CIR: Annual End of Year Report Fall

Fall 2011-Spring 2012

The Committee for Investor Responsibility (CIR) had a remarkably productive year. In the fall Corey Guilmete chaired the committee for the third semester. Student members were Evan Weber, Jeff Legunn, and Zak Kirwood. In the spring Corey Guilmette went abroad and Rachel Warren took over as chair. Jeff Legunn was replaced by Michael Yee and the remaining open seat was filled by Noah Markmen. Faculty members included Rabi David Teva, Professor of Government Marry Alice Haddad, and Nate Peters of the Finance Office and Bret Salafia of the Investment Office. Professor Garry Yohe served on the fall but left in the spring. We were not able to fill Professor Yohe's spot in the spring. Serving their third year as alumni members were Gabi Nawi and Meg Voorhes. Despite significant member turnover we were able to accomplish nearly all of our goals in four areas: charter changes, transparency, community investment, and proxy voting guidelines. Our accomplishments are outlined below and relevant documents are provided in the appendices.

1. Charter and Membership Changes

This year the CIR continued to develop an effective structure for membership and operation. We did our best to better incorporate faculty, staff, and alumni members by including them in the drafting of documents and in gathering research. We also made constitutional and operational changes to better represent the student body. First, we revised the charter to require only one member to be serving on the WSA (rather than two) and removed the investment office intern position. Second, we strove to include interested students beyond the CIR's members by working more closely with the student group, the Students for Responsible Investment Coalition (SRIC) whose resolution on Endowment transparency we sponsored and by inviting non-CIR members to help the CIR with research and drafting proposals.

The CIR charter originally called for five student members: the Facilities and Finance Committee Chair (FIFAC) of the WSA, another internally elected member of the WSA, the investment office intern, and two students appointed by the WSA appointments committee. Since students who are committed to the CIR and have particular knowledge of the work the CIR does might not necessarily be on the WSA or interning for the investment office, the CIR chose to open all of the student positions (except for that of the FIFAC chair) to the entire student body. The student appointments were conducted by the CIR rather than the WSA appointments committee. We amended the charter with unanimous approval to reflect these changes. Clause 4c was deleted and 4b amended. In addition to changes in membership, we amended the charter in several place for clarity. In particular, we changed the language throughout the document from "The finance Committee to "Portfolio Subcommittee of the Board of Trustees' Finance Committee." The new charter can be found in appendix 1.a.

In the coming year we hope to find a replacement faculty member and work to improve our process and procedure guidelines to better accommodate frequent membership turnover. We will continue to work with interested students and faculty outside our immediate membership.

2. Transparency

Increasing transparency between the administration and the CIR and between the administration and the general student body remained an agenda item for the CIR this year. According to our charter the CIR is charged with keeping a list of Wesleyan's most current securities and making them accessible to members of the Wesleyan community, voting on proxies for all of Wesleyan's direct holding, and providing information which might only be available to shareholders to interested parties in the Wesleyan community. At present, only one of Wesleyan's two fund managers has been willing to release his share of the direct holdings in the school's portfolio or allow the CIR to engage in the proxy voting process. Consequently, the student body has been denied access to half of the direct holdings, which, according to the charter, should be made available to them. Furthermore, the CIR (let alone the wider student body) is currently not permitted much knowledge at all of the remaining 90% of the endowment not in direct holdings.

Frustrated with this lack of transparency, a student group called the Socially Responsible Investment Coalition (the group whose work originally lead to the founding of the CIR) passed a resolution asking for increased transparency from Investment Office. In particular, they asked the university to commit to only contracting fund managers willing to disclose direct holdings and willing to issue quarterly reports of the companies in which their funds invest in descending order. They also requested that the CIR be given access to the quarterly reports given to the board of Trustees. The resolution was presented to the Wesleyan Student Assembly who voted to approve it nearly unanimously. The WSA resolution on endowment transparency can be found in appendix 2.a.

In response to the WSA resolution, the CIR drafted a similar resolution on transparency (appendix 2.b) However, the CIR resolution was somewhat more modest, requesting only access to the quarterly investment report, permission to submit questions to managers, that contracts with future fund managers require full disclosure of holdings, and that future managers publish a "basic scheme of Wesleyan's investments" for the CIR. Following the CIR resolution on transparency the student members of the CIR and the SRIC were able to arrange a meeting with two members of the board of trustees, Josuha Boger and Tucker Anderson. Anderson and Boger expressed concerns that requiring fund managers to disclose direct holdings would significantly restrict the quality of fund managers available to Wesleyan. The trustees did however believe that there might be room for the CIR to have qualitative input during the process of hiring fund managers.

In the fall the CIR plans to meet with CIO Anne Martin to discuss concrete ways to involve the CIR in the process of hiring fund managers. In the meantime, the SRIC will continue to push for more transparency. Strategically the CIR has decided to let the issue of transparency rest at present but will do its best to allow the SRIC to pursue transparency independently.

3. Community Investment

This year the CIR decided to pursue community investment. The CIR advocated for community investment under the premise that using local banks would be beneficial to the community to which Wesleyan is a part, by supporting institutions which in turn provide finance services to underserved members of the community and would also benefit Wesleyan by creating a more positive relationship with Middletown and good publicity. The CIR also felt that community investment is a good alternative to supporting large multinational banks whose ethical and financial practices have been called into question particularly in the wake of the 2008 financial meltdown.

In November the CIR drafted and passed a proposal for community investment advocating the Wesleyan move half a million dollars from the general operating account to two community banks, Liberty bank and the Community's Bank of Bridgeport. The proposal included a set of guidelines used to evaluate and research community banks. Banks were chosen based on two metrics: firstly, the extent to which they provided services to the Middletown and greater Wesleyan community, particularly by supporting charitable organizations, and secondly the extent to which they have a positive impact in underserved areas. The second metric was based largely on scores developed by the National Community Investment Fund (NCIF) Social Performance Metrics Database. This resolution can be found in appendix 3.a. And letters sent to the banks detailing our reasons for selecting them for our program can be found in appendix 3.b.

