

The New School

Advisory Committee on Investor Responsibility

Aligning Our Investment Dollars with Our University Mission

Annual Report, 2011–2012

ACIR Leadership

Committee Members

Terra Lawson-Remer, Faculty Member, Chair

Dominique Roux-Felce, Faculty Member

Chris Crews, Student Representative

Ian Morlan, Staff Member

Ed Verdi, Staff Member

Malcolm Smith, Trustee

Bevis Longstreth, Trustee

Research Assistants

Kerwin Julien

Investment Office Support

Frank Barletta, Senior Vice President for Finance and Business

Linda Hird, Director of Investments and Treasury Services

Larry Woods, Compliance and Risk Analyst

Statement of ACIR Chair

It is an honor for me to serve as chair of the Advisory Committee on Investor Responsibility and work on this important issue at The New School. In order to align our endowment dollars with the university's values and mission, we must address social, environmental, and governance (SEG) issues. Engaging with these issues is imperative for The New School, a university with a long history of progressive education and research. The work of the ACIR is carrying forward The New School's tradition of social engagement into the 21st century.

Since it was established in 2009, the ACIR has taken a number of steps to ensure responsible investment of The New School's endowment, creating institutional structures and mechanisms as a basis for future investment sustainability efforts. These steps include adopting Sustainability Proxy Voting Guidelines and developing a committee charter and bylaws. In the interests of transparency, we have also begun issuing annual reports detailing measures taken by the committee.

The ACIR aims to achieve even more next year by putting our new proxy resolution guidelines into practice. We hope that these guidelines will improve the social and environmental standards of our endowment investments, but the ACIR cannot accomplish these goals alone. I invite the whole New School community, especially students, to get involved, talk to their representatives, and help advance this important work.



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

What Is Responsible Investing?

Responsible investing, also called socially responsible investing (SRI), SEG (social, environmental, and governance) investing, and green investing, is designed to maximize financial returns while taking into account social, environmental, and governance (SEG) issues. These issues include environmental preservation, sustainability reporting, adherence to labor standards, nondiscrimination, political spending, and corporate governance. This field of investments currently accounts for "an estimated \$3.07 trillion out of \$25.2 trillion in the U.S. investment marketplace."¹ Responsible investors employ a combination of methods including screening of funds, divestment, shareholder advocacy, and community investing.

Screening of funds is the practice of evaluating investment portfolios or mutual funds against SEG criteria for inclusion in or exclusion from final holdings.

Divestment is the act of reducing holdings of or removing particular assets from a portfolio for corporate behavior not consistent with SRI standards.

Shareholder advocacy is investor and stakeholder engagement with companies on SEG issues through direct dialogue, campaigns, and resolutions.

Community investing is financial investment in communities that are underserved by traditional financial institutions. Such investments support community social services such as health care, housing and business incubation.

1. USCIF: Forum on Sustainable and Responsible Investment (USSIF). (ussif.org/resources/sriguide).

Why is SRI important?

Corporations have a significant impact, for good or ill, on the environment and society in which they operate. Through the power of voting, advocacy and divestment, responsible investing provides a mechanism whereby concerned investors and stakeholders can enact some measure of control over the potentially harmful behavior of corporations and influence them to conduct their operations in a socially and environmentally responsible way.

About the Advisory Committee on Investor Responsibility

Mission Statement

The mission of the Advisory Committee on Investor Responsibility (ACIR) is to develop strategies for integrating consideration of social, environmental, and corporate governance (SEG) issues into the 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. With the authorization of the university board of trustees' Policy and Procedures on Investment Responsibility, the ACIR presents recommendations to the investment committee of the board of trustees on SEG issues that arise in the management of the university's endowment.

Structure

The voting members of the ACIR include two trustees, two faculty members, two students, and two staff members. Faculty and student nominations for the ACIR, which are presented to the university president, come from the faculty and student senates and self-nominations. Voting members serve a term of two years. The committee also includes a nonvoting administrator who is appointed by the senior vice president for Finance and Business and who is familiar with the University's.

Overview of the Past Year

In 2011–2012, the ACIR built upon the efforts and momentum of the previous year. Detailed in this report are some of the year's accomplishments, including formal adoption of Sustainability Proxy Voting Guidelines, and disclosure of the performance of our investment holdings. The growth of the committee over the past year has better equipped us to take on the challenges of the upcoming year. We look forward to working with The New School community to address SEG issues in our endowment in the coming year.

