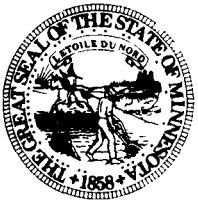


**MINNESOTA
STATE BOARD
OF INVESTMENT**

**SPECIAL
BOARD MEETING**

OCTOBER 27, 1993

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Arne H. Carlson

State Auditor
Mark B. Dayton

State Treasurer
Michael A. McGrath

Secretary of State
Joan Anderson Growe

Attorney General
Hubert H. Humphrey III

Executive Director:

Howard J. Bicker

Suite 105, MEA Bldg.
55 Sherburne Avenue
St. Paul, MN 55155
(612)296-3328
FAX (612)296-9572

*An Equal Opportunity
Employer*

DATE: October 15, 1993

TO: Members, State Board Investment

FROM: Howard Bicker *Howard Bicker*

SUBJECT: **Special Board Meeting on October 27, 1993**

The State Board of Investment (SBI) will hold a special meeting:

**Wednesday, October 27, 1993
11:30 A.M.
Room 125, State Capitol Building**

Several Board members have very tight schedules that day. As a result, we appreciate your cooperation in starting the meeting promptly at 11:30 A.M.

Secretary of State Growe requested the special meeting after she announced that she would recommend that the Board lift its investment restrictions regarding South Africa. A resolution to rescind the Board's resolution on South Africa and discontinue the Task Force on Divestment is enclosed

The Board first adopted its policy to restrict its investments in companies that do business in South Africa on October 2, 1985. The resolution was most recently amended on September 16, 1993 to establish conditions for rescission of the resolution. A copy of the current amended and restated resolution is attached for your reference.

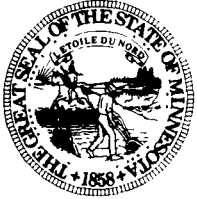
On October 27, 1993, Ms. Growe will also recommend that the Board rescind its policy to prohibit investments in the stock of American Home Products (AHP) due to its infant formula marketing practices. A resolution to accomplish this is attached. The last time the Board took action on AHP was October 9, 1979.

Please contact me if you have any questions prior to the meeting on October 27th.

Attachments

cc: Members, Investment Advisory Council
Members, Task Force on Divestment
Board Member Designees

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**AGENDA
SPECIAL MEETING
MINNESOTA STATE BOARD OF INVESTMENT
Wednesday, October 27, 1993
11:30 A.M. - Room 125
State Capitol - Saint Paul**

1. Recommendation to rescind the Board's resolution concerning South Africa (J. Growe)
2. Recommendation to rescind the Board's policy concerning American Home Products (J. Growe)

**AMENDED AND RESTATED
RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT**

**Regarding South Africa
September 16, 1993**

WHEREAS, the policy of Apartheid as maintained by the present government of the Republic of South Africa is not only morally repugnant to all who believe in the inherent rights of individual freedom and equal treatment under the law and has resulted in the systematic enslavement and subjugation of the non-white majority of South Africa but casts doubt on the safety and stability of investment in companies doing business with, operating in, or making loans to the Republic of South Africa.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. No monies held and invested by the Minnesota State Board of Investment (SBI) in its actively managed stock portfolios shall remain invested in or hereinafter be invested in the stocks of:
 - (a) any foreign or United States company or any subsidiary or affiliate thereof doing business or operating in the Republic of South Africa, or
 - (b) any bank or financial institution which makes loans to the Republic of South Africa or a governmental enterprise thereof, or other loans deemed by the SBI to directly support Apartheid, subject to and in accordance with the provisions hereinafter set forth.
2. Foreign and United States companies, and subsidiaries and affiliates thereof covered by section 1 shall be identified:
 - (a) by reference to the most recent annual report of the American Consulate General of Johannesburg, entitled "American Firms, Subdivisions and Affiliates - South Africa," or
 - (b) through correspondence with the United Nation's Center on Transnational Corporations, or
 - (c) through information available through The Investor Responsibility Research Center, or
 - (d) by other procedures satisfactory to the SBI.

