

The New School

Advisory Committee on Investor Responsibility (ACIR)

Putting Our Endowment Money Where Our Mission Is

Annual Report, 2013–2014

ACIR Leadership

Committee Members

Terra Lawson-Remer, faculty member, chair
Charles Allison, faculty member
Izza Aftab, outgoing student representative
Chris Crews, outgoing student representative
Shannon Swimm, incoming student representative
Ian Morlan, staff member
Susan Sawyer, staff member
Malcolm Smith, trustee
Bevis Longstreth, trustee

Research Assistants

Brandt Weathers
Jens Astrup, outgoing
Ian Howland, incoming

Office of Finance and Business Support

Linda Hird, director of Investment, Treasury, and Risk Management
Larry Woods, compliance and risk analyst

I. ACIR Chair Statement

It is an honor for me, as chair of the Advisory Committee on Investor Responsibility (ACIR), to work on this important issue at The New School. Addressing environmental, social, and governance (ESG) issues related to the management of our university's endowment is critically important in order to align our endowment dollars with our university's values and mission. Engaging with these issues is particularly important given The New School's long history of progressive education and research.

The work of the ACIR is carrying forward this tradition of social engagement into the 21st century. Since it was established in 2009, the ACIR has helped bring about a number of significant advances in the management of The New School's endowment in relation to ESG issues.

Our most important achievements this year are detailed in this annual report. The ACIR aims to do even more next year, but we cannot do this work alone. I invite the whole New School community, especially the student body and faculty, to get involved and help advance this important work.

A handwritten signature in blue ink, appearing to read 'Terra Lawson-Remer', with a stylized, flowing script.

Terra Lawson-Remer
Chair, ACIR
Assistant Professor of International Affairs

II. About the ACIR

The History of the ACIR

The ACIR was created in late 2009, in response to the broad interest in environmental, social, and corporate governance (ESG) investing among constituencies at The New School. In fall 2008, a large student activist network organized opposition to The New School's senior leadership and their management of the university. A key student complaint was the university's affiliations with defense industry companies, including investment holdings, which many students felt were contrary to the spirit and mission of The New School. A student occupation of 65 Fifth Avenue, known as The New School in Exile, began; one of the student occupiers' central demands was that "investments and finances shall be fully disclosed so as to permit complete transparency and intelligibility with the creation of a Socially Responsible Investment committee." As part of the agreement reached between students and university leadership ending the week-long occupation, President Kerrey promised that "because of repeated and voiced student concerns about the university's investment, I will urge my Investment Committee to establish such a [socially responsible investment] committee with student involvement." A number of leading members of the Board of Trustees were interested in and knowledgeable about corporate social responsibility; when approached by President Kerrey, these members expressed strong support for expanding The New School's engagement with ESG investing. Upon President Kerrey's recommendation, an ad hoc committee consisting of trustees, faculty, and staff was appointed by the Board of Trustees to consider the issue. After a period of internal consultation, the Board of Trustees adopted this ad hoc committee's recommendation that a permanent Advisory Committee on Investor Responsibility (ACIR) be formally established to report 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 made a number of policy changes in the oversight and management of the university endowment.

The Mission of the ACIR

The mission of the Advisory Committee on Investor Responsibility (ACIR) 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. Authorized by 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.

The Structure of the ACIR

The ACIR represents all constituencies at The New School: It includes two trustees, two faculty members, two students, and two staff members. Faculty and student nominations come from the Faculty and Student Senate, respectively, or through self-nomination. Committee members are appointed by the president of The New School to serve staggered two-year terms, but longer tenures have been permitted. 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. What did the ACIR do in 2013–2014?

1. Climate Change Campaign

In light of the burgeoning climate change student movement across the nation and at The New School, the ACIR decided to make the issue the subject of its central campaign for the 2013–2014 school year. The ACIR conducted extensive research on how the university might establish itself as a leader on climate change with our endowment investments and produced “Climate Change Action Plan” (CCAP), a report that was sent to the administration and has been made available online. Following the publication of this report, the ACIR sought support from various New School constituencies to advance its cause. The committee also held several events to keep this important conversation alive on campus. The report and a few key activities are described below.

