

## **Response to Request from Barnard Columbia Divest**

### **Barnard Columbia Divest's Proposal for Divestment from Fossil Fuels**

In November of 2013, members of Barnard Columbia Divest (BCD), a campus student group, requested that the Advisory Committee on Socially Responsible Investing (ACSRI) recommend divestment from fossil fuels to the University Trustees. A copy of their presentation is included as Attachment A.

Specifically, BCD requested that Columbia:

- Divest from the top 200 publically traded coal, oil, and gas companies, measured by estimated carbon reserves as defined by the Carbon Tracker Initiative, by Investor Watch and the Grantham Research Institute at the London School of Economics (<http://gofossilfree.org/companies/>).
- Impose an immediate freeze on new fossil fuel investments.
- Divest from all direct holdings and commingled funds within 5 years.

Acknowledging that:

- All people have the right to healthy lives on a safe and livable planet;
- Climate change affects all of us, but in uneven ways;
- People who contribute to climate change the least are most affected – even on a local scale.

In short, BCD sees divestment as the primary instrument to accomplish climate justice, by “revoking the social license of fossil fuel companies, [while] not impacting the financial bottom-line.”

### **Summary of the ACSRI Response**

As will be described in the following, the ACSRI found that the BCD proposal did not meet the criteria for divestment. Therefore the committee recommends to the trustees that we not adopt the BCD proposal. It should be noted that our recommendation is specific to the proposal put to us by Barnard Columbia Divest and should not be considered a general recommendation with respect to actions related to fossil fuels.

### **The ACSRI and Divestment**

The Advisory Committee on Socially Responsible Investing was chartered by the University Trustees in March 2000 to advise the Trustees on ethical and social issues arising from the management of the endowment. The ACSRI's role is purely advisory; all final decisions rest with the University Trustees.

In December 2002, the Committee considered its first request for divestment, a proposal to divest from corporations selling arms to Israel. When the ACSRI released a formal statement regarding this proposal

divestment was determined to be the strongest action an institution could take as a socially responsible investor (see Attachment B). Divestment ends communication between shareholder and corporation, thereby attempting to affect corporate behavior through the symbolic act of ceasing all connection with the company in question.

Because of this, the committee sets a very high bar for this response. The 2002 statement delineates three basic tests or criteria that must be met before divestment can be recommended.

- 1) There must be broad consensus within the University community regarding the issue at hand;
- 2) The merits of the dispute must lie clearly on one side;
- 3) Divestment must be more viable and appropriate than ongoing communication and engagement with company management.

An outline of previous divestment actions taken by the University is included as Attachment C.

### **Our Assumptions and Understandings**

The fact that climate change is real, and that the causal relationship between consumption of fossil fuels and the increase in global mean temperature is based on sound physical principles<sup>1</sup> dating back to the work of Arrhenius and Fourier in the 19<sup>th</sup> century, were largely agreed upon by the subcommittee. Therefore, it was not necessary for the purposes of this recommendation to research the role that fossil fuels play in climate change beyond the summaries of the work of the Intergovernmental Panel on Climate Change provided herein as Attachment D. It is our understanding that left unchecked climate change will continue to have a significant effect on the global economy and the health and well-being of the world's population. For this reason we took BCD's proposal as an opportunity to engage with the university community on this important topic.

We also understand that the role of the ACSRI is to advise on social and ethical issues, not to provide financial advice or analysis on the BCD contentions that divestment from fossil fuels would protect us as investors from a "carbon bubble," or their contention that divestment would have no consequences on the income provided by the University's portfolio.