In the spring the investment office approved the proposal and the transfers were made. We sent letters to each of the banks explaining why they were chosen and what areas what changes we hoped they would make to better meet our criteria for a socially responsible, community-oriented bank. The fall issue of the Wesleyan connection is expected to feature a story on Wesleyan's community investment. In the coming year the CIR hopes to further publicize our community investment project, hopefully in the local press and within the higher education community, and lay the foundation for the expansion of the program.

4. Proxy Voting

We developed proxy voting guidelines to help streamline the proxy voting process. We agreed that the best way to do this was to write general guidelines for corporate, social, and environmental issues. Before compiling the guidelines we researched guidelines from socially responsible funds. The guidelines were passed by the committee and are now available on our website. The guidelines can be read in appendix 4.a.

The guidelines helped us to streamline the proxy writing process. We were able to vote on considerably more proxies this year. In the spring semester we were able to vote on 32 of 37 proxies that we received. We were able to vote on 1 of 3 in the summer and 2 of 2 in the fall.

Appendices:

1.a) Revised Charter

Wesleyan University

Committee for Investor Responsibility

CHARTER

Established February 2009

The Committee for Investor Responsibility (CIR) will take the place of the Endowment Advisory Committee (EAC), the all-student committee currently under the authority of the Wesleyan Student Assembly. The CIR will have powers expanded beyond those of the EAC, which at present focuses on proxy voting. In addition, the CIR will allow for a more inclusive committee on investor responsibility, as it will have broader representation from the Wesleyan community at large. The CIR has no direct fiduciary responsibility, which rests with the Board of Trustees, but seeks to represent and empower the Wesleyan community in fulfilling Wesleyan's shareholder responsibilities.

I. Purpose

The Committee for Investor Responsibility shall:

1. Consider issues of ethical, moral, and social responsibility in the investment policies of Wesleyan University;

2. Vote on proxy resolutions on behalf of the University. The Chief Investment Officer must officially submit all votes in accordance with the decisions of the CIR;

3. Engage in other forms of shareholder advocacy when deemed appropriate, including but not limited to corporate letter writing and the filing of shareholder resolutions;

4. Consider proposals from members of the Wesleyan community regarding specific investment concerns, including but not limited to those pertaining to divestment from a specific security;

5. Obtain and provide information to interested parties in the Wesleyan community only available to shareholders through direct contact with corporations;

6. Make its actions transparent to the Wesleyan community.

II. Membership and Organization

A. The CIR shall be composed of up to 11 voting members:

1. Up to two Faculty members, appointed by the chair of the faculty; faculty members shall serve two-year terms.

2. Up to two Staff members, appointed by the Vice President for Finance and Administration; staff members shall serve two-year terms.

3. Two Alumni, appointed by the Vice President for University Relations; alumni shall serve two-year terms.

4. Five Undergraduate Students:

a. The chair of the Finance & Facilities Committee (FiFaC) of the Wesleyan Student Assembly (WSA); the FiFaC chair shall serve as long as the student is the chair of FiFaC.

b. Four students from the undergraduate student body, appointed by the WSA Appointments Committee; appointed students shall serve two-year terms.

5. One representative from the Investment Office shall serve as a non-voting member, chosen by the Vice President and Chief Investment Officer.

B. A majority vote of the entire CIR is required for the committee to engage in shareholder advocacy.

C. Initial terms shall be staggered to ensure continuity.

D. The CIR shall be co-chaired by the FiFaC chair and another non-undergraduate member of the committee, to be elected at the first committee meeting of the academic year. The FiFaC chair may cede the co-chair position to another undergraduate CIR member.

E. All votes of the CIR require a quorum of 2/3 of the committee's membership.

F. The CIR shall convene at least three times each academic year:

1. The first meeting shall occur at the beginning of the Fall semester; the purpose of this meeting shall be to set the year's agenda.

2. A meeting shall occur at the end of the Fall semester; the purpose of this meeting shall be to finalize any shareholder advocacy that the committee has undertaken during the Fall semester.

3. At least one meeting shall occur during the Spring semester; the purpose of this meeting or meetings shall be to vote on the University's proxy statements.

4. Additional meetings may be proposed by any committee member and shall be convened with a majority vote of the committee.

5. Students and other interested committee members may meet more frequently to perform preparation work for committee meetings; official actions of the CIR cannot be conducted at these meetings.
G. Committee members may attend CIR meetings via conference call or video conference.
H. The CIR may choose to create official subcommittees to work on specific issues or projects.

I. The CIR shall prepare summaries of its activities to be given to the Vice President and Chief Investment Officer, who shall communicate committee information at each meeting of the Portfolio Subcommittee of the Board of Trustees' Finance Committee.

III. Transparency and Community Engagement

The CIR shall actively engage the Wesleyan community in issues of responsible investment and shall work to make its activities transparent. It shall accomplish this in numerous ways, including but not limited to:

1. The publishing of an annual report of its activities, made available to all members of the Wesleyan community. The report shall include a discussion of how the CIR has voted on specific proxy resolutions and any other forms of shareholder advocacy in which the committee has engaged. A copy of the report shall be sent to the Portfolio Subcommittee of the Board of Trustees' Finance Committee.

2. The creation and maintenance of a website that:
a. Describes the CIR's purpose;
b. Describes Wesleyan's investment policy;
c. Lists the CIR's current membership;
d. Provides a way for members of the Wesleyan community to contact the CIR;
e. Lists relevant committees and individuals with purposes related to the activities of the CIR;
f. Lists Wesleyan's most current securities and provides a way for community members to express their opinion on these securities;
g. Records the CIR's proxy votes.

