

COLUMBIA UNIVERSITY

**ADVISORY COMMITTEE
ON SOCIALLY RESPONSIBLE INVESTING**

INTERIM ANNUAL REPORT 2004-2005

May 6, 2005

Advisory Committee Members:

Merritt Fox, *chair*

Enrique Arzac

Steven Attewell

Robert Boothe

Robert Carow

Robert Diamond

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Albert Horvath, *ex officio, non-voting*

Robert Lewy

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Coilin Parsons

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Director for Shareholder Responsibility:

Ivan Gonzalez

I. Introduction and Background

During the 2000 spring semester, Columbia established two committees to assist the University in addressing its responsibilities as an institutional investor: the Advisory Committee on Socially Responsible Investing (ACSRI) and the Trustees Subcommittee on Shareholder Responsibility (TSSR). The ACSRI is a permanent addition to the University, with the mandate to set its own agenda within the broad arena of socially responsible investing (SRI). Its mission is to advise the University Trustees on ethical and social issues that arise in the management of the investments in the University's endowment.

The ACSRI has established a membership process to ensure that it is broadly representative of the Columbia community. The President of the University appoints twelve voting members (four faculty, four students, and four alumni), who are nominated, respectively, by the deans of the schools, the Student Affairs Committee of the University Senate, and the Office of University Development and Alumni Relations. In addition, one administrator (the Executive Vice President for Finance) sits as a non-voting member. Merritt Fox, Michael E. Patterson Professor of Law, chaired the ACSRI during the 2004-2005 academic year.

The legal and fiduciary responsibility for the management of the University's investments lies with the University Trustees. As a result, ACSRI recommendations are advisory in nature. The TSSR deliberates and takes final action upon the recommendations of the ACSRI.

The following interim report, released in the interest of informing the University community by the end of the academic year, describes the work and activities of the ACSRI thus far during the 2004-2005 academic year. It provides summary information about ACSRI recommendations and TSSR votes on shareholder proposals during the 2005 proxy season (the period between March and June when most publicly traded corporations hold annual meetings). The ACSRI will release a more detailed and complete 2004-2005 Annual Report during the fall of 2005.

The ACSRI is extremely grateful to the University Trustees and the President, and the administrators, particularly the Executive Vice President for Finance and the Director for Shareholder Responsibility, who have given this effort a great deal of their time, provided wise counsel to the ACSRI, and also provided the resources necessary for the ACSRI to perform its mission.

I. 2004-2005 Agenda

Each year, the ACSRI selects a set of SRI issues that it will review in the context of shareholder proposals, as well as other SRI activities that it considers important. This selection and agenda-setting occur in the fall and serve as the basis for the preparation of an annual agenda that is distributed to the University Trustees and President, the University Senate, and the University community during the fall semester. In December 2004, the ACSRI adopted and disseminated to the University community its 2004-2005 Agenda (attached). As was the case in the previous academic year, the Agenda focuses on making recommendations to the Trustees on how the University, as an investor, should vote on selected shareholder proposals addressed to publicly held corporations whose securities are owned in Columbia's endowment portfolio. In addition,

the 2004-2005 Agenda outlined other activities that the ACSRI further considered and explored with the TSSR throughout the year.

The issue areas selected for review during the 2004-2005 academic year reflect most of the same broad categories as those selected during the previous academic year. The traditional categories selected again this year include shareholder proposals related to environment and energy, animal welfare, labor conditions (including equal opportunity and forced labor proposals) and equal employment, board diversity, sustainability, human rights, the problem of HIV/AIDS, pharmaceutical pricing and access, military weapons and security, linking executive compensation to social criteria, and corporate political contributions. As these broad groupings indicate, most current social issues are on the ACSRI's agenda. During the 2004-2005 academic year, the ACSRI once again chose to leave corporate governance and most executive compensation proposals outside its scope of review, in order to apply greater and expanded focus to issues of social responsibility, most effectively apply its collective expertise, and accommodate the priorities of the University community. The ACSRI did leave open the possibility to review selected corporate governance proposals if the need or desire arose, but no such proposals have been, in fact, reviewed in 2004-2005.

