Summary of Report on Matters Related to the Republic of South Africa

The Trustees of Princeton University
October, 1985

This is a summary of a report adopted by the Board of Trustees of Princeton University on October 19, 1985. The report recommends the commitment of significant resources to a set of academic initiatives related to South Africa and specifies criteria to be used and a process to be followed in considering the possible selective divestiture of securities in companies doing business in South Africa. As they adopted this report, the Trustees reiterated their view that general divestiture by the University "is not effective or appropriate."

The possible academic initiatives, intended "to contribute in affirmative ways to improving the long-term prospects for South Africa through the University's central mechanisms: teaching and research," include interactions with South African universities, support for sabbatical leaves and research projects for Princeton faculty interested in South Africa, and an expanded, preferably national, mid-career program for non-white South Africans, along with a possible companion program for "senior fellows" from South Africa.

With respect to selective divestiture, the Trustees stressed their fiduciary responsibility "to achieve the best possible

return on the investment of endowment funds," but also noted that "the University has concerns that extend beyond the discharge of fiduciary responsibility, and there may be unusual situations in which the University simply does not wish to be associated with a particular company through ownership of its securities. 'Selective divestiture' refers explicitly to situations in which the University elects, for non-financial reasons, to sell the securities of specific companies and to instruct its investment managers to make no new purchases of such securities."

The report emphasizes that "in keeping with the nature of the University, its openness to conflicting points of view, and its commitment to maintaining its independence, the purpose of any policy of selective divestiture should not be to make political statements or to seek to bring pressure to bear on companies or governments to adopt particular policies... Rather, selective divestiture should be considered only when such action seems required to prevent the University from being associated, as a stockholder, with a company whose behavior has been found to represent, in substantial degree, a clear and serious conflict with central values of the University." The report, while recognizing the singular nature of the South African situation and its special call on the conscience of the United States, also stipulates that any policies concerning selective divestiture

"should be capable of reasonably fair and consistent application in situations not limited to South Africa."

The report suggests a number of "benchmarks" for use in identifying companies that require further scrutiny with respect to their South African operations and outlines a process to be followed to review the activities of such companies. The "benchmarks" include: unwillingness to sign the Sullivan Principles; repeated failures to achieve satisfactory ratings under the Sullivan Principles or to meet the standards that they establish; failure to adhere to certain prohibitions (recently reinforced by Executive Order) concerning direct bank loans to the South African government and sales of certain kinds of equipment to the South African military and police; and persistent failure to arrive at satisfactory exchanges of viewpoints through the regular process of interaction with companies whose securities are owned by the University. Final decisions concerning any possible divestiture of securities would be the responsibility of the Board of Trustees, following full opportunity for the affected companies to present their points of view.

Given the purpose of selective divestiture -- "to decline a institutional association" between the University and a particular company -- the report recommends that "any decision to exclude the securities of a company from the University's port-

folio would be accompanied by a Trustee decision not to solicit gifts from the company."

The report concludes that "the University should not adopt policies concerning selective divestiture unless there is a willingness to sell particular securities, should the case for doing so seem compelling. At the same time, the University should not seek to make an example of a particular company or to sell securities simply to indicate that it takes selective divestiture seriously." It recommends that the process outlined in the report "should be pursued carefully and with a willingness either to sell or not to sell as the weight of evidence suggests."

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