives, and oversight mechanisms related to social, economic, and environmental sustainability.

The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. Investors, companies and stakeholders use this information to measure performance, benchmark against peers, and evaluate risks. With respect to proxies on shares held in The New School investments:

• Managers will **SUPPORT** proposals asking companies to issue sustainability reporting using the Global Reporting Initiative (GRI) guidelines.

(ii) Integrating Environmentally Sound Business Practices

True sustainability requires integrating environmental, social and governance issues into all aspects of the economy. It also means seeing the market as a vehicle for deeper social change. The Coalition for Environmentally Responsible Economies (CERES), which was formed in 1999, has worked to develop these practices into a series of core values which serve as markers towards a more sustainable economy. CERES's "four pillars" offer a sense of the values in this new model of economic thinking: honest accounting for the cost of pollution and environmental harm; truly visionary business leadership; bold and innovative solutions to current economic and social challenges; and smarter policies that reward sustainability as the foundation for true growth.

By endorsing these principles, which inform the *Ceres 20•20* document, a company commits itself to: work towards a sustainable business model that conserves energy and natural resources and promotes environmental restoration; clearly define goals and measures of progress; and report to the public the progress towards those goals in a CERES Report format. In order to strengthen such efforts and new models of thinking, and with respect to proxies on shares held in The New School funds:

• Managers will **SUPPORT** proposals asking companies to endorse or adhere to the CERES Principles or Ceres 20•20.

(iii) Extractive Industries

Large-scale extractive industry operations can often be linked to environmental destruction, conflict, and political corruption. From gold and diamonds to coal and timber, from clay and iron ore to oil and natural gas, extractive industries can leave a deep scar on the lands and people wherever they operate. Whether it is child soldiers produced because of conflict diamonds in central and western Africa, environmental destruction caused by massive oil spills like the recent BP Deep-water well incident in the Gulf, or entire mountain ranges leveled during mountaintop removal coal mining in the Appalachians, the impacts of extractive industries are often unnecessarily detrimental. The 2010 *Revenue Watch Index Report* found that 29 out of 41 countries provide "limited public information on their natural resource sector," which undermines the ability of citizens to hold their governments to account for their performance in managing public resources. Harmful extractive practices also create clear financial risks for investors. For example, in early 2011 the Chevron Corp. was ordered to pay $9.5 billion in damages by an Ecuadorian court for harm caused to the Amazon rainforest by drilling and extraction operations. Financial investments should not compromise the world in which the beneficiaries of the New School Endowment will live for many years to come.

• Managers will **SUPPORT** proposals asking companies to rigorously adhere to environmental and social safeguards in order to minimize the risk of spills and accidents and to prevent dumping;

• Managers will **SUPPORT** proposals asking companies to pursue voluntary and mandatory transparency in reporting revenues and payments (including but not limited to adherence to the Extractive Industries Transparency Initiative (EITI));

• Managers will **SUPPORT** proposals asking companies to adopt the highest feasible environmental and safety standards for their operations, and to minimize adverse environmental and social externalities to the extent feasible;
• Managers will **SUPPORT** proposals asking companies to adopt new technologies which would help reduce environmental impacts from operations when practicable;

(iv) Production of Waste and Emission of Pollutants

The continued creation of consumer and industrial waste is a leading cause of environmental pollution around the world, ranging from landfill and packaging waste to particulate matter and other toxins in the air and water. According to *Our Nation's Air - Status and Trends through 2008* (issued by the Environmental Protection Agency), more than 120 million homes nationwide suffer from excessive levels of air pollutants as defined by the National Ambient Air Quality Standards (NAAQS). Likewise the 2004 EPA *National Water Quality Inventory Report* to Congress, found that 44% of streams, 64% of lakes, and 30% of bays and estuaries are not clean enough for fishing and swimming. Private investors can play an important leadership role in developing and supporting changes in existing market practices to promote environmental protections and improve public health. With respect to proxies on shares held in The New School funds:
• Managers will **SUPPORT** proposals that ask management to reduce or eliminate emissions of pollutants into the air, water and soil, to the extent feasible;
• Managers will **SUPPORT** proposals that ask companies to minimize the generation of waste from products and operations, including but not limited to source reduction, reuse, recycling and composting;
• Managers will **SUPPORT** proposals that ask companies to reduce the production of hazardous byproducts and the toxicity of waste generated; and
• Managers will **SUPPORT** proposals that ask companies to dispose of hazardous and conventional waste through the safest and most responsible means legally feasible.