Panel Discussion on Fossil Fuel Divestment

The ACIR helped organize a panel discussion on New School fossil fuel investments to promote dialogue on the subject. The panel included representatives from the ACIR (Chris Crews), the University Student Senate (Ben Silverman), and the investment advising firm Jeffrey Slocum & Associates (Texas Hemmaplardh) and the director of the Environmental Policy and Sustainability Management program at The New School (Rick McGahey). During the Q&A, audience members demanded additional research on the costs of divestment and the potential benefit to student recruitment resulting from divestment.

Climate Change Action Plan

The ACIR responded to the growing concern about climate change expressed by the largest endowment-focused student movement in a generation, as well as the increasing possibility of government regulatory action to prevent further environmental and economic damage, by producing the CCAP, to be implemented by the Investment Committee of the Board of Trustees. The ACIR considered the existential threat to future generations posed by fossil fuel investments, the risks these investments pose for The New School's branding and identity as a progressive university and for the

sustainability-related coursework it offers, and the probability of government regulatory action limiting the production of fossil fuels (which could reduce returns on fossil fuel investments). The ACIR recommended that its six-point plan be brought to the full Board of Trustees. The plan involves petitioning both company management and the Securities Exchange Commission to disclose all carbon-related risks to asset values and revenues, petitioning the Financial Accounting Standard Board (FASB) to mandate the enhanced disclosure standards described above, requesting support from fellow institutional investors for these disclosure initiatives, allocating 2 to 5 percent of The New School's endowment investments to new technology, alternative energy, and divesting from any oil, gas, mining, and other fossil fuel exploration, refining, extraction, and production companies in which The New School's endowment has been invested.

Community Support

Following the publication of the CCAP, the ACIR sent out representatives to seek support from a wide variety of constituencies. Students offered unanimous support for the plan in both the University Student Senate and the Graduate Faculty Student Senate. The committee continues to seek support from the University Faculty Senate, which has not yet allotted time for consideration of the report.

Presentation at the Board of Trustees Meeting

Early in 2014, the ACIR had the honor of speaking to the Board of Trustees about climate change, particularly as it relates to our endowment. The committee received an unprecedented allotment of time to present the recently written CCAP, which explained why climate change is an issue that the board should regard as essential to the health of our endowment and how The New School could implement changes immediately. Although the reactions of the board were mixed, the presentation marked a major advance in the level of attention paid to this topic across campus, particularly in the administration.

Summer Coordination with Executive Working Group

Following the final Board of Trustees meeting in the spring, the ACIR was informed that a working group had been established that will create a report to help the university comprehensively address climate change issues. This report will propose administrative changes to curriculum, facilities, endowment management, and general operations (IT, printing, dining, etc.). The ACIR has been tasked with providing research for this report, which will explain the reasoning behind targeted divestment and propose concrete short- and long-term plans to advance fossil fuel divestment at The New School. The report is expected to be unveiled early next semester, making The New School a leader among schools on climate change issues.

2. Proxy Voting Report

For the second time in two 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, 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 voted on a wide range of issues this year, including 24 new categories and 18 from last year. These 42 categories cover hundreds of unique proxy actions, from gender anti-bias policies in the workplace to tar sands fuel elimination. The "2014 Proxy Voting Report," a full report on each proxy action, arguments for

and against, and the committee's decision for each, can be found at www.newschool.edu/acir under "Resources and Links."

Outcome of Proxy Voting Report

After a disappointing proxy voting season in 2013, in which the committee was informed that none of its voting decisions had been incorporated, the Finance Office at The New School arranged for the ACIR to vote directly on a subset of proxy resolutions on direct holdings in the future. The ACIR is proud to announce that a small but important group of its proxy decisions was 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 (mutual funds or pooled investments, for example). Fortunately, the ACIR received a complete list of the types of investment managers employed by The New School and will continue to push for greater control of these decisions in the future.

3. Coordination with Students

An important part of the ACIR's mandate is consistent outreach to New School students, both to provide the most up-to-date information on endowments and to take stock of the issues that concern them most. This year, the ACIR participated in student events and worked with students to incorporate their research into ACIR publications. Two activities in which the ACIR participated are described below.

Sustainapalooza Workshop

In the spring, the ACIR was invited to participate in a campus-wide student initiative called Sustainapalooza. At the event, research assistants from the ACIR met with interested students to discuss what the ACIR had done to advance the fossil fuel divestment movement and collected feedback from students on how the ACIR might meet present challenges. The event revealed the depth of interest in climate change on campus; ACIR members were thrilled to contribute to such an important initiative.