3. Communicating information to relevant Wesleyan publications, including the Argus.

4. Holding annual town hall meetings at which the Wesleyan community may express opinions and concerns regarding the University's investments. At these meetings the CIR shall solicit community feedback on relevant issues. Minutes of these meetings must be made public on the CIR's website.

IV. Charter Review

1. The CIR will conduct a charter review on a biennial basis, beginning in its first year;

2. Charter changes require a supermajority of 4/5 of the committee;

3. The CIR will host an open meeting prior to voting on charter changes in order to solicit commentary and suggestions for charter changes.

Appendix A: Divestment

1. A recommendation for divestment from a security owned by the University may occur when a company's activities or policies cause substantial social injury, and:
a. A desired change in the company's activities would directly alleviate the injury;
b. The CIR has exhausted its shareholder rights in seeking to modify the company's activities to eliminate or reduce the social injury;
c. The company has been afforded the maximum reasonable opportunity to alter its activities;
d. No alleviation of the substantial social injury by the company is likely within a reasonable time;
e. There is significant support in the Wesleyan community for divestment, to be determined through open meetings and referenda;
1. The results of these referenda must be made public in a timely fashion;
2. The CIR's recommendation is not bound by the results of the referenda, but any significant divergence from community sentiment should be justified accordingly.

2. Members of the CIR may make their own proposals for divestment, but the CIR as a body may not make divestment proposals.

3. The CIR may do its own research in regard to divestment proposals to educate itself and the community. This fact-finding should be distinguished from advocacy on behalf of interest groups.

4. The CIR shall present their recommendation to the Portfolio Subcommittee of the Board of Trustees' Finance Committee, which will in turn present it to the full Board. The Board will then vote for or against divestment by a majority vote. The CIR shall be responsible for communicating the Board's decision to the Wesleyan community.

5. If the Board of Trustees decides that Wesleyan will divest from a company or group of companies, it will communicate this decision to Wesleyan's Vice President and Chief Investment Officer, who shall sell the securities in question within a reasonable period of time.

6. If the Investment Office or the Portfolio Subcommittee wish to reinvest in a company from which Wesleyan has previously divested, it shall present its reasons for reinvestment to the CIR. The CIR may present its recommendation to the full Board. The Board will then vote for or against reinvestment by a majority vote.

7. It is the responsibility of the CIR to make all public information about the campaign for divestment or reinvestment accessible to the Wesleyan community.

8. The CIR may make divestment recommendations, but fiduciary responsibility rests with the Board of Trustees.

2.a) WSA Transparency Resolution

WSA Resolution for Endowment Transparency

Submitted by Justin Raymond

Whereas, The continuing aftereffects of the first devastating economic crisis of the twenty-first century and the relatively small size of Wesleyan's endowment convene to place the University in an ideal position to reevaluate how it invests its endowment;

Whereas, In recent months there has been growing concern among Wesleyan students and alumni about some of the corporations in which Wesleyan invests#;

Whereas, There is also among students and alumni a great sense of optimism about the responsible and profitable possibilities for endowment development that Wesleyan could engage as it reassesses its investment strategies in the coming months and years;

Whereas, Wesleyan has demonstrated its commitment to the value of sustainability by creating the

College of the Environment, whose stated mission is to "develop a long-term vision of human and ecosystem health,"# and by signing the American College and University Presidents Climate Commitment#;

Whereas, Given the above, it is clear that Wesleyan is not an ethically neutral institution;

Whereas, There do, in fact, exist companies that do not profit from international armed conflict, pollution-intensive mineral extraction techniques, mistreatment of animals, exploitation of labor, and other practices that may conflict with the University's stated intention to make "a positive difference in the world"#;

Whereas, There is, in fact, an increasing number of "socially responsible" mutual funds that produce significant returns#;

Whereas, Shifting a portion of the University's liquid holdings out of large, distant banks, which have been complicit in ecological and human rights violations, and whose irresponsible and exploitative practices contributed to the recent financial crisis#, is another opportunity for responsible investment;

Whereas, Investing in small local banks, which offer interest rates similar to those of large, distant banks, can contribute to the vitality of local entrepreneurship and strengthen the University's relationship with the local community with minimal additional risk;

Whereas, In sum, it *is* possible for Wesleyan's investment strategy to reflect its values while generating the returns necessary to continue to provide excellent higher education far into the future;

Whereas, In addition, the conscionable investment of Wesleyan's assets could be a significant potential source of prestige for the University as it vies with peer schools for "green" and "progressive" credentials, and thus represents a major opportunity for Wesleyan to lead the pack;

Whereas, Michael Roth, President of Wesleyan, has posited publicly that one of the chief reasons why Wesleyan has lower annual giving and a more modest endowment than other schools of its caliber is that its alumni choose to donate to a range of world-bettering non-profits instead of to its capital campaigns;

Whereas, A recent WSA poll of current students showed that the vast majority support the consideration of ethical concerns alongside rates of return in investment strategy#. These results reveal the priorities of Wesleyan's future donors. If Wesleyan were to make the bold choice to pursue a more ethical investment strategy in the months and years ahead, this might well stir approbation and a commensurate increase in annual giving from progressive-minded alumni;

Whereas, In order to ensure that Wesleyan's values are reflected in its investments, the Trustees of the University must initiate and continue to nurture a dialogue that includes the Investment Office, students, faculty, staff, and alumni, about the goals, tactics, and progress of this process;

Whereas, In order for such a dialogue to exist, all the above parties must have full access to a wide range of information about the endowment#;

Whereas, The current state of affairs, in which the students, alumni, faculty, and staff of the University do *not* have access to information about the placement of its endowment assets#, is untenable and unacceptable;