(v) Climate Change and Greenhouse Gas (GHG) Emissions

Over the past century, carbon dioxide emissions have steadily increased. Scientists expect emissions will continue to increase (estimated at 560 parts per million in the next 50 years), with the effect of increasingly severe storms, more frequent droughts, increased smog, and other natural disasters. Signatories of the Kyoto Protocol in 1997 agreed to reduce carbon dioxide to 7% below 1990 levels. Since 1997, many companies have been asked to report or take action on climate change as proposed in the Kyoto agreement. Efforts such as the CERES Principles are one way to make an impact in the market, however the overwhelming impacts to humans and the planet from climate change warrants increased investor attention. With respect to proxies on shares held in The New School funds:
• Managers will **SUPPORT** proposals that ask companies to report on carbon emissions and take proactive steps to reduce their carbon footprint;
• Managers will **SUPPORT** proposals requesting a report on greenhouse gas (GHG) emissions from company operations and/or products and operations unless: the company already provides current, publicly-available information on the impacts that GHG emissions may have on the company as well as associated company policies and procedures to address related risks and/or opportunities; and there are no significant controversies, fines, penalties, or litigation associated with the company's GHG emissions;
• Managers will **SUPPORT** proposals that call for the adoption of GHG reduction goals from products and operations, taking into account the feasibility of reduction of GHGs given the company’s product line and current technology.

(vi) Alternative and Renewable Energy

Energy is one of the most talked about issues of our time. With the oil price volatile and rising, and renewed doubts over nuclear power in the wake of the events in Japan, moving renewable sources closer toward the center of energy policy is now more urgent than ever. Some cities have shown the way through initiatives such as Solar America Cities, of which New York is a proud member. Many companies have also taken steps to improve their renewable credentials, with Con Edison's listing in the Dow Jones Sustainability Index (DJSI) a key example. But more needs to be done by our companies to move the country and world towards energy sustainability. Shareholders have a key role in this process, so with respect to proxies on shares held in The New School funds:
• Managers will **SUPPORT** proposals that ask companies to develop and promote alternative energy resources, such as geothermal, solar and wind power;
• Managers will **SUPPORT** proposals to produce and purchase more energy from renewable sources whenever feasible;
• Managers will **OPPOSE** proposals which would increase reliance on non-renewable coal, oil, and natural gas.

(vii) Genetically Modified Organisms

While recognizing there is currently no public consensus on the potential risks or benefits to humans, animals, and the environment from genetically modified organisms (GMO’s), some investors have expressed concerns that the potential for adverse effects on people and the environment from GMO’s could produce significant liabilities for a company, such as happened in 2006 with *In Re Genetically Modified Rice Litigation*, where Bayer CropScience was fined $2 million for GMO rice contamination. Following the precautionary principle underlying such debates within the scientific community, we recommend the following with respect to proxies on shares held in The New School funds:
• Managers will **SUPPORT** proposals asking for voluntary or mandatory labeling of genetically modified organisms;
• Managers will **SUPPORT** initiatives to strengthen consumer health and safety standards for genetically modified organisms.

(viii) Animal Testing

While there are significant ethical and political debates over the use or exclusion of animals from scientific research, commercial product development, and food consumption, there has been a gradual shift in public policy towards greater animal welfare protections and the reduction or replacement of animal testing with alternative methods—such as the Ames test—where animal testing is not critical or required by law. With respect to proxies on shares held by The New School:
• Managers will **OPPOSE** proxy votes that encourage companies to conduct or expand animal testing when not required by law.
• Managers will **SUPPORT** proposals asking companies to phase out or stop animal testing when not required by law;
• Managers will **SUPPORT** proposals asking companies to develop animal welfare standards and report on those initiatives to shareholders.

