

ADVISORY COMMITTEE ON INVESTOR RESPONSIBILITY (ACIR)

Putting Our Endowment Money
Where Our Mission Is

ANNUAL REPORT 2015-2016

VOTING COMMITTEE MEMBERS

Faculty Representatives

Charles Allison, ACIR Chair, Associate Professor of Professional Practice, Milano School of International Affairs, Management, and Urban Policy

Paul Hardart, Associate Professor of Media Studies, School of Media Studies

Student Representatives

Lena Simet, PhD Candidate in Public and Urban Policy, Milano School of International Affairs, Management, and Urban Policy

Lindsay O'Neill-Caffrey, MA Candidate (2016), Milano School of International Affairs, Management, and Urban Policy

University Board of Trustee Representatives

Robert Hoerle, Managing Partner, Stone Run Capital, LLC

Bevis Longstreth, Retired Partner, Debevoise & Plimpton LLP

Staff Representatives

Susan Sawyer, Associate General Counsel
Ian Morlan, Financial Policy and Procedure Writer/Analyst

NON-VOTING STAFF MEMBERS

Tokumbo Shobowale, Chief Operating Officer
Linda Hirst, Director of Investments, Treasury, and Risk Management
Larry Woods, Compliance and Risk Analyst

RESEARCH ASSISTANTS

Brandt Weathers, PhD Candidate (2016) in Economics, The New School for Social Research

Marjan Fadavi Ardekani, PhD Candidate in Economics, The New School for Social Research

Güney Isikara, PhD Candidate in Economics, The New School for Social Research

I. ACIR Chair Statement

The Advisory Committee on Investor Responsibility (ACIR) develops strategies to incorporate environmental, social, and corporate governance (ESG) issues into the strategic management of The New School's investments. Issues considered include but are not limited to human rights, labor standards, environmental sustainability, equity, diversity, discrimination, and corporate governance and disclosure. Authorized by the university's Board of Trustees' policy and procedures on investment responsibility, the ACIR presents recommendations to the Investment Committee of the Board of Trustees on ESG issues that arise in the management of the university's endowment. The ACIR is at the forefront of a wide range of ESG issues facing the university. The ACIR supports the university's impact and leadership focusing on climate action.

The ACIR is a democratic effort carried out by enthusiastic and engaged students, staff, faculty, and university trustees. Committee members are appointed by the New School president to serve staggered two-year terms. The ACIR consists of two university trustees, two faculty members, two students, and two staff members. Faculty and student nominations come from the University Faculty Senate and University Student Senate or through self-nomination. All candidates are asked to submit a statement of interest and a résumé describing relevant interests and background.

I am pleased to report on activities and initiatives of the ACIR that have recently come to fruition.

- **Environmental and Social Justice Endowment Initiatives.** There are two initiatives involving endowment investing.

Fossil Fuel Divestment Campaign. With encouragement from the ACIR, The New School committed to divest from its endowment all fossil fuel investments in coming years, and as of November 30, 2015, the university has reduced fossil fuel holdings to just 0.19 percent of The New School's endowment. The university has taken this commitment even further by making an investment of 1.4 percent of our endowment in renewable energy (nytimes.com/2015/02/07/science/the-new-school-takes-a-big-step-beyond-divesting-fossil-fuel-stock.html?_r=0).

Private Prison Divestment Movement. The ACIR confirms for the second year in a row that the university's endowment does not include investments in prison companies. Many view this as an important social justice issue.

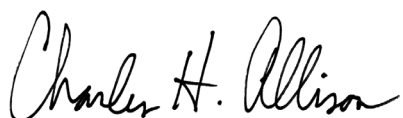
- **NS EMIT.** Thanks to efforts by our dedicated research assistants and staff, by fall 2016, the ACIR will have launched The New School's Emissions Measurement Investment Tool (NS EMIT), an innovative and comprehensive formula used to measure the relative impact an organization's public equities investment portfolio has on the global issue of climate change.

The goal is for the NS EMIT to help universities and nonprofits around the world track their influence on climate change. This measure helps organizations visualize their investments in fossil fuel-producing activities, and this knowledge could lead to reductions in those investments and ultimately to increases in investments in renewable energy. New School President David Van Zandt, at an invite-only White House Summit on Climate Change, formally announced this

endowment tool in 2015, and we are pleased to be in a position to share our process and rationale with others (newschool.edu/pressroom/press-releases/2015/TheNewSchoolWhiteHouseSummitOnClimateChange.htm).