Finally, we understand that when donors make gifts to the University, they do so first and foremost with the intent to further the mission of Columbia, which is "to attract a diverse and international faculty and student body, to support research and teaching on global issues, and to create academic relationships with many countries and regions. [Columbia] expects all areas of the university to advance knowledge and learning at the highest level and to convey the products of its efforts to the world." The proper management of our endowment funds helps maintain and enhance the confidence of Columbia's constituents, especially its donors. The ACSRI believes that while Columbia has taken divestment actions under extreme circumstances to further social and ethical causes, the role of political actor, however important, is secondary to the primary mission of the University. The endowment is a resource meant to

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<sup>1</sup> [http://glossary.ametsoc.org/wiki/Greenhouse\\_effect](http://glossary.ametsoc.org/wiki/Greenhouse_effect)

further the primary mission of the University and divestment should be used only under exceptional circumstances.

### **Columbia's Investment in Fossil Fuels**

Global equities make up one portion of Columbia's endowment that also comprises hedge funds, fixed income, private equity, and real assets. In the process of our research we evaluated the list of equities that appear on the Carbon Tracker 200 list and compared it to the equities that are held within Columbia's directly managed portfolio. The one relevant fossil fuel company that we owned as of June 30, 2014 was SOCO International. Independent of this request for divestiture, this stock was sold during the year and there are currently no stocks in the directly managed portfolio that appear on the Top 200 list. That having been said, there are a few securities that we hold in Columbia's name that include oil and gas stocks that were given to us by a donor, or selected by a donor, but that are not managed by Columbia's Investment Management Company (IMC). These "separately managed endowments" are from gifts that are restricted by the terms the donor placed on them. As a result, the IMC does not actively manage them, and does not have discretion to make investment decisions regarding them although, as they are registered in Columbia's name, we do vote whatever socially responsible proxies that arise from them. They are less than 1% of the total endowment.

### **Criteria 1: Institutional Consensus**

In the fall of 2013, for the first time in Columbia College history, students were asked to vote on a ballot initiative emanating from a student group, Barnard Columbia Divest. The subject of the referendum was whether or not the University should divest from fossil fuel. The majority, 73.7%, of the 36% of Columbia College students who voted, supported the motion to divest. Voting was limited to only Columbia College students.

Following BCD's presentation to the ACSRI in fall 2013, the two groups agreed that this petition, and the growing nation-wide student movement behind it, provided an opportunity to educate the broader Columbia community on this complex subject. With this intent, BCD and ACSRI co-organized a panel of experts open to the Columbia community, which was convened the evening of April 7 in Earl Hall. Adela Gondek, professor of environmental ethics in the School of International and Public Affairs, and Klaus Lackner, director of the Lenfest Center for Sustainable Energy at the Earth Institute, were joined by Ken Lassner of Aperio Group, an investment management firm, and by Ian Trupin, of Responsible Endowments Coalition. The Reverend David Schilling, Senior Program Director of the Interfaith Center on Corporate Responsibility, served as moderator. Approximately 35 students attended. The panel discussion highlighted the complexity of the divestment issue, regardless of the perspective from which the issue is viewed. It was telling that some panelists were themselves ambivalent about divestment.

A detailed summary of the panel discussion is included as Attachment E.

#### **1.a. Columbia's Current Sustainability Activities**

Apart from considering BCD's motion for divestment from fossil fuels, the University is actively engaged in addressing the issue of climate change both through world-class research and education on environmental issues primarily at the Earth Institute<sup>2</sup>, and also by making more efficient use of energy in campus operations. Specifically, Columbia University remains wholly committed to sustainability in a holistic sense, as evidenced by the creation of the Office of Environmental Stewardship in 2007. This office initiates, coordinates and implements practical programs to reduce the University's environmental footprint and promotes a culture that values the environment and acts to protect it. Environmental Stewardship collaborates with students, staff and neighbors to achieve the University's sustainability goals. Columbia's sustainability programs are extremely comprehensive, investing heavily in the conservation of fossil fuels and organizing extensive educational programs related to sustainability.

