



STANFORD UNIVERSITY
APIRL ANNUAL REPORT 2013/14



Table of

CONTENTS

2	LETTER FROM THE CHAIR
2	2013/14 APIRL ACTIONS
4	TOWN HALL
5	APIRL BACKGROUND
6	2013/14 ADVISORY PANEL ON INVESTMENT RESPONSIBILITY AND LICENSING

2013/14

APIRL ANNUAL REPORT

Dear Stanford Community:

In 2013/14, Stanford's Advisory Panel on Investment Responsibility and Licensing (APIRL) considered social issues ranging from climate change to workers' rights. These were the issues that members of the Stanford community told us were important, and the recommendations made by the APIRL reflect the consensus of its student, faculty, staff and alumni members. APIRL members worked long hours and completed in-depth research in order to bring insight and informed judgment to these complex issues.

I want to thank the APIRL members for all of their hard work this year, and applaud our community for encouraging Stanford to take a look at the critical social issues of our time.

Best regards,

Susan Weinstein

Chair, Advisory Panel on Investment Responsibility and Licensing

2013/14 APIRL ACTIONS

During the 2013/14 academic year, APIRL (i) evaluated a request to freeze new investment and divest a group of 200 publicly-traded fossil fuel companies, (ii) evaluated a request by the Workers' Rights Consortium (WRC) that Stanford require its trademark licensees which source, produce or purchase collegiate apparel in Bangladesh to sign the Accord on Fire and Building Safety in Bangladesh (Accord), and (iii) reviewed the criteria for placing securities on and removing securities from the Sudan Restricted Securities List.

At the conclusion of the year, APIRL took the following actions:

I. Action:

Recommended to the Stanford Board of Trustees' Special Committee on Investment Responsibility (SCIR) that Stanford's endowment not make direct investments in publicly traded companies whose primary business is the mining of coal for use in energy generation. The resolution was approved by the SCIR in April 2014 and by the Board of Trustees in May 2014.

Background:

A Request for Review which asked for an assessment of fossil fuels and Stanford's endowment was submitted to APIRL by Fossil Free Stanford, a Stanford student organization, in May 2013. The rationale for the Request focused on climate change and its negative impact on future generations. The Request was as follows:

We request that Stanford join the national divestment movement by immediately freezing any investments in fossil fuel companies and divesting within five years from any commingled funds that include fossil fuel public equities and corporate bonds. We specifically request divestment from the 200 publicly traded fossil fuel companies with the most carbon in their proven coal, oil, and gas reserves.

At the beginning of its deliberations in October of 2013, APIRL heard a presentation from Fossil Free Stanford, which highlighted support for fossil fuel divestment at Stanford, including a petition which had over 1,200 signatures from students, alumni, faculty, and staff. Following the meeting, APIRL conducted extensive research and consulted with independent experts on the related environmental and social issues.

Instead of recommending non-investment in the original 200 fossil fuel companies requested in the Request for Review, APIRL recommended that Stanford not make or continue to hold any direct investment of endowment funds in publicly traded companies whose principal business is the mining of coal for use in energy generation. In making this recommendation, APIRL concluded that a recommendation to divest from coal companies was consistent with the conditions established by Stanford's Statement on Investment Responsibility, while a recommendation to divest from all fossil fuel companies was not.

Stanford's Statement on Investment Responsibility http://apir.stanford.edu/stanford_statement, permits the Board of Trustees, when making investment decisions, to give independent weight to corporate policies or practices which cause substantial social injury and (a) a desired change in the company's activities would have a direct and material effect in alleviating such injury, (b) the Trustees have exhausted their practicable shareholder rights in seeking to modify the company's activities to eliminate or reduce the substantial social injury thereby caused, (c) the company has been afforded the maximum reasonable opportunity to alter its activities, and (d) no alleviation of the substantial social injury by the company is likely within a reasonable time.

In coming to this conclusion, APIRL determined that:

1. Alternatives to most fossil fuels are not available on the massive scale necessary to replace them in the global economy;
2. Alternatives to coal, one of the most carbon intensive methods of energy generation, are readily available and have less harmful environmental impacts; and
3. A non-investment recommendation for coal companies is consistent with Stanford's values and commitment to sustainable practices and innovation.

The Board's decision was announced on May 6, 2014. Response was immediate and overwhelmingly positive.

II. Action:

Declined to recommend that Stanford require that its trademark licensees sign the Accord.

Background:

APIRL researched the Bangladesh garment industry fire and safety standards, the Accord and the Alliance for Bangladesh Worker Safety, a second coalition with a goal to improve factory safety through three-part programs that include factory inspections, worker training and resources to make factory improvements. At the time of the review, only eight universities had required that their licensees sign the Accord, and most were on the Worker Rights Consortium (WRC) Board. The Pac-12 had not taken a position. Other universities were relying on the WRC and the Fair Labor Association (FLA) to exert pressure on their licensees.