- **Supporting More Responsive Governance.** The New School has a responsibility to encourage socially and environmentally responsible behavior by holding proxy votes on items related to 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 the guidelines provided in the proxy report is to establish the principles and processes for the exercise of that duty with regard to shares in which The New School has voting rights, in addition to contacting all fund managers and conveying our voting recommendations on ESG issues. In June 2015, the ACIR began to directly vote proxies. Directly voted proxies accounted for 18.2 percent of the endowment portfolio. All proxy voting reports are available on the ACIR website (newschool.edu/advisory-committee-investor-responsibility/resources-links).
- **“Beyond the Campus.”** In accordance with The New School’s commitment to effecting positive change and designing solutions to complex issues, the ACIR has engaged with the Association for the Advancement of Sustainability in Higher Education (AASHE) to support climate change initiatives. We will be a master host for AASHE’s 2016 Annual Conference and Expo, to be held October 9–12 in Baltimore, Maryland. This year’s conference, with the theme “Beyond the Campus,” will explore meeting sustainability challenges in collaboration with sectors outside academia. This goal aligns perfectly with the university’s objectives around climate action (conference.aashe.org).
- **An Aspiration.** One of our goals is to host a conference on impact investing that would engage university presidents, endowment investment professionals, students, NGOs, and others. Designed as a roundtable discussion, the conference would focus on investments made in companies, organizations, and funds with the intention of generating a measurable beneficial social or environmental impact alongside a financial return. We would like this conference to be organized with significant student planning and input.

We’ve had tangible, measurable successes, but there is still more to do. We need the New School community’s help to advance the ACIR’s mission and build on The New School’s commitment to remain in the vanguard of innovation in higher education relating to climate action. I urge everyone from the community to get involved with the ACIR to help us reach our goals.



Charles H. Allison

Chair, Advisory Committee on Investor Responsibility
Associate Professor of Professional Practice in Finance, Energy Policy and Sustainability
Management, Milano School of International Affairs, Management, and Urban Policy
at The New School

II. About the ACIR

HISTORY OF EVENTS LEADING TO THE ACIR'S CREATION

The ACIR was created in 2009 in response to the broad interest in environmental, social, and corporate governance investing expressed by constituencies at The New School. In fall 2008, a group of student activists occupied a New School building for a weeklong protest. One of the students' complaints was about the university's affiliations with defense industry companies, which many students felt were contrary to the spirit and mission of The New School.

One of the students' demands was for the university to create a socially responsible investment committee to ensure transparency and intelligibility around what had become known as ESG issues. As part of the agreement reached between students and university leadership, the university promised to establish a socially responsible investment committee, with student involvement.

The New School Board of Trustees approved the formation of a permanent Advisory Committee on Investor Responsibility, which reports to the Investment Committee of the Board of Trustees and the President's Office. In its first year (2010–2011), the ACIR primarily amended bylaws and established internal operating procedures to create a platform for future activities. Over the past few years, the ACIR has recommended a number of policy changes in the oversight and management of the university endowment.

MISSION

The ACIR's mission is to develop strategies to ensure that ESG issues are considered in the management of The New School's investments. Issues under consideration include human rights, labor standards, environmental sustainability, equity, diversity, discrimination, and corporate governance and disclosure. With the authorization of the Board of Trustees' Policy and Procedures on Investment Responsibility, the ACIR presents recommendations on ESG issues that arise in the management of the university's endowment to the Board of Trustees' Investment Committee.

STRUCTURE

The ACIR is designed to represent all constituencies at The New School: It includes two faculty members, two student members, two staff members, and two university trustees. All voting members of the committee vote on all proxy and investment recommendations.

Technically part of the Board of Trustees' Investment Committee, the ACIR works alongside the Finance Office but operates independently. The ACIR reports to and directly advises a number of important decision makers at The New School, including the president and the Investment Committee (charged with making all general investment decisions for the university). At times, the ACIR, along with the Finance Office, communicates directly with the university's investment managers,

who are involved in day-to-day decision making. Interactions with these groups are essential to the ACIR's ability to carry out its mission.

III. ACIR Accomplishments

A. CLIMATE CHANGE CAMPAIGN

Divestment

In 2015, the ACIR helped accomplish a historic feat: backing The New School as it became one of the largest universities to divest its endowment of fossil fuels. It was announced that a multipronged approach would be adopted, as the university's environmental responsibility would be considered in a holistic manner. The university would therefore not just remove all its investment dollars from directly held fossil fuel assets but also address issues related to university facilities, curriculum, food services, and other areas. These plans received coverage nationwide and expanded the scope of the ACIR's impact to date.

NS EMIT (The New School Emissions Measurement Investment Tool)

The ACIR endeavors to have a deeper impact on the future of environmental finance in addition to divestment from directly held fossil fuel assets. In 2015, we began thinking about portfolio divestment, with the objective of developing an innovative and comprehensive formula to measure the impact an organization's investment portfolio has on global climate change. Out of this came NS EMIT, a tool that will help universities and nonprofits around the world track their impact on climate change.

Divestment Event Held in Conjunction with Earth Day 2016

The ACIR facilitated a discussion with experts of various perspectives on how to increase the impact of The New School's commitment to divest from fossil fuels and on approaches for handling carbon emissions in university endowments.