The University has reduced its carbon emissions intensity per square foot by 16.8% between 2006 and 2012, when it joined the PlaNYC Carbon Challenge for universities, and has pledged to reduce carbon emissions 30% from 2005 levels by 2017. Columbia executes extensive recycling initiatives, which include annual "reuse events," and solvent recycling. Columbia plans to create composting plots and work toward 100% usage of recycled graduation gowns. Residential heating, air conditioning, lights, and the University fleet have all been upgraded to be more carbon efficient, and new and innovative energy-saving methodologies are implemented regularly. Columbia works with partner programs, like Labs21, to ensure efficiency wherever possible. Additionally, ten Columbia buildings have earned LEED certifications in just the last few years, and Columbia's 17-acre Manhattanville campus plan has earned LEED Platinum - the highest designation possible. Columbia Dining, the University's primary food service program, purchases approximately 52% of all food served from vendors within 250 miles of the Morningside campus and donates about 100 pounds of food each week to surrounding churches.

Training the next generation of sustainability leaders, Columbia is a world leader in environmental studies and research, offering 24 environmental degrees at multiple schools. In addition, Columbia offers a sustainable development major through The Earth Institute and a sustainability master's program through its School of Continuing Education. The range of undergraduate and graduate degrees offered is quite extensive; the plethora of related course offerings serve to reinforce the importance of sustainability to the University and its faculty. A more complete report on Columbia's activities may be found at <https://stars.aashe.org/institutions/columbia-university-ny/report/2012-11-30/>.

### **1.b. Actions Taken by Other Schools and Universities**

As part of our due diligence, we reviewed the positions taken by other educational institutions across the country. The results can be found as Attachment F.

As this research indicates, only one peer university, Stanford, has taken divestment action; however their divestment decision was limited to companies whose primary business was coal, and as such differs significantly from the proposal from BCD. A number of them have rejected proposals for

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<sup>2</sup> The mission of The Earth Institute is "Solutions for sustainable development."

divestment. (Letters from the Presidents of both Harvard and Brown explaining their decision not to divest are included as Attachment G and H.) We reviewed the status of the fossil fuel divestment on other campuses because we felt that the action of a coalition of universities would be more powerful than the action of one; if the goal is to send a signal and “revoke the social license” of fossil fuel companies, we were interested to see what positions other institutions were taking as a barometer of how successful this signaling might be.

For obvious reasons our research focused on colleges and universities. However, religious institutions and foundations have also considered the issue of fossil fuel divestment. As identified on the Carbon Tracker’s site, one of the most significant of these is the United Church of Christ, which voted to divest in June 2013. However, UCC’s divestment plans are somewhat more complex than would first appear. While UCC’s resolution does indeed call for divestment from fossil fuels, it goes on to state that they may continue to hold “best in class” fossil fuel companies:

Be it resolved that by Synod 2015, [the church should] complete whatever research is necessary to identify “best in class” fossil fuel companies (if any); to report these findings to Synod in 2015, along with a plan whereby, by June 2018, none of either the Pension Boards nor [the Church’s investment office] directly held assets will include holdings of either public equities or corporate bonds in fossil fuel companies except those either the Pension Boards or UCC identifies as “best in class.”

The United Church’s position highlights an issue we found troubling with 350.org’s list of the top 200 fossil fuel companies from which we were being asked to divest. Specifically, all of these companies are treated as equal offenders, and no distinction is made between the dirtiest coal company and the most innovative natural gas enterprise. While we are aware that both of these examples present a threat because of their GHG emissions, we are also mindful of the fact that the solutions to the climate crisis may well be the result of the work of some of today’s energy companies.