APIRL declined to recommend that Stanford require licensees to sign the Accord because of (i) concerns that it would encourage even more manufacturers to leave the country and (ii) the absence of a clear benefit. Education and communication are generally considered to be better tools to improve conditions.

III. Action:

Deferred proposing criteria for placing securities on and removing securities from the Sudan Restricted Securities List.

Background:

In 2005, Stanford's Board of Trustees approved placing certain companies with operations in Sudan on a non-invest list. No criteria for removing or adding to the list were established at the time. APIRL researched appropriate criteria and deferred making a recommendation pending further research by and a recommendation from the Stanford Management Company.

TOWN HALL

The APIRL Town Hall was held on May 7, 2014. APIRL presented its research, analysis, and recommendations to the community forum, highlighting the coal divestment recommendation as approved by the Board of Trustees. The Town Hall was well-attended and provided an opportunity for an open dialogue with members of the Stanford community.

APIRL BACKGROUND

In 1971, Stanford adopted the Statement on Investment Responsibility. With this statement, Stanford established the Advisory Panel on Investment Responsibility and Licensing in order to advise Stanford's President and Board of Trustees about the social and environmental impact of Stanford's investment and trademark licensing activities, as well as to provide a forum for the Stanford community to voice its concerns about these issues. The APIRL is solely an advisory body.

The APIRL consists of 12 members, composed of Stanford students, faculty, staff, and alumni. The students are appointed by the Associated Students of Stanford University, the faculty are appointed by the Senate of the Academic Council, the staff and alumni are appointed by Stanford's President.

The APIRL's primary activities include:

1. Amending existing and developing new social and environmental issue policy statements and proxy voting guidelines for shareholder resolutions on social and environmental issues;
2. Receiving, reviewing and researching Requests for Review related to social and environmental issues, and making recommendations to Stanford's President and Board of Trustees on future action; and
3. Developing and presenting written reports and providing background information in support of the Panel's action recommendations.

The APIRL has three subcommittees which research and evaluate issues brought before it: (i) Diversity, Non-Discrimination and Labor Equity; (ii) Environmental Sustainability; and (iii) Human Rights. Ad hoc subcommittees are formed to address other issues, as needed.

Issues are brought to the APIRL by submission of a Request for Review, which identifies an issue that a member of the Stanford community would like evaluated. Faculty, staff and students with concerns about Stanford's investment policies related to social and environmental issues are encouraged to submit a Request for Review, which can be found at http://apir.stanford.edu/investment_responsibility.

Requests for Review may be submitted by email to ircommunications@smc.stanford.edu or by regular mail addressed to:

Office of Investment Responsibility
Stanford Management Company
635 Knight Way
Stanford, CA 94305

The Office of Investment Responsibility accepts and submits all Requests for Review to the APIRL. When the APIRL's review is complete, a recommendation is made to the President or the Board of Trustees' Special Committee on Investment Responsibility, as appropriate.

For more information, please visit the APIRL website at <http://apir.stanford.edu/home>.

2013/14 ADVISORY PANEL ON INVESTMENT RESPONSIBILITY AND LICENSING

STUDENTS

YASSAMIN ANSARI, Undergraduate

DEVANSHI PATEL, Undergraduate

JESSE GRODMAN, Graduate

MARY ANN TOMAN-MILLER, Undergraduate

FACULTY

JAMES CAVALLARO, Professor of Law, Stanford Law School; Director of Stanford International Human Rights and Conflict Resolution Clinic; Director of Stanford Human Rights Center

ROSAMOND NAYLOR, Professor, Environmental Earth System Science, School of Earth Sciences; William Wrigley Senior Fellow, Freeman Spogli Institute for International Studies and Woods Institute for the Environment; Director, Center on Food Security and the Environment

SARAH SOULE, Morgridge Professor of Organizational Behavior, Stanford Graduate School of Business; Professor of Sociology (by courtesy), School of Humanities and Sciences

STAFF

SALLY DICKSON, Associate Vice Provost, Office of the Vice Provost for Student Affairs

SUSAN WEINSTEIN, CHAIR, Assistant Vice President for Business Development, Office of the Vice President for Business Affairs and Chief Financial Officer

ALUMNI

BRIANNA PANG

JOHN MRKONIC

EX-OFFICIO

MARTINA POQUET, Managing Director of Separate Investments, Stanford Management Company

STANFORD MANAGEMENT COMPANY SUPPORT

KATHLEEN GREENAN, Manager of Investment Responsibility

CHRISTOPHER KNOWLAND, Associate of Investment Responsibility

HELIN GAO, Intern, Undergraduate

KELLY LUYKEN, Intern, Undergraduate

VICTORIA ZUO, Intern, Undergraduate