Whereas, The Committee for Investor Responsibility (CIR), a WSA affiliated group created by the Board of Trustees to "consider issues of ethical, moral, and social responsibility in the investment policies of Wesleyan University" and to advise the Investment Office about financial strategies accordingly, as well as to vote by proxy on behalf of the University;

Whereas, The CIR has been unable to perform these duties because the Investment Office has not given it access to the necessary information (see clause 3 below);

Therefore, be it resolved that the Wesleyan Student Assembly endorses and strongly urges the Trustees of Wesleyan University to comply with the five simple demands made by the Wesleyan Socially Responsible Investment Coalition (SRIC) in its open letter to the Trustees, published in the *Wesleyan Argus* Tuesday, October 11, 2011# – namely, that

1) Any contracts Wesleyan has with its fund managers that do not require the managers to disclose (to the Investment Office, for transmission to the Wesleyan community) the names of the companies in which they invest the University's money, must be renegotiated such that they *require* managers to disclose this and other information specified below (see clause 3);

2) It must become permanent policy of the Wesleyan Investment Office that contracts with the fund managers who invest the University's direct holdings require the managers to create and release (to the investment office, for transmission to the University community) a report that includes details of what they are doing with the University's money;

3) This report must include the name of the fund manager in question and the firm with which s/he is associated, as well as the names of the companies in which the fund manager has invested, as of the time of the issue of the report. In addition, the report must state the total amount, in dollars, that all of Wesleyan's holdings with that manager comprise at the time of the issue of the report. Such a report must be generated quarterly by each fund manager and made available online, in a password-protected venue, to all Wesleyan students, faculty, staff, and alumni by the investment office. In addition these managers of Wesleyan's direct holdings, as well as the managers of all other mutual funds and hedge funds in which Wesleyan invests, must fill out a questionnaire based on the New York City Employee Retirement System (NYCERS)#, also to be made available to the University Community in the same protected format;

4) The Wesleyan Chief Investment Officer (CIO) must, on the same quarterly basis, make available to the University community a basic scheme of the distribution of Wesleyan's other

assets. This scheme must include the total amount in dollars these assets comprise at the time of the issue of the report, and the percentage of this total amount devoted to each class of investment at that time;

5) The trustees of the University must begin a dialogue with the CIR with the end of broadening the powers of that body to co-construct University investment policy. The CIR must *immediately* be granted all the information necessary (see clause 3) to exercise its most basic charted responsibilities, namely, the duty to submit, on behalf of the University, proxy votes and proxy resolutions to all of the firms in which Wesleyan directly invests. In order to most effectively fulfill its role as advisor to the Investment Office and the Trustees regarding investment policy, the CIR must have access to the same information that is available to the Trustees.

2.b) CIR transparency Resolution

CIR Resolution on Endowment Transparency

November 16, 2011

On October 16th the Wesleyan Student Assembly (WSA) voted unanimously to pass a resolution, submitted by the Socially Responsible Investment Coalition, requesting greater levels of endowment transparency. At the CIR meeting on October 26th, the committee agreed to draft this transparency resolution to be discussed at its November 16th meeting.
Last year, in meetings with the Investment Office, CIR members requested greater levels of endowment transparency. Anne Martin, Wesleyan's Chief Investment Officer, requested that such requests be presented as formally approved CIR resolutions. In light of this request and the transparency resolution passed by the WSA, independent of any CIR action, the CIR has prepared a resolution containing four main requests of the Investment Office and the Board of Trustees (if board approval is necessary). The specific requests and justifications (included below each request) are included below:

1. The CIR requests access to the quarterly Investments Report prepared by the Investment Office. Unless specific agreements state otherwise, the contents of the quarterly reports would be confidential to CIR members.

    1. Current policy only gives the CIR access to approximately 5 percent of all endowment holdings. This prevents the CIR from fulfilling its most basic responsibility. The first line of the CIR Charter outlines this responsibility, stating that the CIR must "Consider issues of ethical, moral, and social responsibility in the investment policies of Wesleyan University."[1]
    2. The Chair of the WSA Finance and Facilities Committee, who is guaranteed a spot on the CIR, currently has access to this information but is prohibited from sharing it with

fellow committee members. There is no reason to believe that some members of the CIR can be trusted with confidential information and others cannot.

2. The CIR requests permission to submit questionnaires to managers concerning their investments and the Environmental, Social, and Corporate Governance (ESG) criteria they use when selecting investments. ESG criteria would be based primarily on the criteria outlined in the United Nations Global Compact.[2]

    1. The proposed questionnaires would reduce the burden of CIR requests on the Investment Office, as well as improve the efficiency of the work being done by the CIR. Questionnaires would allow the CIR to evaluate ESG criteria in a streamlined manner.
    2. Information about how ESG criteria are incorporated into the investment decisions of Wesleyan's managers is necessary in allowing the CIR to fulfill its most basic responsibility as outlined in section 1(a), above.

3. The CIR requests that all future contracts with managers of Wesleyan's direct holdings permit such holdings to be included in a larger list of Wesleyan's direct holdings, released to the University community. Securities would be listed from largest to smallest, with no indication of which manager invests in which companies. Such a list would be updated twice each year after investment managers file with the Securities and Exchange Commission (SEC). This list could be accessed securely and electronically, requiring a Wesleyan username and password for access.

    1. Under its charter, the CIR is responsible for creating and maintaining a website that "lists Wesleyan's most current securities."
    2. Additionally, such a list would allow the CIR, as stated in its charter, to "consider proposals from members of the Wesleyan community regarding specific investment concerns," and "provide information to interested parties in the Wesleyan community only available to shareholders through direct contact with corporations."
    3. Reporting this information at a delay after it is filed with the SEC, including all managers' holdings mixed in one list, and restricting access to the Wesleyan community addresses concerns expressed by the Investment Office that competitors could steal managers' investment strategies.