## **Criteria 2: The Merits of the Dispute Must Lie Clearly on One Side**

Unlike other divestment actions taken by the University, such as Sudan or South Africa, the merits of this divestment argument do not lie clearly on one side. Perhaps this is fitting for a transformational issue such as climate change -- transformational in the sense that its solution is energy production that does not rely on burning fossil fuels-- will radically transform the economy and society. Once the balance tilts in favor of a low- or no-carbon economy, there will be no turning back. In addition to mitigating climate change, a low- or no-carbon economy would accrue benefits to human and environmental health. However, because our economy and society are so dependent on energy production that is currently predominantly fossil-fuel based, the issue cannot be easily circumscribed, and dealt with as, for example, the ozone hole was dealt with, by banning the use of chloro-fluoro-carbons. We cannot ban the burning of fossil fuels overnight. Triggering the change will likely take changes in government policy, in private investment priorities, and the civic engagement of a globalized society.

Divestment can send a powerful signal in favor of change; it is a moral imperative for those who, by benefiting most from the burning of fossil fuels since the Industrial Revolution caused the climate to

change in a way that will disproportionately affect those who benefited the least, to take action and lead the change. While it may appear to be hypocritical to call for divestment when we would not be able to maintain our standard of living without consuming fossil fuels daily, we acknowledge that individual gestures, while constrained by the political and economic system that they are embedded in, can send a powerful message and one that may ultimately help tip the balance, in favor of government policy or private investment that mitigates climate change.

### **Criteria 3: Divestment vs. Engagement**

Other than proxy voting, the ACSRI has not engaged with fossil fuel companies, and some members wondered if a vote for divestment might seem premature given this fact. Members of the subcommittee and of the ACSRI at large have suggested several ways in which the committee might engage:

- i. Co-sponsoring proxies (in addition to voting proxies)
- ii. Leveraging efforts with national organizations where appropriate (Carbon Disclosure Project, Ceres, Principles for Responsible Investment)
- iii. Working with Columbia's Investment Management Company, research and create a suggested list of environmental, social and governmental (ESG) factors to be considered by outside fund managers. The subcommittee felt it might be helpful in the future to have a mechanism to screen the directly managed portfolio on a regular basis for stocks that are identified by students and others as having ESG issues. Ongoing analysis of a corporation's response and progress on specified ESG issues would provide a rational basis for future discussion, proxy votes and divestiture recommendations.
- iv. Creating our own index measurement to evaluate fossil fuel companies in the portfolio
- v. Creating a coalition with other Universities to vote proxies, so that the power we bring to the vote isn't necessarily in the amount of stock we own but in the names of the institutions that belong to the coalition. This takes its cue from BCD's original suggestion that Columbia's divestment would be a powerful signal because of who we are.
- vi. Creating a more cohesive "energy policy" for Columbia in conjunction with the Office of the Environmental Stewardship.

The ACSRI welcomes discussion with the Trustees on activities it feels would be appropriate for the committee to undertake.

### **Recommendation**

It is the conclusion of this subcommittee that the specific request from Barnard Columbia Divest does not meet the necessary tests for divestment. While there is some student consensus, the merits of the case are not clearly on one side, nor are we sure that Columbia's divestment would send a signal more powerful than engagement. It seems unlikely to us that divestment from fossil fuel would "revoke a

social license” when we continue to use fossil fuels day after day in every aspect of our lives. This was not an easy conclusion to for us to reach; there would be a certain satisfaction in the sweeping act of divestment that we can appreciate. It is extremely difficult to look at the problem of climate change and not feel compelled to act, but ultimately we did not feel that we could support Barnard Columbia Divest’s proposal. However, as Columbia has significant in-house expertise in climate change science and policy, and in socially responsible investing, the ACSRI has committed to chartering a standing subcommittee on fossil fuel which will continue to study student proposals for action and to pursue the optimal engagement model for the university.