3. Banks or financial institutions covered by Section 1 shall be identified:
 - (a) from the records of the Interfaith Center on Corporate Responsibility and the Investor Responsibility Research Center, or
 - (b) from affidavits of such institutions, or
 - (c) by other procedures satisfactory to the SBI.
4. The divestiture required by section 1 shall be completed not later than June 1, 1993. In the event a manager holds stock now covered by section 1, or which was not covered by section 1 of this resolution at the time of its initial purchase but subsequently is covered by section 1, the managers shall be so notified and shall proceed in accordance with section 6 (c) and (d) in an effort to meet the SBI's goal of divestment of such stock by June 1, 1995, or, if the stock is acquired after June 1, 1993, 2 years after the date the stock became subject to section 1 of this resolution. Notwithstanding anything contained herein to the contrary, if during the process of divestiture, the SBI determines that completion of divestiture not later than June 1, 1993, would be inconsistent with the SBI's fiduciary obligations, then the SBI shall authorize an extension of time within which to complete divestiture. The SBI shall periodically evaluate the situation in the Republic of South Africa and determine whether the divestiture program shall be accelerated, decelerated or otherwise modified, including whether, as a result of lack of improvement in conditions in those countries, or for other reasons, it is necessary to seek complete divestiture of the securities covered by this resolution.
5. During implementation of this resolution, the SBI shall hereafter direct its active stock managers to neither invest funds in the stocks of i) foreign and United States companies and subsidiaries and affiliates thereof of ii) banks or financial institutions both of which are described in sections one, two and three of this resolution nor reinvest funds in the stocks of such entities following the divestment or sale thereof unless:
 - (a) SBI staff or other persons and entities charged with the day-to-day investment of funds entrusted to the SBI conclude that other available investment alternatives are not as sound from a fiduciary point of view, or
 - (b) the SBI concludes that the failure to invest or reinvest in such entities would be inconsistent with the SBI's fiduciary obligations, or
 - (c) the entities meet the standards set forth in section 7 of the resolution.
6. The process of divestiture of and limiting new investments in stocks held in the SBI's actively managed stock portfolios will be conducted consistent with fiscal prudence and so as to minimize financial market disturbance. On June 1, 1993 and monthly thereafter, the SBI shall notify its active stock managers of the implementation of this resolution. The active stock managers shall be directed as follows:

- (a) To discontinue purchases of stock covered by section 1 of this resolution unless failure to so invest would be a breach of the active stock manager's fiduciary duty to the SBI.
 - (b) In the event such manager finds it is necessary to purchase any of the stocks covered by section 1 of this resolution in fulfillment of its fiduciary obligations, the active stock manager must send a letter certifying the reasons for the purchase to the SBI.
 - (c) Active managers are not automatically required to sell any stock held which is covered by section 1 of the resolution solely to achieve divestiture.
 - (d) All decisions to sell stock should be made by the SBI's active stock managers only for economic or financial reasons in the normal course of business.
7. Notwithstanding the foregoing, the SBI may authorize the holding by the SBI's active stock managers of investments covered by this resolution in companies engaging in corporate political, social, and economic activities, in addition to compliance with the Statement of Principles (formerly known as the Sullivan Principles), as amended from time to time, or a similar corporate policy, that are deemed by the SBI to be of substantial assistance to efforts to eliminate Apartheid.

Evidence to the SBI of such corporate political, social and economic activities, which must go beyond workplace reform and include steps taken in substantial opposition to Apartheid, shall include the following:

- (a) actions to persuade the government of the Republic of South Africa to eliminate Apartheid including tangible opposition to the system of pass laws, influx controls and other fundamental building blocks of Apartheid;
- (b) absence of participation and investment in the bantustan/homelands,
- (c) formal recognition of and collective bargaining with black trade unions that are independent of government control;
- (d) providing specific training and upgrading programs at the work-place and increasing the number of non-whites in technical, skilled, professional and management positions, including positions in which non-whites supervise whites;
- (e) payment of a reasonable, livable wage to all employees;
- (f) substantial expenditures to raise the level of education and skills of the non-white majority population, including the provision of schooling for workers and children in the community;

- (g) substantial expenditures to provide decent, affordable, permanent housing units to workers and their families on a non-discriminatory basis; and
- (h) substantial expenditures to provide health and medical services to workers and their families on a non-discriminatory basis.

To be substantial, a company's expenditures should represent a proportion of profit after taxes or of revenue that is among the highest proportions spent by all United States companies in South Africa and that is significantly more than the proportion spent by the company in other countries.

8. In furtherance of the principles set forth in the resolution the SBI shall, pursuant to procedure set forth in this resolution, seek out and persuade other shareholders to act in a concerted manner to change corporate political, social and economic activities in the Republic of South Africa. The SBI, in conjunction with its staff, shall act in these and other ways to persuade corporations to continually improve their corporate political, social and economic activities in the Republic of South Africa consistent with the resolution; and from the date of this resolution, vote the shares held "For" all management or stockholder proposals consistent with this section.
9. During implementation of this amended and re-stated resolution, the SBI may direct its staff to write to the companies and institutions identified in sections 2 and 3 to inform them of the adoption of this resolution and its provisions, to give them notice of the actions they should take in order to avoid divestiture, and to provide them an opportunity to describe any actions they may be taking to work for peaceful fundamental change in the Republic of South Africa.
10. The SBI shall seek appropriate financial and legal advice concerning the divestiture program set forth for consideration in this resolution.
11. To advise and assist it in implementation of this resolution, the SBI hereby authorizes the formation of an Advisory Task Force on Divestment composed of a representative selected by each member of the SBI and at least one representative from the Minnesota corporate community, one representative from a Minnesota public employee labor group and one representative from a public employee retirement group.
12. To assist in implementation of this resolution, the SBI authorizes its Executive Director to obtain professional or technical services from the Interfaith Center on Corporate Responsibility, the Investor Responsibility Research Center or other available resources.