Student Project Assessing Divestment

The ACIR also worked with the director of The New School's Environmental Policy and Sustainability Management (EPSM) graduate program to find students interested in using their coursework to advance climate change research with the committee. Samer Aboul

Hosn, an EPSM student, produced a research paper with the ACIR titled "Divestment at The New School." The paper makes the case for divestment at the university by examining the experiences of other universities around the country. Hosn defends divestment of the relatively small percentage of fossil fuel assets from The New School's portfolio. He counters the argument that any restrictions on diversification lead to greater risk by pointing to the possibility of reduced admissions due to loss of the university's progressive reputation and to the uncertainty of future returns on fossil fuels due to regulatory risks. Administrators at the schools he examined believe they can divest without jeopardizing returns and incurring risk. Since Hosn wrote his paper, Stanford has dropped all its investments in coal and Union Theological Seminary, a school whose endowment is almost half as large as The New School's, began planning for full divestment.

IV. 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 (contact information for each representative is available on the cover of this Annual Report). We encourage you to send your feedback and suggestions for ways the ACIR can achieve its mission.

Open Committee Member Seats

The ACIR still has openings for committee members and hopes to establish procedures with the Student Senate and the University Faculty Senate to fill these as democratically as possible. 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.

Shannon Swimm: student representative, swimms311@newschool.edu

Charles Allison: faculty representative, allisonc@newschool.edu

Ian Morlan: staff representative, morlani@newschool.edu

Brandt Weathers, Ian Howland: research assistants (and contacts for trustee representative), weatb414@newschool.edu, howli404@newschool.edu

V. Endowment Holdings Data

Listed in the table below are The New School's asset managers. More detailed data on The New School's endowment can be found on the ACIR's website at www.newschool.edu/acir

Investment Managers

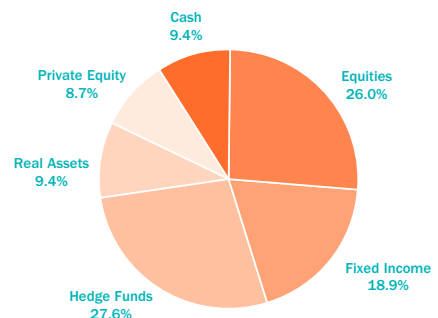
As of December 31, 2013, The New School's Investment Managers include the following:

American Securities Partners	Blue Orchid Select, Ltd.	Eaton Vance-Parmetric
ESG Cross Border Equity	Farallon Capital Management, L.L.C.	Golub Capital International, Ltd.
Greenhaven Management	Harbor International	Indus Capital
Loomis Sayles	Quadrangle Capital Partners	Silverpeak Real Estate Partners
SPDR Gold	Vanguard	Valinor Capital
Wellington Management	Wintergreen Partners	Wisdom Tree Japan

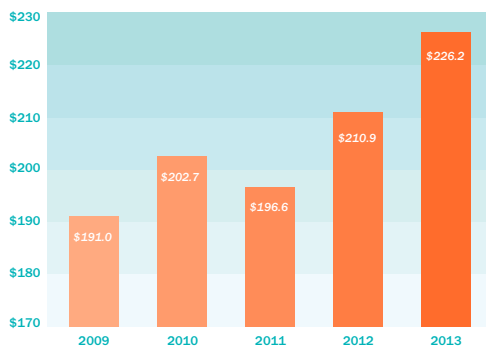
Endowment and Operating Investments

	2013	2012
Endowment Investments:		
Cash and cash equivalents	\$ 21,272	706
Public equity	58,836	63,652
Fixed income	42,715	65,917
Hedge funds	62,495	39,765
Private equity	19,712	18,345
Real assets	21,161	27,595
	<u>226,191</u>	<u>215,980</u>
Operating and other investments:		
Cash and cash equivalents	4,473	4,323
Public equity	716	1,444
Fixed income	86,331	95,153
Real estate	2,665	2,665
	<u>94,185</u>	<u>103,585</u>
Total Investments:	\$ 320,376	319,565

Endowment Asset Allocation as of December 31



The Endowment Market Value and Performance as of December 31



The university's December 31 net returns (losses) for the past five years were as follows:

2009	2010	2011	2012	2013
18.1%	13.6%	(0.1%)	8.1%	8.9%

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