(ix) Safer Chemicals and Substitution Policies

Companies face risks of market exclusion, damage to their reputations and costly litigation due to rising public concern about toxic chemicals in consumer products. Companies have responded to the concerns of governments, shareholders and consumers in recent years by halting the sale and production of products containing mercury, polyvinylchloride (PVC) and other toxic chemicals. Companies also have a responsibility to inform members in the community about potential environmental health or safety risks posed by substances used at company facilities. Shareholders have often asked companies to provide this information in a report to the local community. With respect to proxies on shares held in The New School investments:

• Managers will **SUPPORT** proposals that ask companies to phase out all toxic chemicals where safe alternatives are available, and report on their progress in doing so or on the feasibility of doing so;

• Managers will **SUPPORT** proposals that ask companies to reformulate products globally to meet the most stringent national or regional standards for toxic chemicals applicable to those products;

• Managers will **SUPPORT** proposals that ask companies to publicly report on hazards posed by manufacturing facilities.

(x) Labor Standards

Businesses are increasingly recognizing that workforce capabilities are an important element of a successful business. There is also growing emphasis on the mental and physical health of the employees as an important element of building social capital. A society will only obtain a more sustainable economic situation by ensuring that workers participate in the gains from economic growth and that all workers have the ability to access employment opportunities created by economic expansion. With respect to proxies on shares held in The New School funds:

• Managers should **SUPPORT** proposals that strengthen worker's rights and collective bargaining, including upholding ILO Standards and U.N. Declaration of Human Rights;

• Managers should **SUPPORT** proposals that promote fair labor standards and protect the safety and dignity of workers in the US and abroad;

• Managers should **SUPPORT** proposals that promote diversity amongst their labor force and ensure that no social group is implicitly or explicitly discriminated against in the hiring process;

• Managers should **SUPPORT** proposals that seek to retrofit corporate premises for use by differently-abled people in order to encourage diversity amongst the workforce;

• Managers should **SUPPORT** proposals to develop supply chain documentation and labeling aimed at ensuring that child and sweatshop labor is not employed in any part of the chain of production.

(xi) Shareholder Issues

An important element of corporate sustainability is protecting shareholders' right to information and participation in corporate governance. Certain basic levels of transparency, access, and accountability are required between corporate management and the majority shareholders. With respect to proxies on shares held in The New School funds:

• Managers will **SUPPORT** shareholders' rights to call a special meeting, act by written consent and maintain the right to have in-person annual meetings;

• Managers will **SUPPORT** proposals that ask companies to rotate the annual meeting location, as a means of providing greater shareholder access to the company;

• Managers will **SUPPORT** proposals asking companies to consider factors other that the interests of the shareholders in assessing a merger or takeover bid.

(xii) Corporate Contributions and Campaign Transparency

The influence of private contributions around environmental, social and governance policy issues has been an ongoing concern for decades, and has gained renewed attention following the *Citizens United v. Federal Election Commission* ruling in 2010 upholding independent corporate campaign ads as a First Amendment form of protected speech expression. Unfortunately, existing weak corporate campaign regulations, when combined with improper or lax reporting, can lead to serious financial risks for investors, as became painfully clear with the recent Wall Street financial meltdown. According to the 2009 *Corporate Contributions Survey Report*, US-based charitable contributions from the 166 respondents amounted to approximately $9.47 billion in 2008 alone. The banking industry was the largest cash giver (direct and foundation) at $584.78 million, followed by pharmaceuticals ($407.85 million); retail and wholesale trade ($356.56 million); insurance ($295.60 million); and food, beverage, and tobacco ($262 million) (2009 Corporate Contributions Report, London Business School)[1]. As the 2008 financial collapse, Wall Street investment scandals and mortgage loan meltdowns have all shown, we need stronger legal and reporting safeguards on political involvement by corporations in public policy at all levels. To address these challenges, stronger legal safeguard and public accounting mechanisms need to be developed internally and externally to ensure transparency and accountability for all corporate activities. With respect to proxies on shares held in The New School funds:

- Managers will **SUPPORT** proposals asking companies to voluntarily disclose and make publicly available all political contributions to public officials;
- Managers will **SUPPORT** proposals asking companies to develop more robust internal mechanisms to safeguard against misuse of funds for political purposes;
- Managers will **SUPPORT** proposals asking companies to participate in and accurately disclose relevant information to the newly created Corporate Political Disclosure and Accountability Index.

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[1] Available at: http://lbslibrary.typepad.com/bizresearch/2010/01/the-2009-corporate-contributions-report.html