The ACSRI has not completed its work for this proxy season, but as of this writing has reviewed 54 social responsibility shareholder proposals. By the end of the proxy season, the ACSRI will have reviewed approximately 80 proposals. The table below summarizes the proposals that the ACSRI and TSSR expect to review by the end of this proxy season and compares these figures to those of 2004, 2003 and 2002:

Issue	2005		2004		2003		2002	
	Count	%	Count	%	Count	%	Count	%
Animal Welfare	7	9	3	3	--	--	--	--
Board Diversity/Independence	1	1	--	--	20	15	15	17
Environment and Energy	15	19	16	16	21	16	19	21
Executive Compensation	3	4	10	10	67	51	24	27
Global Labor Standards	3	4	14	14	12	9	14	16
Human Rights	4	5	1	1	2	2	4	4
Equal Employment/Northern Ireland	7	9	7	7	7	5	8	9
Health Issues (drug pricing/access, HIV/AIDS)	9	12	11	11	3	2	5	6
Political Contributions/Charitable Donations	22	28	33	34	--	--	--	--
Job Cuts and Relocations (Outsourcing)	1	1	--	--	--	--	--	--
Military and Security/Weapons	2	3	2	2	--	--	--	--
Sustainability Reporting	4	5	--	--	--	--	--	--
Total	78		97		132		89	

As a general matter, the ACSRI expects that making recommendations to the TSSR with respect to shareholder proposals will continue to be one of its core activities. At the same time, each year has brought new elements as well as the accumulation of expertise on both process and substance, which have led the ACSRI to conduct and consider additional activities.

By way of a few examples, in the fall 2002, in response to comments at its public hearings and written submissions, the ACSRI considered and issued its Statement on Petition to Divest from Corporations Selling Arms to Israel. In addition, it contacted experts and further considered the issues and processes involved in positively as well as negatively screening the endowment portfolio. As of that time, the ACSRI has felt that no adjustments of that kind appear necessary or desirable.

During the spring 2005, the ACSRI continued its discussions, internally and with the TSSR, on possible activities in addition to proxy review. Possible additional activities discussed include corresponding with shareholder proponents where the ACSRI feels such comments would be appropriate to clarify or expand on its position or useful in the refashioning of proposals that are weakly drafted. Apart from the possible utility to proponents, the ACSRI feels such correspondence may inform the University community about the complexity of many issues, the relevance and quality of the ACSRI's deliberations, and the burden upon proponents to draft proposals that are feasible and withstand serious consideration. At the same time, the ACSRI realizes that it must consider carefully the content of such letters and possible constraints on interaction with proponents in light of its identification with the University. Another possible activity discussed is corresponding with company management in selected cases where the ACSRI is unable to support a proposal as drafted, but where it feels there is an issue on which it wants to express its views to management. The ACSRI decided that it would consider additional actions with respect to the issues on its Agenda as it evaluated the need for these actions in the context of specific shareholder proposals.

The ACSRI also heard from various experts on social issues and corporate governance matters, and anticipates, as its reserve of experience and expertise grows, that it will manage an expanded scope of proxy review, while also proactively identifying future issues and projects.

II. Outreach to the University Community

In order to develop its 2004-2005 Agenda and related processes, the ACSRI met six times during the summer, fall, and winter 2004-2005. During this period, the ACSRI deliberated, gathered information, consulted with key representatives of expert organizations and stakeholders in the proxy process, such as the Investor Responsibility Research Center (IRRC), Institutional Shareholder Services (ISS), the Interfaith Center on Corporate Responsibility (ICCR), Pfizer, Inc., and TIAA-CREF, and considered the opinions and priorities of members of the University community.

In addition to its meetings, the ACSRI held an informative and productive community hearing on November 23, 2004, the director for shareholder responsibility met with students to exchange views about possible SRI activities, and the ACSRI encouraged all members of the community to submit written views and suggestions by letter and e-mail.

In 2004-2005, the ACSRI continued to make productive use of the Columbia SRI website (<http://www.columbia.edu/cu/secretary/SRI/>), posting its minutes, reports and other announcements throughout the fall and spring, so that members of the University community might stay abreast of its activities. The SRI website also enables members of the University

community to comment on the issues that the ACSRI may consider and to submit their views on the University's ethical and social responsibilities as an investor.

In addition to the shareholder proposal review meetings described below, the ACSRI met with the TSSR at the start of the proxy season and will have an additional “wrap-up” and planning meeting with the TSSR at the end of the proxy season.