4. The CIR requests the release of a basic scheme of Wesleyan's investments not covered in section three. Such a scheme would contain the amounts invested with each of Wesleyan's fund managers broken down by asset class. This report would be released on a quarterly basis and subject to the same access restrictions outlined in section three.

    1. The CIR, as stated in its charter, has the responsibility to "consider proposals from members of the Wesleyan community regarding specific investment concerns." Without a basic scheme of the Wesleyan's investments, the university community does not have sufficient information to engage with the CIR.

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[1] CIR Charter available at: http://cir.wsa.wesleyan.edu/page-2/

[2] More information available at: http://www.unglobalcompact.org/AboutTheGC/index.html

3.a) Community Investment Proposal .

CIR Community Investment Proposal

November 30, 2011

Introduction

Community investment is the fastest growing area of socially responsible investment in the United States. Over the past three years, community investment has grown from $25.0 billion to $41.7 billion in assets.[1] Public dissatisfaction with the practices of large, socially irresponsible banks and a desire to reinvest in local communities can be seen in recent events such as Bank Transfer Day, when thousands of Americans moved their money from large, for-profit institutions into non-profit credit unions (more information). In the month leading up to Bank Transfer Day, 650,000 people joined credit unions, adding $4.5 billion in new savings to credit unions.[2]

Switching a portion of the General Operating Account into a bank or credit union that invests in the local community allows Wesleyan to capitalize on this momentum. Additionally, it would help Wesleyan build on its reputation and improve its relationship with the surrounding area. Other colleges and universities, including Williams College, Tufts University, Macalester College, and Mt. Holyoke College to name a few, engage in active community investment.[3] Greater community investment could be a significant source of positive publicity for Wesleyan, allowing the school to promote socially responsible and community-oriented practices. Investing money in financial institutions that support the Middletown community would also directly support the economic vibrancy and health of the area surrounding Wesleyan.

Community investment is one of the easiest ways that Wesleyan can help support the surrounding area. Unlike direct support for the community through the funding of the Office of Community Service or the Green Street Arts Center, community investment does not require any additional financial commitments. Moving money in the General Operating Account from Wesleyan's existing accounts into banks that support the surrounding community is very low risk and does not require additional financial outlay.

All of the banks included below are insured through the Federal Deposit Insurance Corporation (FDIC). As a result, any investments would be protected in the same way that Wesleyan's current investments are protected. This proposal will not include very much information about rates of return on investments and liquidity because the Finance Office indicated a desire for guidance on how to define community and community development impact. However, the CIR researched the rates of return and liquidity offered by all of the institutions included below. Only institutions that offered rates of return and liquidity similar to those that exist in current investments in the General Operating Account were included in this report.

When evaluating community investment options, there are two main factors that must be taken into consideration. First, it is necessary to determine the institution's role in Wesleyan's community. Second, an evaluation must assess how a given institution supports communities that lack access to financial resources. These two factors, which are explained in depth below, are the primary criteria used by this proposal to evaluate community investment institutions.

Defining Wesleyan's Community

The University defines its local community to be those areas within a 25-mile radius of the Wesleyan campus.[4] The CIR takes this definition as its starting point to use as a metric of spatial evaluation, but recognizes that locality and proximity are only one aspect of Wesleyan's community. When selecting a bank, Wesleyan should also consider the degree to which the University is a part of the community that the bank serves and the degree to which the bank effectively serves that community. Wesleyan should also consider factors, such as whether the investment option services institutions that provide services within Wesleyan's community, or whether the institution services individual members of Wesleyan's community.

Defining Community Development Impact

Community development impact is best determined by using several different metrics. In order to generate a list of institutions that might have a positive social impact on under-served communities, the National Community Investment Fund (NCIF) Social Performance Metrics Database was used. The database rates institution based on two main criteria:

Development Lending Intensity-Home Mortgage Disclosure Act (DLI-HDMA) is "the percentage of a bank's single and multi-family housing loan originations and purchases that is located in Community Development Financial Institution (CDFI) Fund Investment Area census tracts." These tracts are defined as an area with a poverty rate greater than 20%, an unemployment rate that is greater than 1.5 times the national average, or areas that have a median family income that is less than 80% of the relevant statistical area. NCIF proposes that banks with DLI-HDMA scores greater than 40% have "High DLI." Banks with high DLI are likely to have a social mission by choice or virtue of their activities in low-income areas.

Development Deposit Intensity is the percentage of an institution's branches that are located in CDFI Fund Investment Area census tracts. NCIF proposes that banks with threshold levels of at least 50% have "High DDI," meaning that they are actively serving low-income communities.

Finally, other metrics were used to determine community development impact. The CIR evaluated institutions based on the bank's answers to three questions:

1. Does the institution list an explicit social mission on its website?
2. Does the institution provide grants to local community groups and charities?
3. Does the institution specifically aim to serve underprivileged communities? If so, how?

Bank Information

The Community's Bank

The Community's Bank (TCB) was very receptive to Wesleyan opening an account with their institution. The bank has one branch located in Bridgeport, approximately 40 miles from Wesleyan. Accompanying normal banking business practices, TCB has an explicit social mission. It is the only bank in all of Connecticut that is minority owned, and it is certified by the U.S. Treasury Department as a Community Development Financial Institution. On the bank's website it states its mission as this: "We have two fundamental goals for our bank. The first is to build wealth for individuals, businesses, and institutions in Connecticut's urban areas. The second is to build new and mutually profitable relationships throughout all of Connecticut." The bank mostly serves the greater Bridgeport area, but is open to all through online banking, or as it brands it: the "virtual branch." Since its inception in 2000, the bank has received a number of grants and investments to enhance its ability to serve the under-served.

TCB has the highest possible community investment scores. It is located in Quadrant 1, with DLI and DDI scores of 100%.