13. This resolution shall be effective immediately and shall continue until free and open elections are completed in the Republic of South Africa at which time this restated resolution is hereby rescinded. The Task Force on Divestment may recommend to the Board that implementation of the resolution be discontinued before free and open elections are completed if the Task Force determines that other events have transpired which will support the establishment of a multi-racial government in the Republic of South Africa, and which have increased the safety and stability of investments in companies doing business with, or operating in, the Republic of South Africa.
14. This resolution shall take effect immediately.

Amended and Restated this 16th day of September, 1993.

**RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT**

**Rescinding the Amended and Restated Resolution Regarding
Investments in Companies Doing Business in South Africa
October 27, 1993**

WHEREAS, the Minnesota State Board of Investment first adopted a resolution concerning investments in companies doing business in the Republic of South Africa on October 2, 1985; and

WHEREAS, the resolution, as most recently amended and restated on September 16, 1993, provides that implementation of the resolution may be discontinued if events have transpired which will support the establishment of a multi-racial government in the Republic of South Africa and which have increased the safety and stability of investments in companies doing business with, or operating in, the Republic of South Africa; and

WHEREAS, a bill to establish a multi-party transitional executive council was enacted by the South African parliament on September 23, 1993 and the date for multi-racial elections has been set for April 27, 1994; and

WHEREAS, Nelson Mandela, President of the African National Congress (ANC), called for all parties to lift the remaining economic sanctions against South Africa in an address before the United Nations Special Committee Against Apartheid on September 24, 1993; and

WHEREAS, in response to the ANC's call to lift economic sanctions, on October 8, 1993, the United Nations General Assembly lifted all bans against South Africa, except the mandatory Security Council arms embargo, and urged its members to start doing business with South Africa immediately; and

WHEREAS, in response to the ANC's call to lift economic sanctions, the US Senate passed the South African Democratic Transition Support Act of 1993 on September 24, 1993 which repeals most remaining economic sanctions in the Comprehensive Anti-Apartheid Act of 1986, removes restrictions related to South Africa on the Export-Import Bank and lifts the ban on direct non-military assistance to the South African government, and similar action in the US House of Representatives is expected by the end of October 1993; and

WHEREAS, following the ANC announcement, President Clinton called for all state and local governments to remove their sanctions and restrictions; and

WHEREAS, institutional investors, including public pension funds in the States of California, Massachusetts, New Jersey and Wisconsin and in the Cities of Los Angeles and New York, are now taking steps to rescind their respective investment restrictions against South Africa previously established by law or policy; and

WHEREAS, the Board finds that these events fulfill the conditions for rescission of the amended and restated resolution; and

WHEREAS, the Advisory Task Force on Divestment was established in accordance with the Board's amended and restated resolution on South Africa and was most recently re-authorized and continued in a separate resolution dated June 2, 1993, and upon rescission of the resolution, the Board will no longer require an such an advisory body;

NOW, THEREFORE, BE IT RESOLVED:

1. The Minnesota State Board of Investment hereby rescinds all provisions of its amended and restated resolution dated September 16, 1993 concerning investments in companies doing business with, or operating in, the Republic of South Africa.
2. The Advisory Task Force on Divestment which was re-established and continued in a separate resolution dated June 2, 1993 to advise the Board on implementation of its resolution on South Africa is hereby discontinued.
3. This resolution shall take effect immediately.

Adopted this 27th day of October, 1993.

Arne H. Carlson, Governor
Chair, Minnesota State Board of Investment

**RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT**

**Rescinding Its Investment Prohibition Concerning
American Home Products
October 27, 1993**

WHEREAS, the Minnesota State Board of Investment established a policy to prohibit the purchase of the stock of American Home Products (AHP) due to AHP's infant formula marketing practices in developing countries and re-affirmed the policy on October 9, 1979; and

WHEREAS, in 1991, AHP agreed to stop providing free supplies of infant formula to hospitals in developing countries and the Interfaith Center on Corporate Responsibility subsequently withdrew its shareholder resolution on this issue because it believes that the company now abides by the World Health Organization (WHO) code; and

WHEREAS, in 1991, AHP pledged its support for the WHO/UNICEF "Baby Friendly Hospital Initiative" which seeks to end free and low cost supplies of infant formula to maternity facilities and promulgates criteria for hospital practices which would "protect, promote and support the initiation of successful breast feeding by mothers"; and

WHEREAS, through the work of UNICEF, WHO, infant formula companies including AHP, and the health ministries of the governments involved, the Initiative has promoted health professional training, breast feeding training and lactation management programs in many developing countries; and

WHEREAS, the Board finds that these actions alleviate its past concerns regarding the infant formula marketing practices of AHP in developing countries;

NOW THEREFORE BE IT RESOLVED:

1. The Minnesota State Board of Investment hereby rescinds its policy prohibiting investments in the stock of American Home Products.
2. This resolution is effective immediately.

Adopted this 27th day of October, 1993.

Arne H. Carlson, Governor
Chair, Minnesota State Board of Investment