# The Case for Fossil Fuel Divestment

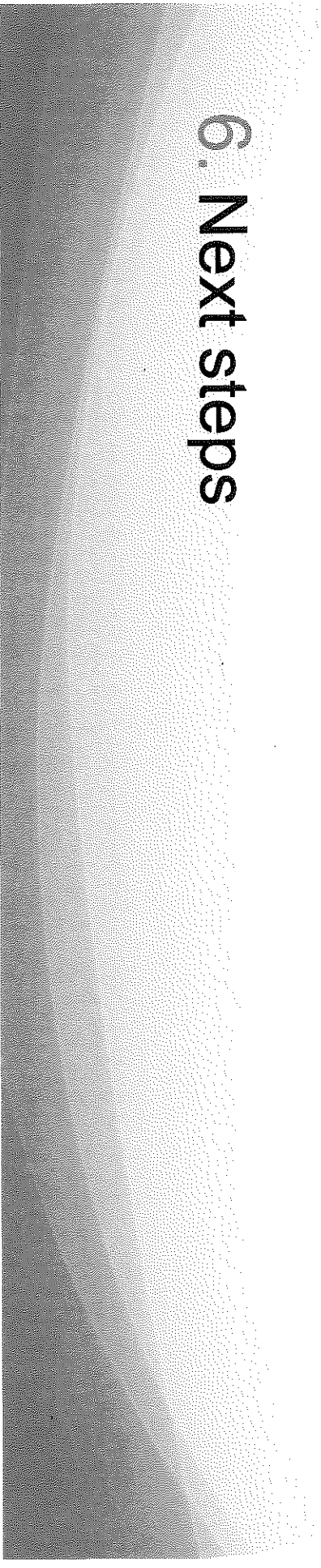
PRESENTED BY MEMBERS OF BARNARD COLUMBIA DIVEST  
NOVEMBER 12, 2013





# Overview

1. Climate change and climate justice
2. The fossil fuel industry
3. Divestment as a sound financial choice
4. Campus support
5. National movement
6. Next steps



# Climate Change

“What my country is going through as a result of this extreme climate event is madness.

The climate crisis is madness.”

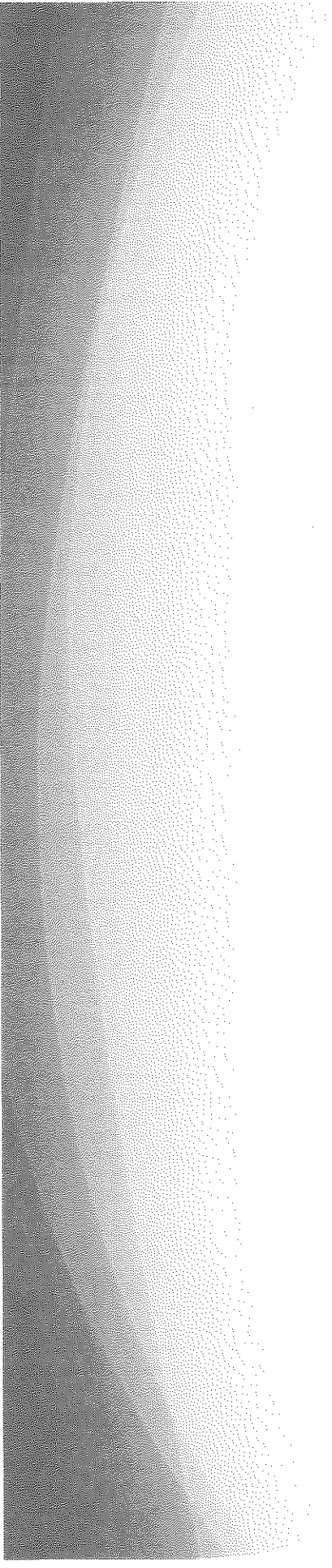
– Yeb Saño, COP19 lead negotiator for the Philippines



Tacloban (AP)

# Climate Justice

- All people have the right to healthy lives on a safe and livable planet.
- Climate change affects all of us, but in uneven ways.
- People who contribute to climate change the least are most affected – even on a local scale.



