Dear President Corbally:

Re: Apparent Violation of the Board Policy on Investments in South Africa

Actions taken by the administration and reported to the Finance Committee of the Board of Trustees on April 20, 1979 appear to violate the Board policy adopted in March. I would like to draw your attention to the problem at this time so that repetition may be avoided.

In three cases the university rejected shareholder proposals that appear to have been mandated by Board policy. Sec. D-2 of the policy appears to say that the university will support shareholder proposals which facilitate the monitoring of the implementation of the Sullivan Principles. Since all three stockholder proposals rejected by the university sought information on corporate activity in South Africa which would facilitate monitoring of the implementation of the Sullivan Principles, administration action appears to violate Board policy.

Case #1: Caterpillar Tractor Company (voted March 28th)

The Resolution stated: "the shareholders request the Board to establish a South African review committee to examine Caterpillar activities in South Africa, including the possible military or police use of equipment sold there; to report to the Board their findings concerning such possible uses; to describe to the Board those aspects of Caterpillar's presence in South Africa which are beneficial to the black majority population and those aspects which are harmful; and to evaluate whether the harmful or beneficial aspects predominate."

The resolution aims to provide Caterpillar with more adequate information which it might use to judge its adherence to the Sullivan Principles. Since the university is using the corporations as its primary source of information on compliance, the better informed management is the more accurate our information. Thus, rejection of the resolution appears to violate Sec. D-2.

Case #2: Citicorp (voted April 10th)

The Resolution stated: "the shareholders request the Board to provide all shareholders by September, 1979 a report on the bank's current commitments in South Africa including the following information. Information directly affecting Citibank's competitive position may be omitted and funds for preparation limited to reasonable amounts."
a. for the years 1970-1979, a report, by category, of all loans made to the South African government, to its state-owned corporations, and to private corporations for their operations within that country;
b. description of the process by which such loan decisions are made;
c. description of any South African loan requests by categories which were rejected;
d. statement of current policy regarding future South African loans;
e. the bank’s evaluation of how each reported loan category contributed to the well-being of the black majority and their struggle for full political, social and economic equality.

The resolution aims to provide information on Citicorp activity in South Africa. Such information is necessary for fully monitoring the Sullivan Principles. Thus, the university’s rejection of it appears to violate Sec. D-2. The J.P. Morgan resolution was similar.

Case #3: J.P. Morgan and Company (voted April 10th)

The Resolution stated: “the shareholders request the Board to provide to all shareholders a report which includes the following, provided that information directly affecting the competitive position of the corporation may be omitted and that funds expended be limited to amounts deemed reasonable by the Board:

(a) A list of loans made to the South African government or any of its instrumentalities during the period 1970-79, describing intended use and date of maturity;
(b) A description by category of any such loan requests during this period which were rejected;
(c) A summary of the criteria by which such loans were granted or declined, and the process by which management reaches decisions on such credit allocations;
(d) A statement of policy regarding future loan requests of any South African government dedicated to maintaining apartheid;
(e) Management’s evaluation of the concrete impact of each of the above-listed loans on the struggle of the black majority for full social, economic and political equality.”

Again, the resolution aims to provide information on J.P. Morgan activity in South Africa. Such information is necessary for fully monitoring implementation - especially since J.P. Morgan is not a signatory to the Sullivan Principles. Thus, the university’s rejection of the shareholder proposal appears to violate Sec. D-2.

I appreciate your letter of April 9th indicating that you will respond to points of interpretation I raised in my letter of three weeks ago. Perhaps, clarification of those points will account for the apparent violations of Board policy cited above.