The expert panel and its sponsoring organizations included:

- Paul-Alexander Crystal, Director of Treasury at the Natural Resources Defense Council
- Chris Fowle, Vice President of Investor Initiatives at CDP
- Marcie Smith, Executive Director at Responsible Endowments Coalition
- Tokumbo Shobowale, Chief Operating Officer of The New School

The event provided a unique chance for students and staff to ask questions and discuss issues of the debate most relevant to them. The event is available online at youtube.com/watch?v=U-CdDmcmKsA.

B. PROXY VOTING REPORT

For the fourth time in as many years, the ACIR advised and voted on shareholder resolutions filed at the companies in which The New School is invested. Shareholder resolutions, or proxy votes, are an effective way to publicly express the university's values and promote institutional changes in corporations in which we hold stocks.

Proxy Season Overview

Since the New School holds stocks in corporations that are publicly traded, it can also participate in the proxy season. Every year, usually in the spring, shareholders of publicly traded corporations can issue a shareholder resolution. This is a document requesting a policy change within a corporation. If the resolution receives enough support, it can be voted on by all the stockholders. The ACIR has the opportunity each year to find out what shareholder resolutions have been filed for the companies in which it holds stocks and to vote on these changes.

Proxy Voting Decisions

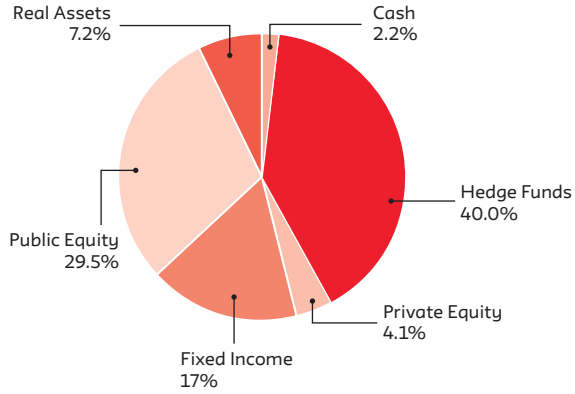
The ACIR votes on a wide range of issues and unique categories. These categories cover hundreds of unique proxy actions, from reporting on pay disparities to phasing out antibiotic use in animal feed. The most recent proxy reports, which are full reports on each proxy action, arguments for and against, and the committee's decision for each, can be found at newschool.edu/acir under "Resources and Links."

Outcome of Proxy Voting Report

The ACIR is pleased to announce that its proxy decisions were directly submitted and counted within larger stockholder decisions for some of the major corporations. However, this does not mean that the ACIR has much say when it comes to voting on indirect holdings, such as mutual funds or pooled investments. Because of its close working relationship with the Finance Office, the ACIR receives a list of the types of investment managers employed by The New School, and we will continue to push for greater control of these decisions in the future.

IV. Endowment Holdings Data

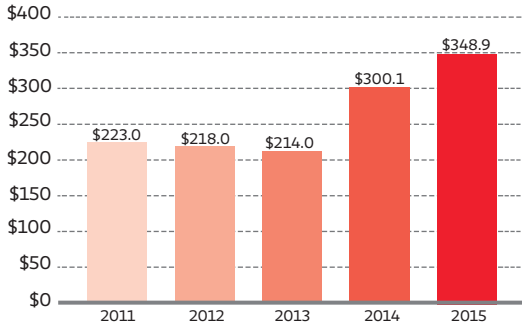
ENDOWMENT AND OPERATING INVESTMENTS ASSET ALLOCATION



MARKET VALUE AND PERFORMANCE (FIVE YEARS)

Endowment market value at \$348.9 million

Endowment Market Value at June 30 from 2011 to 2015



The university's net returns (losses) for the five fiscal years were as follows:

2011	2012	2013	2014	2015
19.1%	-1.9%	5.9%	14.7%	2.5%

The FY 2015 market value was \$48.8 million higher than it was the previous year materially due to additions of \$28.3 million of building sale proceeds and \$20 million of operating cash.

V. How to Get Involved with the ACIR

Any member of the New School community can get involved with the ACIR by contacting his or her representative. We encourage you to send your feedback and suggestions for ways the ACIR can achieve its mission.

The ACIR has an opening for a student member as of fall 2016.

If you are interested in getting involved in our work, please contact your constituent representative or one of the research assistants listed below as soon as possible.

CONSTITUENT REPRESENTATIVES

Student Representative: **Lena Simet**, simel234@newschool.edu

Faculty Representative: **Charles Allison**, allisonc@newschool.edu

Staff Representative: **Ian Morlan**, morlani@newschool.edu

RESEARCH ASSISTANTS

Marjan Fadavi Ardekani, fadam352@newschool.edu

Güney Isikara, isikb973@newschool.edu