# Hurricane Sandy and New York

- 285 deaths in 8 countries, including 125+ in US
- \$30-50B in costs to US; \$19B of damage to NYC
- People are still recovering
  - “Many of the areas most devastated by Sandy were home to low-income people who are now homeless.” – *Rolling Stone*, November 1, 2013
- PlanNYC2020



# *Why target the fossil fuel industry?*



# Destroying Environments

- Global warming must be limited to 2°C (UNFCCC)
- 565 GT of Carbon burned → 2°C of warming
- 2,795 GT of carbon in proven reserves owned by private and public companies and governments; 745 GT by Top 200 (Carbon Tracker Initiative)
- Direct consequences include mountain-top removal, water contamination from hydraulic fracturing, pipeline explosions and leaks, oil spills, and more.

# Destroying Communities

- Human rights crisis, not just an environmental crisis.
- Butler County, PA.
- First Nations in Canada.
- Cleaning up the BP oil spill.
- Mountain-top removal in West Virginia.
- Shell in Nigeria.
- Chevron in Ecuador.



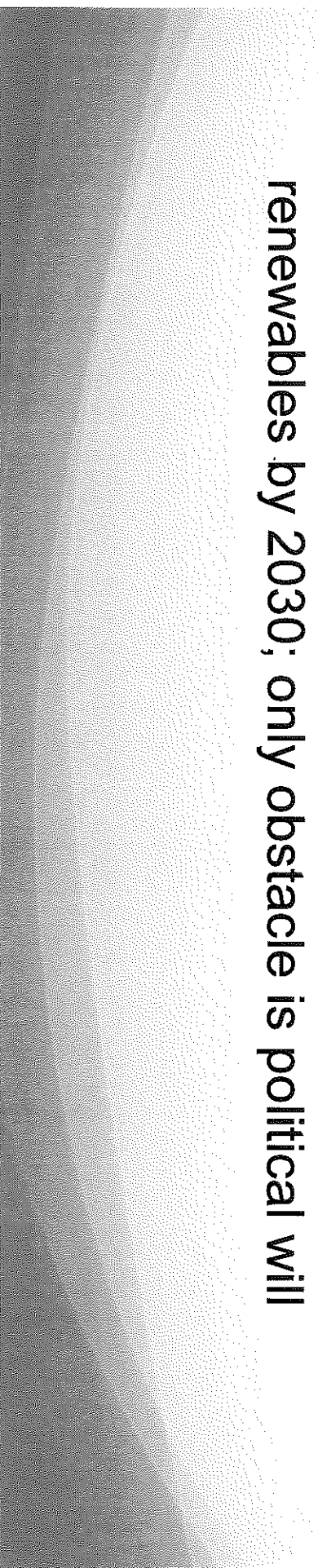
# Funding Climate Denial

- Fossil fuel companies undermine the findings of researchers at universities such as Columbia.
- *Times of London*: Exxon funds groups, such as the Media Research Center, who attack the findings of climate scientists.
- “The 157 members of the climate denier caucus have taken over \$50 million in dirty energy contributions over the course of their careers. The 378 other Members of Congress and Senators have only taken \$33 million total.” - ThinkProgress