Connecticut Bank and Trust Company

Interactions with CT Bank and Trust Company (CBT) were very positive. Lucy Casasanta, the Manager of the Rocky Hill Branch located 8 miles away, was very helpful and returned calls very quickly. The bank seemed very eager for new large depositors and indicated that it was very willing to work with Wesleyan to meet its needs. The bank has eight branches throughout Connecticut with the closest one located in Cromwell.

The CT Bank and Trust Company does not list an explicit social mission on its website and does not include any information about lending to low-income communities. It serves low-income areas by through its lending area and by offering products with no minimum balance and no minimum service charge. Finally, CBT has a foundation through which it gives grants to local charitable and community groups.

CT Bank and Trust Company has relatively high community investment scores. It is located in Quadrant 2, with a DLI score of 40.27% and a DDI score of 25%. However, on November 1, 2011 the CT Bank and Trust Co. announced that it was being acquired by Berkshire Hills Bancorp Inc. Berkshire Bank has sup-bar community investment scores, with a DLI score of 7.55% and a DDI score of 23.81%. If CT Bank and Trust continues its current policies then it would appear to be a good community investment institution, but if its practices shift toward the current practices of Berkshire Bank, then depositing money would not be advised.

First Bank of Greenwich

FBG has a relatively high DLI score of 42.12%, but a low DDI score of 0%, placing it within Quadrant 2. The bank is very small but is open to accepting a large deposit ($250,000) from Wesleyan, allowing for same-day liquidity and insurance. An investment with the First Bank of Greenwich would provide some returns (75 basis points). The CIR spoke on the phone with the President and CEO, John Howland, who is very accessible, honest, and willing to be the point person for future conversations about a deposit relationship with FBG. The bank's one branch is located in Greenwich, Connecticut (70 miles away), a very affluent community that may not be ideal for the goal of community investment.

Liberty Bank

Liberty Bank has the most direct connection with the Wesleyan community. It has two banks in Middletown and several more in surrounding communities. Although Liberty Bank does not appear to have a core social mission, its website has a considerable focus on support for low-income areas. Liberty Bank constructed an affordable housing complex, Uncas Condominiums, in Norwich. The website describes Liberty Bank as "one of the most progressive banks in Connecticut." In 2011 it won the Robert Haller Memorial Award for Outstanding Community Service, awarded annually by the Connecticut Commission on Children to an individual or organization that distinguishes itself through its support for the education and well being of children in the state. Since its creation in 1997, the Liberty Bank Foundation has provided nearly $6 million in grants to nonprofit

organizations in its service area. Liberty Bank is overwhelmingly the largest supporter of community organizations that Wesleyan students volunteer at. Finally, Liberty Bank has consistently provided grant money to help fund an annual scholarship for a Wesleyan student.

However, despite the variety of ways in which Liberty Bank supports the Middletown community, the NCIF gives Liberty Bank low community investment scores. It received a DLI score of 15.77% and a DDI score of 16%. Despite these low scores it would appear that Liberty Bank still makes considerable efforts to support the local community and would be a good investment option.

Alternative Community Investment Options

Finally, there are a number of larger banks throughout the United States that have explicit social missions. Although they do not serve the Middletown community, they have a number of advantages over institutions located in Connecticut. First, their actions benefit local communities much more directly. For example, Carver Federal Savings Bank, located in low-income areas throughout New York City, allows residents to cash checks, pay bills, and purchase discounted money orders without having a bank account or a credit or check card. Additionally the banks scores much higher on NCIF metrics with a DLI score of 76.5% and a DDI score of 66.67%. Second, these institutions tend to be much more experienced with handling larger accounts from non-profit institutions. The Calvert Foundation, a large and well-respected organization that offers financial instruments to investors that help the foundation support low-income communities, spoke highly of Carver Bank, with which they have money invested, and other larger community banks, such as Urban Partnership Bank and Southern Bancorp.

Conclusion

The CIR recommends that the Finance Office deposit a total of $500,000 split between Liberty Bank and the Community's Bank. Each CIR member was given the opportunity to vote for two of the banks mentioned in the proposal. Liberty Bank received nine votes, the Community's Bank received seven votes, and Connecticut Bank and Trust received two votes. If, for some reason, the Finance Office is unable to deposit the recommended amount in Liberty Bank or the Community's Bank, the CIR recommends that a deposit be made in Connecticut Bank and Trust or one of the alternative community investment options listed above. The CIR recommends that a letter be drafted to the above-mentioned banks indicating either why Wesleyan has chosen to make a deposit or why Wesleyan has chosen other banks for its deposit. The CIR hopes that this will help signal to these institutions that community investment is important to prospective depositors.

Additionally, the CIR intends to review the performance of the two banks receiving these deposits twice annually. Performance will be evaluated using the metrics developed in this proposal. As part of this review process, the committee will also evaluate the performance of other potential community investment options. These should include banks in the Wesleyan community, as well as other institutions that seem promising. The CIR shall also review additional community investment options with the intention of potentially expanding cash deposits and identifying opportunities in other asset classes. This review process should seek to identify opportunities within both the General Operating Account and the Endowment. Finally, the committee recommends that if Wesleyan uses the Certificate of Deposit Account Registry Service (CDARS), in the future, that it look for a lead bank with strong community investment performance, as evaluated by the metrics developed in this report. Prospective lead banks should not necessarily be limited to the banks included in this report and may be identified through further analysis of NCIF data. Any questions

or comments related to this report shall be directed to either the alumni or student CIR Co-Chair named on the CIR website (cir.wsa.wesleyan.edu).

