

## **Board Approved - December 2018**

### **Macalester College Board of Trustees Guidelines for Investor Responsibility**

#### **Introduction**

The Trustees of Macalester College (the "Trustees") have sole responsibility for all endowment investment decisions, including establishing College policy on all investment-related social responsibility issues that may be raised by members of the Macalester community. The Trustees have a fiduciary obligation to invest the College endowment to support the College's mission. As a general premise, the Trustees will seek to balance expected financial return with prudent recognition of risk in an effort to maximize the resources available to devote to fulfillment of the College's mission. Consistent with the charitable and educational purposes of the College, the Trustees recognize that in extraordinary circumstances it may be appropriate to consider additional factors when evaluating investment vehicles (stocks, bonds, commingled funds or private partnerships), exercising investor rights and/or considering divesting from or prohibiting specific investment vehicles based upon thoughtful, thoroughly considered, and sustained social responsibility concerns.

In making any such determination, the Trustees recognize the need for a clear process that allows for careful study and community input and articulated guidelines to inform the Trustees in their decision-making. No process or set of guidelines, however, can be expected to address all situations that might arise. For that reason, any proposal will be evaluated using this process and the Divestment Principles and Guidelines set forth below (the "Guidelines") as a basis, but recognizing that all decisions will be made on a case-by-case basis and in accordance with all requirements imposed on the College by law. The Trustees reserve the right to interpret the process, the Guidelines, and the College's interest in their sole discretion.

#### **Grave Social Injury Defined for Purposes of Divestment Consideration**

For purposes of the Guidelines, with regard to investment vehicles, "Grave Social Injury" is defined as the excessive or deliberate injurious impact on employees, consumers, and/or other individuals, or groups resulting directly from specific actions or inactions by an investment vehicle's management.<sup>1</sup> Only actions or inactions that are proximate to and directly responsible for identifiable Grave Social Injury will be regarded as falling within these Guidelines.

For the purposes of these Guidelines, investment activity that creates a *potential* for social injury or environmental harm to occur shall not itself be construed as socially injurious. Similarly, for the purposes of these Guidelines, social injury or environmental harm shall only in unusual circumstances include the act of doing business with other investment vehicles that are themselves engaged in socially or environmentally injurious activities.

Under these Guidelines, allegations of Grave Social Injury will be examined on a case-by-case basis using the best available evidence and allowing parties to the allegation reasonable time to develop and disseminate that evidence.

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### **Exercising Investor Rights**

When an investment vehicle that the College holds is the subject of an investor proposal intended to eliminate or materially reduce a Grave Social Injury, the Trustees may vote in favor of the investor proposal. The Trustees may also vote against an investor proposal that would lead to a continuation of the Grave Social Injury. The Trustees may abstain from voting on investor proposals which advance a social or political issue unrelated to the conduct of the business of the investment vehicle. The authority to exercise investor rights may be delegated by the full Board of Trustees to the Investment Committee of the Board of Trustees.

### **Divestment Process**

1. If members of the Macalester community, defined as students, faculty, alumni, or staff, believe that divestment from or prohibiting specific investment vehicles (“Divestment”) is warranted, they may present a proposal for such Divestment (“Proposal”) to the College’s Social Responsibility Committee (“SRC”) for consideration.
2. The Proposal should document the basis for the presenters’ belief that the Proposal meets the Guidelines and any other information requested by the SRC to facilitate its assessment of the Proposal.
3. The SRC will make a determination as to whether there is a sufficient basis for Trustee consideration of the Proposal, taking into consideration the Guidelines. If the SRC concludes that there is insufficient evidence supporting the Proposal, then it shall so inform the proponents and no further action need be taken.
4. If the SRC concludes that there is a reasonable basis to proceed, it will notify the President of the College of the Proposal and the SRC’s recommendation. The President may then determine whether the Proposal has been properly evaluated and assessed by the SRC, considering the Guidelines. If the President believes the Proposal has sufficient basis for consideration, the President shall refer the Proposal to the Board of Trustees. If the President concludes the Proposal does not meet the Guidelines, then the President shall so inform the SRC and the Board of Trustees and no further action need be taken.
5. As the SRC and President consider the Proposal, in light of each of the Guidelines, they should consider not only whether Divestment is justified, but also whether there are alternative means by which the College could better address the social responsibility concerns at issue, including letters to management and/or exercising investor rights. Any recommendation made with regard to the Proposal should include a discussion of alternative courses of action.
6. Upon referral of a Proposal to the Trustees by the President, the Trustees shall establish a procedure to evaluate the Proposal. This may include formation of an ad hoc committee to evaluate the Proposal with respect to the Guidelines and make a recommendation to the full Board of Trustees. The full Board of Trustees will make the final decision regarding the Proposal and report its decision to the President.

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### **Divestment Principles and Guidelines**

1. The Trustees have the sole responsibility for making endowment investment decisions, which, consistent with their fiduciary status, must be made considering expected total return, diversification of the portfolio and the need to preserve capital. The Trustees exercise this duty in order to maximize the resources of the College in support of its mission.
2. Given the Trustees' fiduciary responsibility, there is a strong presumption against making investment decisions that may not maximize the resources of the College. Investment decisions based solely upon political, social, or ethical positions may impair the returns of the Endowment and thus funding crucial to the College's mission.
3. The Trustees recognize that there may be extraordinary circumstances in which the College determines that it should not hold direct financial interests in certain investment vehicles based upon concerns of Grave Social Injury.
4. Any Proposal for Divestment should have the support of a broad consensus of the College community reflected over a sustained period of time.
5. Any Proposal for Divestment must demonstrate that the Grave Social Injury cannot be more effectively alleviated through exercising investor rights, direct engagement or other means.
6. The purpose of Divestment is not solely to make symbolic statements, censure governments, or put pressure on others to adopt particular policies. Rather, the purpose of Divestment is to separate the College from investment vehicles whose conduct is such that the College does not wish to be associated with the conduct. Divestment, as an option, should only be adopted after other options to address the community's concerns have been considered and found unsatisfactory.
7. The Trustees shall, in their sole discretion, determine what actions are appropriate to take with regard to the Proposal; which may include, among other alternatives, rejecting the Proposal, implementing alternative actions directed at mitigating the Grave Social Injury, implementing the Proposal as presented, or taking any other action they determine to be appropriate consistent with their fiduciary duty.

(Footnote 1): For example, actions that violate, subvert, or frustrate the enforcement of rules of domestic or international law intended to protect individuals and/or groups against deprivation of health, safety, basic freedoms or human rights. Grave Social Injury may also include substantial environmental harm; defined as conduct that intentionally and persistently violates, subverts, or frustrates the enforcement of rules of domestic or international law intended to protect the environment.