

Appendix C

REED COLLEGE

Investment Responsibility Policy

Prepared and adopted by the Investment Committee,
Board of Trustees, December 6, 1977 and
Approved by the Board of Trustees, January 13, 1978

I. Academic Freedom & Institutional Political Neutrality

Throughout its history, the College has been extraordinarily concerned with the defense of academic freedom and as an important adjunct to that defense has sought to limit the political role of the institution or the enlistment of the institution's name in political causes by any of its constituents. Examples of such limitations are the following.

- Article IV of the Faculty Constitution and By Laws on "Academic Freedom and Responsibility," which provides "that each faculty member has individual freedom of inquiry and expression," also contains in Section 2 the statement that "when a faculty member speaking, writing or acting as a citizen shall be free from institutional censorship or discipline, and should undertake to avoid any implication of being an institutional spokesman."

- The Organization and Speaker Policy codified May 6, 1965 and presently in effect and described in the Student Handbook provides that campus organizations sponsoring speakers must clear their plans with the College Public Information Office, and announcements and publicity must make clear under whose auspices and "not Reed College as such" the person is appearing.

- In 1971, in response to a Board of Trustees directive to produce a statement of Operating Principles and Basic Procedures of Reed College the faculty voted on April 19, 1971 as one of its provisions:

"-- the college fosters and defends academic freedom and avoids taking positions on political issues that do not affect the college or higher education directly."

- The current 1977-78 Catalogue of Reed College reflects that position when it states:

"Reed is an educational, not a political, institution, and the college avoids taking institutional positions on political issues that do not directly affect higher education."

It is clear the College has been at pains to recognize that academic freedom and institutional neutrality are related, and thus to limit the institutional role in order to give maximum protection to freedom of inquiry and expression for its individual constituents.

II. Investment Objectives - Primacy of financial objectives

The primary investment objective is a fiduciary one to produce a maximum total return with reasonable safety. The statement of endowment investment policy endorsed by the Board of Trustees May 19, 1973 includes the statement:

"The Trustees have determined that, to the extent permitted by the terms and conditions imposed in connection with various gifts to Reed, it is desirable that all funds that Reed holds for investment without obligation to pay income therefrom to a donor continue to be pooled and invested in such a way as to produce a maximum total return therefrom consistent with the reasonable safety of such funds and economy in the investment thereof."

The primacy of prudent financial investment objectives and the exercise of fiduciary responsibility are also required by tradition and by the governing law and statutes surrounding the College.

Citing the primacy of the College's financial objective is done not to displace the significance of moral, social and political issues in share ownership, but rather to emphasize that share ownership does not constitute College approval of all of the policies of any complex share-held corporation, or, for that matter, of all the policies of the dozens of corporations whose shares it may hold at any moment of time. To own is not necessarily entirely to endorse. The College recognizes that extensive resort to non-financial judgments in portfolio selection would weaken the position that ownership carries no presumption of approval on non-financial matters.

An educational institution, with the special obligation of protecting the widest possible expression of divergent viewpoints, and the special responsibility of protecting intellectually dissenting minorities, may of necessity be more abstaining on controversial social, political, and moral issues than individuals or groups who exercise ownership but do not have such special responsibilities.

Considering all of the foregoing points, the College does not buy securities for purposes that are not financial. They are not bought for instance to influence attitudes toward moral or social questions, or to achieve objectives that are non-financial.

As an independent college without major support from governments, the investment committee recognizes the importance of past and current private gifts and of a healthy and growing income from endowment as major forces for the survival and vitality of the College.

III. Recognition of College Investment Responsibility

In acting on non-economic questions the College recognizes that its traditions require it to act only where the issue at hand is of a compelling social or moral character and where the action taken reflects widely-held, perhaps almost universally-held social or moral positions. It should refrain from actions where significant divergence of opinion is perceptible among college constituencies or members.

In judging whether to act on non-economic behavior of large and complex companies the College would take into account

- whether a non-economic issue is of larger or smaller significance in the operations to the company, that is, to what extent the issue can be said to characterize the company.
- whether an issue is judged to be in the process of correction or improvement versus deterioration.
- whether company efforts toward correction are judged to be in process or are likely.

The College has not regularly deliberated and acted to vote its proxies in its own name in the past and where it has voted them it has virtually always been on matters of considerable moment affecting predominantly economic issues. The College name has thus rarely been attached to proxy votes.

IV. Administration of Investment Responsibility Policy

Administration of the Investment Responsibility Policy is carried out as a part of the investment responsibilities of the Board of Trustees, pursuant to the investment management provisions of the By Laws of the Reed Institute.

The Investment Committee of the Board, or its designee, authorizes all proxies, and the Investment Committee is the body which will, if so requested, consider matters of investment responsibility along with its other investment management functions.

The Investment Committee may take such information and advice from constituencies of the College as it deems advisable. Where members of the College community have strong concerns, these may be directed in writing to the Treasurer of the College who acts as the campus liaison with the Committee. The Treasurer will normally report such concerns to the Committee at its regular meetings, but may do so more frequently where the matter is of urgent concern.

The Investment Committee, by a majority vote of its membership, will decide such actions to be taken on non-economic issues as a part of its investment functions, and its decisions will normally be final.

If objection is made to such actions, an appeal may be registered in writing with the Treasurer of the College who will promptly transmit it to the Chairman of the Board of Trustees. The Chairman shall normally within one month appoint an ad hoc review committee of at least three members of the Board of Trustees who are not members of the Investment Committee, to review the decision of the Investment Committee, to have such hearings and to receive such further evidence and information as they deem necessary.

The ad hoc review committee shall proceed promptly to its review and to making its recommendations. As soon as they can be completed, they will be presented to the Board of Trustees at its next meeting.

The Board of Trustees as a whole shall then consider the recommendations in its meeting and dispose of the matter, either by a vote to uphold the recommendation of the review committee or by further action under its regular governing authority and rules of procedure.