All documents referred to in this report are publicly available on the committee's website at www.newschool.edu/ACIR.

Sustainability Proxy Voting Guidelines

In February 2012, the ACIR passed the landmark Sustainability Proxy Voting Guidelines. These guidelines provide a road map to bring The New School's investments in line with its educational mission and values. Specifically, these guidelines establish standards and criteria against which The New School's Investment Committee can evaluate corporate behavior in relation to and address a wide range of social, environmental, and governance (SEG) issues.

New School students, faculty, staff, and ACIR trustees agree on the importance of sustainability (defined as encompassing social, economic, and environmental issues) and the necessity for responsible investment in the 21st century. The issues addressed by the new guidelines range from corporate transparency to environmental preservation and human development. The new policy, the first of its kind for a university, is now publicly available online

In establishing sustainability guidelines, The New School has joined a number of other leading colleges and universities, including Bryn Mawr College, Brown University, the University of Pennsylvania, Princeton University, and Stanford University. The Sustainability Proxy Voting Guidelines represent a new era for The New School, one in which our university serves as a leader in responsible investment.

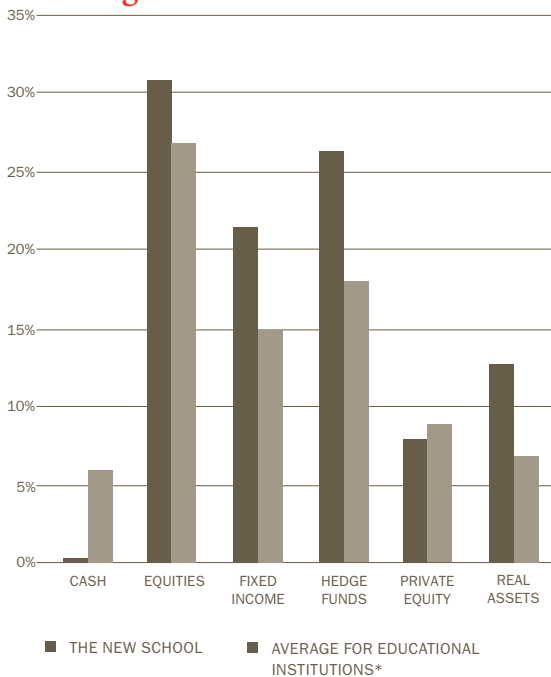
The New School University Endowment Fund Profile

Endowment Performance as of June 30, 2011

	One Year	Three Year	Five Year	Ten Year
The New School	19.1	3.8	4.3	7.1
Educational Endowment Average*	19.7	2.6	4.4	5.3

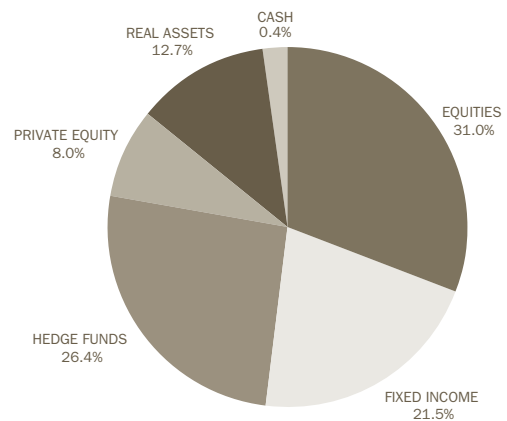
*Data from 2011 NACUBO-Commonfund Study of Endowments; represents average for endowments of \$101 million to \$500 million as of June 30, 2011.

Asset Allocation Compared with Average for Educational Institutions



*Data from 2011 NACUBO-Commonfund Study of Endowments; represents average for endowments of \$101 million to \$500 million as of June 30, 2011.

Asset Allocation*



*Data as of June 30, 2011.

Endowment Holdings Performance

The New School's endowment was valued at \$212 million at the end of December 2011, down slightly from \$213.8 million the previous year.

About the New School Endowment

“The investment portfolio is managed to achieve a prudent long-term return. The university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment assets are invested to provide a real total return that preserves the purchasing power of the endowment, while generating an income stream to support the academic activities of the university.”²

2.The New School Financial Statements, June 30, 2011.