

**Advisory Committee on Investment Responsibility (ACIR)  
Forum Summary  
November 14, 2017**

The Advisory Committee on Investment Responsibility (ACIR) held their annual forum on Tuesday, November 14, 2017 from 6:00 p.m. to 7:30 p.m. in the Rubenstein Library, Holsti-Anderson Room. Committee members in attendance included Chair Lawrence Baxter, Marty Smith, Ewan Kingston, Tracy Futhey, Jia Jia Shen, Scott Gibson (ex-officio), and Richard Riddell (ex-officio). Also attending was Michele Wittman, staff support for the committee.

Chair Lawrence Baxter opened the forum with a brief welcome and introduction of all committee members in attendance. He continued with a brief explanation of the ACIR, its purpose and scope of influence. The ACIR meets twice per academic year and hosts a forum, usually in the fall, as part of its mission to ensure the Duke community is apprised of its efforts and is given an opportunity to provide input to its work and its agenda. It is important to hear from the community and any concerns they may have.

Before opening the floor to comments and questions, Chair Baxter summarized four issues previously addressed and reviewed by the ACIR and the outcomes for each: Sudan/Darfur, Conflict Minerals, Fossil Fuels and Endowment Transparency. Documents pertaining to each issue can be found on the ACIR website (<https://acir.duke.edu>). Chair Baxter welcomed any comments or questions.

**Marketing and Advertising for the Annual Forum.** Many attendees expressed concern about the marketing of the forum. Chair Baxter stated that the forum is held once per year, usually in the fall. Information about the forum was posted on the ACIR website since mid-September when the date and room were confirmed. A flash email was also sent to all staff, faculty and students of the university. Unfortunately this was the first time the forum was brought to the notice of many of the attendees. For previous forums, an ad had been placed in the Chronicle. Nevertheless, the turnout for the current forum is the largest since the forum that was held regarding the Darfur issue. Marketing for the Forum needs to be improved to reach all groups concerned and to provide enough notice for those who want to attend and be able to provide input and express concerns. An attendee suggested the committee target specific student groups or clubs for advice about marketing. Another attendee expressed concern about the timing of the forum (6pm-7:30pm) as most students may not be able to attend during that time. Two attendees also noted that the forum was scheduled at the same time as a basketball game (away game Duke VS Michigan State, tip off at 7pm, televised on ESPN). Other possibilities include holding additional open meetings or perhaps a forum in the spring, but not certain.

**ACIR Website.** The committee updated the design and content of the ACIR website to improve its utility as a community resource. Chair Baxter encouraged everyone to visit the new site, <https://acir.duke.edu>. The 2016-2017 annual report will be ready soon to post on the website. Minutes from meetings would be posted on the website as well. The committee encourages and welcomes any suggestions or comments about the website. The ACIR is committed to being communicative with and receptive to constructive feedback from the Duke community. The website could serve as a place of guidance and open communication and an attendee suggested the committee add a discussion thread on the website or a place for comments.

**Investment Transparency.** Several forum attendees expressed concerns about investment transparency and the role and influence the ACIR has with regards to investment decisions.

One concern raised was that there is no avenue, for those who are contributing via fees, or plan to contribute as alumni, to “vote” on how money is used or invested. Duke uses different avenues already in place to review investments. If there are specific companies of concern, either as a result of the committee’s own discovery or upon the submission of well-motivated, fact-based memos from members of the Duke community, the ACIR would perform an analysis before making any recommendations to the Board of Trustees regarding investments with a particular company. The ACIR is provided, confidentially, a list of direct investments by DUMAC to review on a periodic basis. The Duke community may contact the ACIR if there are specific issues or companies that need particular attention. The ACIR would then investigate and make a recommendation to the president and Board of Trustees on what action to take, if warranted and appropriate.

Fiduciary responsibility to the welfare of Duke is a critical important obligation of both the Board of Trustees and DUMAC. DUMAC, while under a central obligation to optimize income for the endowment, does

monitor investments to identify any companies that might be precarious. Some discussion of the various factors involved followed. During the financial crisis of 2008, all investments suffered, including the university's endowment. The Board of Trustees made the decision to freeze salaries at and above a certain level to help balance the loss and help recovery. There are no shareholders to inform or vote on investments as Duke is not a for-profit company. The University President decides whether to take a committee recommendation to the Duke Board of Trustees, and the Board make the final decisions on whether to restrict any investments made by DUMAC, or whether any investments should be divested. Without any specific instructions from the Board, DUMAC, however, has to have broad, confidential discretion in managing and monitoring the overall investment portfolio—both direct investments and the funds in which Duke chooses to invest. One of the roles of the ACIR is to function as a filter of Duke community concerns to identify whether there is good cause for the President (and, in the President's discretion, potentially the Board) to address a specific category of direct investment. If the ACIR believes that a matter should be considered, they make recommendations accordingly.