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[1] Socially Responsible Investing Facts: http://ussif.org/resources/sriguide/srifacts.cfm
[2] CUNA survey: 40k members, $80M in savings on BTD: http://www.cuna.org/newsnow/11/wash110811-2.html
[3] Conversation with Martin Bourqui, Responsible Endowments Coalition
[4] Wesleyan Mortgage Program: http://www.wesleyan.edu/finance/financeDept/mortgage/Mortgage.htt

3.b) Letters to Banks

May 1, 2012
Liberty Bank
315 Main Street
Middletown, CT 06457

Dear Liberty Bank,
Wesleyan plays an integral role in the economic, cultural, and educational vibrancy of the community in which it resides. We strive to continuously develop new avenues for mutually beneficial relationships. Our students teach at local schools and prisons, the Wesleyan Green Street Arts center provides free after-school classes, and our concerts and cultural shows are open to the community. In addition to these existing endeavors, we believe our finances can also positively impact the local community. That is why we encourage community banking. By banking locally, our funds will be invested in ways that foster enduring and equitable economic growth in Connecticut.
Wesleyan University is choosing to bank with Liberty Bank because of your strong commitment to the Middletown community. In particular we appreciate your support of community service projects such as the construction of the affordable housing complex, Uncas Condominiums, in Norwich and the establishment of the Liberty Bank Foundation. Furthermore, we look forward to supporting an institution that is overwhelmingly the largest supporter of the community organizations with which Wesleyan students volunteer.

We appreciate your support of these communities through grants, but in the future hope you can improve your community development impact through your banking practices as well as through charity. Though Liberty Bank well serves the Wesleyan Community, it under performs in metrics of socially responsible investing such as in the percentage of single and multi-family housing loan originations in lower-income areas and in the percentage of branches offered in underserved areas. We hope that as we continue to develop a partnership with you, we will see evidence of improvement in these areas.

Please consider our $250,000 6 month CD deposit as a signal to continue your efforts in supporting the Middletown community and as an indication of a demand for socially responsible investment. If you continue to support our community and demonstrate to us that our deposit has been used to support positive community endeavors, we would gladly consider continuing or expanding our relationship in the coming years.

Sincerely,
The Committee for Investor Responsibility on behalf of Wesleyan University

May 1, 2012
The Community's Bank
2574 East Main Street
Bridgeport, CT 06610

The Community's Bank,

Wesleyan plays an integral role in the economic, cultural, and educational vibrancy of the community in which it resides. We strive to continuously develop new avenues for mutually beneficial relationships. Our students teach at local schools and prisons, the Wesleyan Green Street Arts center provides free after-school classes, and our concerts and cultural shows are open to the community. In addition to these existing endeavors, we believe our finances can also positively impact the local community. That is why we encourage community banking. By banking locally, our funds will be invested in ways that foster enduring and equitable economic growth in Connecticut.

We chose to bank with The Community's Bank (TCB) because of your commitment to community development and the explicitly social mission to your banking practices. TCB is the only minority owned bank in Connecticut. You are certified by the U.S. Treasury Department as a Community Development Financial Institution, and have been a recipient of a number of grants and investments that enhance your ability to better serve the underserved. For these reasons, your credentials stood out to us. Also, in the hands of TCB, we feel as though our deposit will be put to good work providing needed capital in the Bridgeport community to residents for whom it will make a world of difference. On top of all of this, your bank received the highest possible scores from the National Community Investment Fund (NCIF) Social Performance Metrics Database on Development Lending Intensity and Development Deposit Intensity, which are reliable metrics for demonstrated commitment to serving lower-income populations.

We hope that you recognize our $250,000 6 month CD deposit as a signal to continue your efforts in these areas and as an example of the benefits of socially responsible banking. If your bank continues to meet or exceed our standards for community investment, and you demonstrate to us that our deposit has been used to support positive community endeavors, we would gladly consider continuing or expanding our relationship TCB.

Sincerely,

The Committee for Investor Responsibility on behalf of Wesleyan University.

4.a) Proxy Voting Guidelines

Proxy Voting Guidelines: Wesleyan CIR,
April 24, 2012

CORPORATE STRUCTURE AND GOVERNANCE ----------

Auditors

Oppose approval for auditors who accept fees for anything other than audit or audit-related work for the target company. Oppose auditors who have worked with the company for more than five years.

Banking

Support resolutions which call for establishing and making public an institution's policy on predatory lending.
Support resolutions seeking community reinvestment programs. Support reasonable reporting requirements and codes of conduct in areas such as equal credit opportunity and corrupt practices.

Board Selection

- **Approval of Membership:** Consider and abstention or voting against board members who are under legal investigation. . Consider abstaining from the approval of an individual who has excessive membership on other corporate boards
- **Election Frequency:** Support resolutions that call for all board members to be elected simultaneously, preventing staggered boards or any system that allows board members to stay on without being elected.
- **Board Diversity:** Support resolutions that ask companies to amend nominating committee charters so that "women and minority candidates are routinely sought as part of every board search the company undertakes" and that the company publish information on its efforts to seek a diverse board pool. Support resolutions to increase board diversity based on gender, race, and secxuality, and oppose quotas.

Charitable Contributions

Support resolutions requesting information on charitable contributions. Abstain on resolutions that either request specific justification for each donation, or require publication in a form other than website reporting. Support resolutions where information is requested on charitable gifts that are to organizations where the top officers (the proxy top five) or directors have a vested interest (i.e. are members of the board, committees, etc.)

Political Contributions

Support resolutions asking for the company to report or disclose direct or indirect political contributions.
Support resolutions asking for disclosure of the company's procedures for determining political contributions
Support resolutions requiring disclosure to the stockholders (e.g. in the annual report) of policy, criteria and aggregate amounts of contributions.
Abstain from resolutions that ask for any such reports to be published in the major national newspapers.

