

Princeton University

STATEMENT OF THE TRUSTEES ON SELECTIVE DIVESTITURE

January 1987

I.

Racial injustice in South Africa is agonizing and intractable. It has been a major concern of the Trustees since 1968. Over the years many members of the University community have discussed with the Trustees the nature of Princeton's response.

One aspect of the University's response has been the development of a policy of selective divestiture. For reasons originally discussed at length in a May 1978 statement, the Trustees have repeatedly found that, "as a general approach, divestiture of stock ... is not effective or appropriate."* At the same time, the Trustees have recognized that "there may be very unusual situations in which the University simply does not wish to be associated with a particular company through ownership of its securities."** Divestiture has been seen by the Trustees as an extremely serious step -- one taken only in the most compelling circumstances.

Princeton declines an institutional association with a company when that company's behavior conflicts substantially with central values of the University. A decision to exclude the securities of a company from Princeton's portfolio carries with it a decision not to solicit gifts from the company. For Princeton, divestiture means disassociation.

* Report of the Policy and Budget Subcommittee to the Board of Trustees, page 3 (Oct. 19, 1985).

** Id., page 11.

II.

It follows that the University's attention focuses on the conduct of the company itself, not on general political considerations. Continuing deterioration of the situation in South Africa does affect the context in which the actions of companies must be viewed, but it is the conduct of the company that remains the primary issue when considering divestiture. For Princeton, the purpose of selective divestiture is to separate the University from companies whose conduct contravenes the values of the University; the purpose is not to make political statements, to censure governments, or to pressure either companies or governments to adopt particular policies. In keeping with the nature of the University -- an institution dedicated to maintaining its independence and remaining open to conflicting points of view -- Princeton will not use its portfolio as a political tool. It can and will remove from its portfolio, and from its appeals for funds, a company that compels disassociation by its own behavior.

III.

Princeton continually scrutinizes the activities in South Africa of companies in its portfolio. Review begins with the Resources Committee of the CPUC, whose recommendations then move to the Policy and Budget Subcommittee of the Finance Committee of the Board of Trustees. This subcommittee's findings and conclusions concerning divestiture, in turn, go to the full Board for final action. As part of the process, the University seeks an opportunity to talk with each affected company.

Consistent with earlier Trustee determinations, review centers on companies in the portfolio with one or more of these characteristics: a demonstrated unwillingness to sign the Sullivan Principles, repeated failure to achieve satisfactory ratings under the Principles or otherwise to meet the standards they establish, sales to the South African government, and persistent failure to participate in satisfactory exchanges of viewpoints with the University.

IV.

Out of deliberations of the Trustees and the process just described has come "case law" providing further definition of Princeton's approach to selective divestiture. In brief:

- o The University will not hold the stock of a company that does a primary part of its business in South Africa.
- o There is a presumption that divestiture will occur if a company's activities in South Africa are found to violate substantively United States law. One example of such an activity would be export or import of prohibited goods and technology, such as computer exports to agencies enforcing apartheid, or exports to anyone in South Africa of petroleum or munitions. Another example would be participation in new loans to South Africa, except for trade-related financing.
- o The University views with serious concern any sales to the South African government and considers such factors as whether these sales are mandatory under South African law, whether they are de minimis, and whether they involve goods available in the general economy (such as locally-refined petroleum products or general purpose motor vehicles) or goods of more limited and specialized characteristics (such as two-way radios or custom-designed computer equipment). If the sales are voluntary, large and specialized, the University gives the most serious consideration to disassociation. If they are not, the University looks further to see whether the company's conduct as a whole justifies continued association.
- o The University closely reviews the quality of a company's overall activities in South Africa, taking into account whether: (1) the company has set the pursuit of racial justice in South Africa as

one of its high corporate priorities in that country; (2) the leaders of the company have ensured that this priority is in fact acted on by the company; (3) the company's efforts to this end are both intense and broad, going beyond its immediate workplace to include social and political initiatives in the larger community; (4) the company is knowledgeable about South Africa and how best to try to influence it; and (5) the company respects Princeton's need to know about the quality of the company's efforts in South Africa. If Princeton finds that a company's activities have been of a persistently low quality, it will disassociate; but if Princeton finds activities of a persistently high quality, it does not disassociate even though the company's best efforts to pursue racial justice in South Africa may be frustrated by forces beyond its control.

V.

Princeton is in its third century. The University existed before the present crisis in South Africa and will exist after it. There always have been and likely always will be governments whose policies contradict core values of the University. Companies in Princeton's portfolio have done and will do business in countries controlled by these governments. These enduring realities dictate, and Princeton has sought to ensure, that the University's policies on divestiture can be fairly and consistently applied both as they affect companies doing any part of their business in South Africa and in situations not limited to South Africa.

Recent experience demonstrates anew how hard it is to judge accurately the commitment of a company to values consistent with those of the University on the basis of the presence or absence in South Africa of a business owned by the company. Some companies appear to have withdrawn from South Africa simply because they no longer wished to be bothered by a debate over racial justice that may not have mattered very much to them; others have withdrawn

because they no longer felt they could do good there; business conditions and the economic/political outlook were factors in some decisions to withdraw. Still other companies have elected, at least for now, to remain because they have felt that they have obligations to employees, suppliers or customers; and some companies have felt that decisions of this kind should be based on policies made by the United States government. No doubt others have stayed in South Africa for their own business reasons or simply out of inertia. In such circumstances, it is easy to see why even some people most actively concerned with combatting racism in South Africa have mixed reactions to decisions by companies to withdraw.

These facts compound the difficulties for the University in making serious, conscientious decisions about disassociation from a company that does (or did) business in South Africa. Similar difficulties are almost certain to present themselves as individuals and groups with concerns beyond South Africa seek to apply what they see as the implications of the divestiture movement to different countries and to issues other than racism.

VI.

No disagreement exists at the University about the evil of racial injustice in South Africa. Disagreement does exist about the proper use of divestiture in response to injustice in South Africa. Disagreement also exists about both the propriety and efficacy of divestiture as a strategy to be used by a university in seeking to effect social change. Recognizing such disagreements, Princeton remains committed to discussing the fundamental issues with an openness to different points of view and a respect for all of the participants in the discussions. These are themselves values vital to the well-being of the University.