Some in the audience expressed interest in obtaining more information about the types of investments Duke manages and where this information could be found. DUMAC and the University are under an obligation to follow federal guidelines regarding the release of information about financial investments. Both are also bound by the necessary confidentiality that attends day-to-day investing. After review of other peer institutions, the ACIR learned that with the exception of one institution (which releases information on a very limited basis), other universities follow strict confidentiality standards with respect to specific endowment holdings and do not release information regarding specific investments. Information regarding the aforementioned review and the final [ACIR Endowment Transparency Report](#) can be found on the ACIR website. Duke follows standard practice for peer institutions and has settled on a compromise in which members of the ACIR may be given confidential information about direct investments in order to help the committee make judgments about the desirability of specific companies or sectors.

The number of direct investments held by Duke is relatively small compared to the total amount of investments. As part of its strategy to optimize returns, DUMAC makes the majority of investments in asset funds. It is nearly impossible to monitor or identify specific companies included in these funds as the specific investments may change daily. DUMAC monitors indirect investments daily but cannot always know about every company included in these funds. The committee would be interested and open to continuing the conversation about transparency but the committee is obligated, as is DUMAC and the Board of Trustees, to adhere to guidelines as to what can be released.

The discussion shifted to a recently published article in the New York Times (<https://www.nytimes.com/2017/11/08/world/universities-offshore-investments.html>) and an editorial that appeared in The Chronicle (<http://www.dukechronicle.com/article/2017/11/171113-roberts-edit>) regarding The Paradise Papers and off-shore investment strategies. The leaked Paradise Papers are covered in a series of news stories that report on the offshore financial dealings with some of the world's largest corporations and how these same financial strategies are tied to the investments of some college endowments. Some attendees expressed concern that it appeared from the New York Times report that Duke is more interested in profit than the asserted social damage caused by some of the companies and investment structures mentioned in the article and editorial. Chair Baxter told the attendees that DUMAC and Duke University diligently follow financial regulations and tax laws and are not involved in anything underhanded or illegal. Each transaction is carefully vetted by legal counsel and compliance managers. Duke University is a non-profit organization and is not subject to taxation as for-profit companies would be, so the suggestion of tax avoidance made no sense. He emphasized that the ACIR was only made aware of the information shared in the New York Times report a few days before the already-scheduled forum was to be held. Nevertheless, Baxter had been in communication with DUMAC about the report and had been assured that careful legal and compliance screening accompanied investments referred to by the report. By the nature of some of the investments held by Duke University, it is impossible to know everything about the companies included in these investments.

With the revelation of this new information, and in following the charge given to the ACIR, the committee will continue to monitor this issue. The committee remains open to substantive memos articulating concerns regarding investments relating to the Times story. Chair Baxter and committee member, Ewan Kingston, emphasized the importance of such memos being well-argued and the committee's role in assessing such reasoning carefully.

**Investments in Alternative Energies and Carbon Neutrality.** An audience member asked whether ACIR's fossil fuel recommendations aligned with Duke's commitment to be carbon neutral by 2024. Chair Baxter noted that Duke had already made several strides in pursuing that goal, including the installation of an entirely new and much more environmentally friendly power plant. The Chair also pointed out that although Duke may not have a

direct influence on persuading companies to move toward investing in alternative energy, we are committed in our recommendation to monitoring investments and exercising voting rights in a manner that encourages the development of sustainable energy and carbon neutrality. Information about [Duke's Climate Action Plan](#) can be found online.

**Guidelines for Investment Responsibility.** An attendee raised the concern that [the guidelines for investment responsibility](#) (established in 2004) were outdated. The attendee suggested that Duke should take a more active role in identifying financial strategies to use, and companies to invest in, rather than waiting to review investments when a particular issue arises; to be proactive rather than reactive. In Chair Baxter's view, a wide-ranging and proactive approach is not feasible given the absence of resources on the part of the committee, and given DUMAC's role as investment managers and fiduciaries. The committee, however, would be alert to emerging issues and begin research and discussions were an issue of concern present itself. Chair Baxter invited suggestions from the Duke community on what strategies to adopt or in which companies or sectors to invest or divest. Such suggestions, if well motivated, could trigger more in-depth work by the committee and ultimately influence recommendations to the President advocating a possible shift to greater transparency.

**Other topics for Consideration.** One attendee brought up the issue of the impact of Duke's investments on affordable housing in Durham. Chair Baxter said the issue has not been presented to the committee before. Provided concerns focus on Duke's investments and investing strategies (and not general public controversy), the committee would be willing to review any issue and anyone submitting topics for review by the committee are encouraged to provide as much information as possible on any proposed topic.

**Next Steps.** Chair Baxter will post the minutes from the forum and the October committee meeting on the ACIR website. He also invited the submission of memos of concern, and he undertook to ensure that the committee remained vigilant to changes and new issues.

The forum adjourned at 7:30 p.m.

Submitted by Michele Wittman