Corporate Restructuring
Support resolutions asking management to study and report on
the impact of a restructuring plan on the various stakeholders in the company.
Oppose restructuring that places the interests of one stakeholder group above all others, especially with consideration for social factors such as number of social factors, executive compensation, layoffs, environmental sustainability, and community impact.
Executive Compensation

- **Long Term incentives:** Support those plans which favor long term as well as short term incentives.
- **Stock Options:** Oppose resolutions which favor to heavily, fixed-price and fixed-time stock options since they provide executives the value of stock prices without the risks associated with share price declines and provide a radically more assured form of compensation.

    - Oppose stock options which lack necessary safeguards such as option expensing, performance-based stock options, shareholding requirements, acceptable dilution levels, and a prohibition on retroactive repricing of stock options.
    - **Omnibus stock plans** : Oppose omnibus plans that grant the Board discretion over the structure and exercise price of plans or which have excessive acceleration or cash-out provisions, for compensation in case of a change of control.

- **Say on pay**: support resolutions which call for more frequent and comprehensive shareholder approval of executive compensation plans.
- **Supplemental retirement plans :** Oppose severance packages to named executives which offer benefits not generally offered to ordinary employees and "golden parachutes", contracts which include generous severance packages for change in control

Stock Ownership
Oppose resolutions that create stock buy-back plans that would force the company to buy back stock at higher than market value for takeover-defense purposes. Oppose resolutions that seek to issue new stock or increase shares that dilute the value of current shareholders' stock, or any other stock buying plans which allow current shareholders to buy stock at less than market value for takeover-defense purposes.

Shareholder Engagement: Support resolutions requesting reports detailing interactions between companies and the communities where they operate. "Relevant disclosures include emissions, environmental and health impacts, water availability, community consultation, integration of community environmental accountability into the company's code of conduct and the extent to which company actions have a negative impact on the health of those living in poor communities."

Equal Employment Opportunity:
Support resolutions asking management to issue reports and/or release EEOC report on work-force composition.
Support diversity, but oppose quotas. Support equal treatment for employees regardless of sexual orientation, including domestic partner benefits for gay and lesbian employees. support shareholder

resolutions that support inclusion of sexual orientation in the company's EEO policies and oppose shareholder resolutions that ask companies to drop sexual orientation from their EEO policies.
Support resolutions which promote access to maternity and paternity leave

SOCIAL ISSUES ----------

Global Labor Standards
Support shareholder resolutions that ask companies to review, report, and/or adopt of a company's internal labor standards, the establishment of global labor standards or the adoption of codes of conduct relating to human rights.
Support resolutions asking companies to ensure their products are made in compliance with standards of the International Labor Organization and the Universal Declaration of Human Rights, including but not limited to ensuring the right to form labor unions, the eradication of forced labor and encouraging companies to submit to independent monitoring of the workplace.
Support resolutions requiring the use of external organizations to audit performance in terms of labor conditions

Human Rights
Support resolutions requesting companies to incorporate human rights criteria into their global operations. Support resolutions requesting corporate reports or a response from management on a company's impact of operating in regions that do not uphold the Declaration of Human Rights or areas that raise concern to indigenous populations.
Abstain on resolutions that encourage divestment or ceasing to operate in a particular region if the company's operations do not contribute directly to violations of the Declaration of Human Rights (e.g., telecommunication or pharmaceutical companies in Sudan).

Internet Censorship and Repression
Support resolutions that request corporate reports or a response from management on the company's impact of operating in regions that do not uphold the Declaration of Human Rights including issues of Freedom of Speech on the Internet and the protection of internet users.

MacBride Principles
Support resolutions requiring that companies conform to the MacBride principles for economic dealings with Northern Ireland

Military Issues
Support resolutions requiring reports on criteria for military sales.

Product Safety
Support resolutions that ask for a report on the company's policies on product safety and the options for new initiatives or actions management is taking to respond to this issue, beyond those initiatives or actions already required by law.

ENVIRONMENTAL ISSUES ----------

Climate Change:

Support reasonable reporting of corporate greenhouse gas emissions and on actions to reduce these emissions. Support setting goals for emissions reduction and the development of alternative energy sources. Oppose resolutions intended to challenge the scientific consensus on climate change.

Board Oversight of Sustainability
Support the creation of a committee tasked with overseeing sustainability operations, and the appointment of board members with specific knowledge of environmental issues and sustainability.

Genetically Engineered Products
Support resolutions requesting corporations to report legal actions/sanctions regarding health, environmental, or biological issues caused by the distribution of genetically modified materials.

Waste
Support research and product development aimed at energy waste reduction improvements and other sustainability solutions.

Other Environmental Issues:
Support the adoption of environmental guidelines/principles (e.g. Ceres Principles and the Global Reporting Initiative) and reasonable reporting of the adverse environmental impacts of corporate actions.
Support reports of all governmental fines paid due to environmental misconduct. Support resolutions that call for more sustainable sourcing of inputs.

Resources

Much of the concepts and language of these guidelines were taken from those guidelines of peer institutions and SRIC's.
Colleges and Universities

- Brown: http://www.brown.edu/Administration/Finance_and_Admin/ACCRIP/guidelines.html#executive
- U-penn: https://secure.www.upenn.edu/rtde/SRAC.html
- Swarthmore: http://www.endowmentethics.org/downloads/Swarthmore_Proxy_Voting_guidelines_2005.pdf

For profit funds

- Vanguard Fund https://personal.vanguard.com/us/content/Home/WhyVanguard/AboutVanguardProxyVotingGuidelinesContent.jsp
- T. Rowe Price http://corporate.troweprice.com/ccw/home/ourCompany/proxyVotingPolicies.do

SRI's

- Socially responsible investment firm, Domini. (See page 16) www.domini.com/common/pdf/**ProxyVotingGuidelines**.pdf

- CBIS: Christian Brothers investment Services .http://www.cbisonline.com/file/CBIS_PVG.pdf
- American Federation of Labour J:www.aflcio.org/corporatewatch/capital/upload/proxy_voting_guidelines