II. 2005 Proxy Season

By the end of the spring 2005 proxy season, the ACSRI will have met seven times for review of shareholder proposals. Issues within the ACSRI’s 2004-2005 Agenda raised through the proxy process this year include: animal testing and review of animal welfare standards, corporate environmental practices (environmental management and reporting, global climate change, renewable energy sources, and corporate lobbying on environmental issues), labor conditions (equal opportunity, corporate codes of conduct and global labor standards, and fair employment in Northern Ireland), human rights in countries with oppressive regimes, genetically modified organisms in food products, linking executive compensation to social criteria, the HIV/AIDS pandemic, drug pricing and access, ethical criteria for the exporting of military weapons, reporting on sustainability and developing broad social standards, offshore outsourcing of jobs, and corporate political contributions. As of May 6, 2005, the ACSRI has deliberated on 54 such shareholder proposals to which the University had voting rights. The ACSRI made formal recommendations to the TSSR on 53 of these shareholder proposals, having been unable to develop sufficient consensus (six uniform votes required for a formal recommendation) on one occasion. As has been the case in previous years, coordination and cooperation between the ACSRI and the TSSR have been excellent. The voting pattern so far this year shows 100% agreement between the TSSR and the ACSRI on the 53 recommendations, with both committees supporting shareholder proposals in 25 cases. The table below summarizes results for this year as of May 6, 2005 and prior years:

Year	Number of		Agreement by TSSR (%)
	Proposals Reviewed	Recommendations to TSSR	
2004-2005 (as of 5/6)	54	53	100%
2003-2004	78	70	93%
2002-2003	132	122	92%
2001-2002	89	68	82%
2000-2001	32	19	89%

Review of shareholder proposals requires case by case examination, consideration of relevant University precedent, and review of background analyses and information provided by various shareholder services, such as those provided by the IRRC, a non-profit organization created in 1972 to supply institutional investors with objective analysis of issues of social concern and corporate responsibility raised through the proxy process. Information was also provided by other public sources and by members of the University community. As indicated, in the fall a

more detailed discussion of the specific issues involved in the various shareholder proposals and the reasons for the ACSRI's recommendations will be provided in the 2004-2005 Annual Report.

III. Looking Ahead

During the summer months, the ACSRI will continue its work through its Steering Subcommittee. Among other activities, the Subcommittee will participate in assessing the work of the ACSRI over its first 5 years and evaluate the proxy review process. The Subcommittee will also continue to seek ways to develop suitable and efficient guidelines, attempt to expand dialogue with comparable committees at other universities, and consider additional materials and presentations that might enhance the ACSRI's reservoir of expertise.

ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING
2004-2005 AGENDA
December 7, 2004

INTRODUCTION

At the recommendation of the President, and with the approval of the University Trustees, the Advisory Committee on Socially Responsible Investing was established in March 2000 to address issues of corporate social responsibility confronting the University as an investor. The Committee was asked to “set out a specific agenda” for each academic year, and to provide it to the Columbia community during the fall semester. After gathering much information, holding a community hearing, and carefully deliberating, the Committee has decided on the following agenda for the 2004-2005 academic year, which builds on the Committee’s experience during its first four years.

AGENDA

During the 2004-2005 academic year, the Committee will continue to review selected shareholder proposals made to public corporations in which the University has invested its endowment. In general, the Committee will recommend to the University Trustees how to vote on shareholder proposals related to the same broad social issue categories that it has reviewed in previous years, namely: environment and energy, animal welfare, labor conditions (including equal opportunity and forced labor proposals), human rights, the problem of HIV/AIDS, pharmaceutical pricing and access, military weapons and handgun production and sales, and corporate political contributions. In addition, given the large number of proposals that are surfacing with regard to corporate governance, the Committee may decide to choose a select number of areas where it believes it can add some value to the discussion and make recommendations in these areas as well. The Committee will further refine its focus as the proxy landscape becomes more apparent in the winter 2005. The Committee will continue to explore other ways to communicate its concerns about issues of corporate social responsibility, for example through contact with proposal proponents or through direct communication to corporate managers. Over the course of the academic year, the Committee may advise the Trustees on other compelling issues involving socially responsible investing and adjust its agenda, if and as relevant matters arise.

PROCESSES

The Committee will strive to develop its expertise and proficiency on matters identified on its agenda and develop sound and consistent positions. With respect to proxy review, the Committee will review shareholder statements and company responses, as well as other supporting and opposing statements and independent reports and opinions. The Committee will also continue to form subgroups, where appropriate, to consider select issues. In its deliberations, the Committee will draw on the experience and expertise of the University community and on other internal and external resources.

The Committee will keep a record of all matters that are put to formal vote, including all recommendations that are submitted to the University Trustees via the Trustees Subcommittee on Shareholder Responsibility. The Committee will work with the Trustees Subcommittee to make possible the timely and accurate submission of proxy ballots.

An interim annual report of the activities of the Committee will be released at the conclusion of the academic year, and a final report will be released the following September along with other reports, as appropriate. The Committee will communicate this agenda to the President, the University Trustees, and the University Senate.