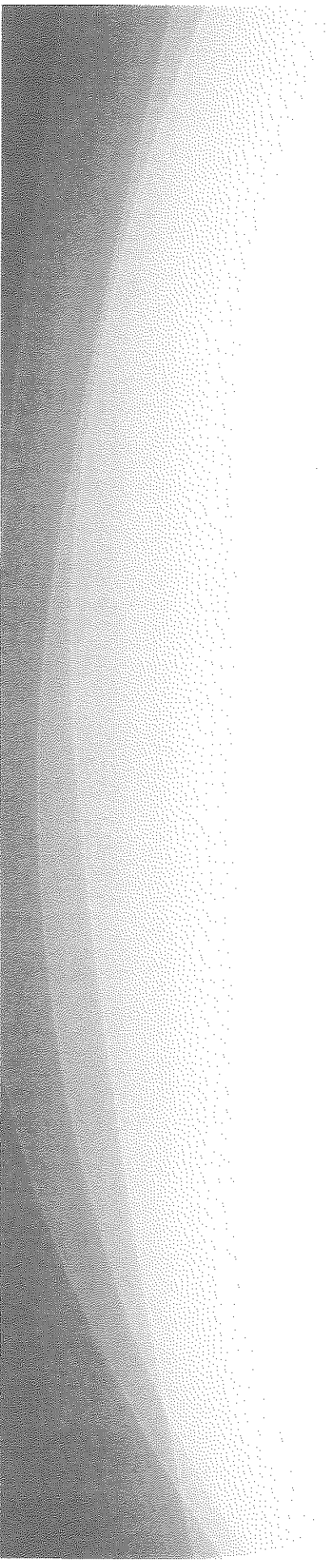
# Impeding Progress on Renewables

- “A bid to end taxpayer subsidies for the five biggest oil companies failed to get the 60 votes it needed. The 57 senators who voted to end the subsidies received about \$6 million from the oil and gas industries, compared to a whopping \$24 million pocketed by the 41 senators who voted against the bill.” – *Republic Report*

- Stanford report: NY could transition to 100% renewables by 2030; only obstacle is political will

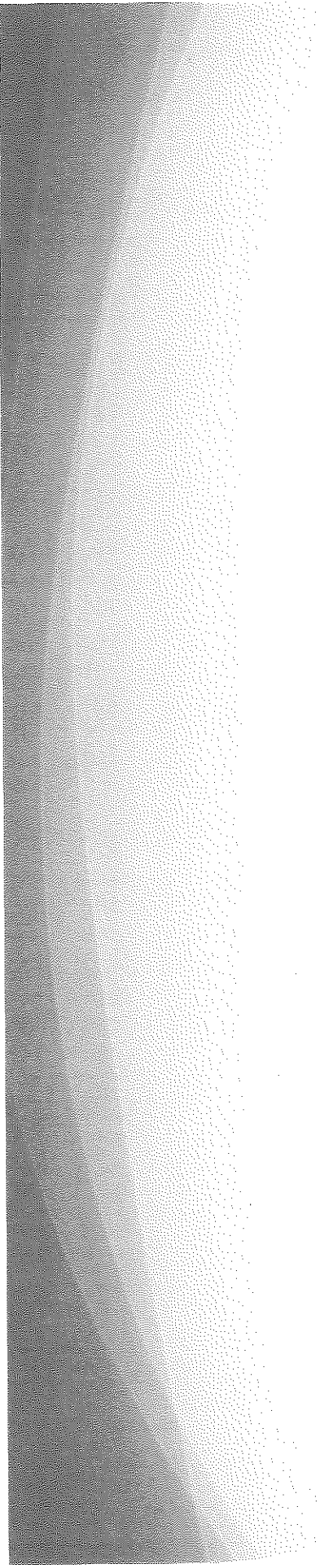


**We call upon Columbia to  
divest from the top 200  
publicly-traded fossil fuel  
companies.**



# Fossil Fuel Divestment

- Top 200 coal, oil, and gas companies, measured by estimated carbon reserves (Carbon Tracker Initiative, by Investor Watch and the Grantham Research Institute at LSE).
- Immediate freeze on new investments.
- Divestment from all direct holdings and commingled funds within 5 years.



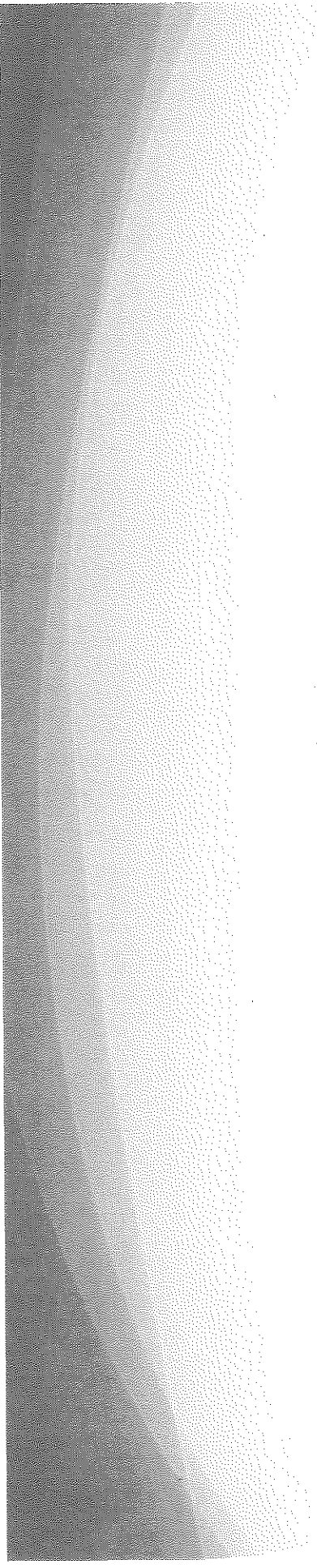
# Goals of Divestment

- Revoking the social license of fossil fuel companies, not impacting the financial bottom-line.
- University of Oxford, October 2013:
  - “The maximum possible capital that might be divested by university endowments [...] represents a relatively small pool of funds. Even if the maximum possible capital was divested from fossil fuel companies, their prices are unlikely to suffer precipitous declines.”
  - “In almost every divestment campaign we review [...] divestment campaigns were successful in lobbying for restrictive legislation affecting stigmatised firms.”

**Fossil fuel divestment is  
financially sound.**

# Carbon Bubble

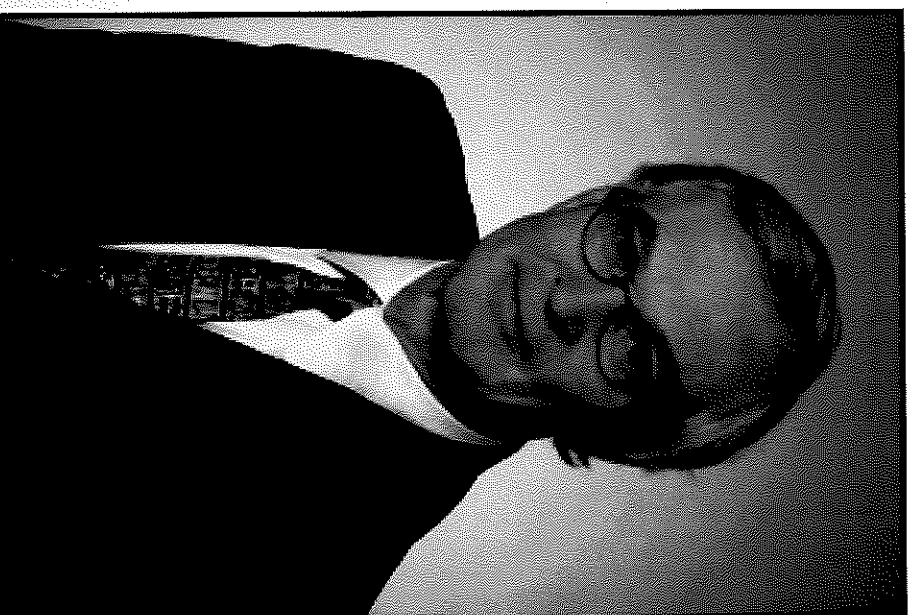
- Current valuation is based on the assumption that all fossil fuel reserves will be burned.
- Legislation could render 60-80% of fossil fuel reserves worthless.
- By the Carbon Tracker Initiative; supported by organisations including HSBC, Citi, Standard and Poor's, and the International Energy Agency.





# Threats to Extraction

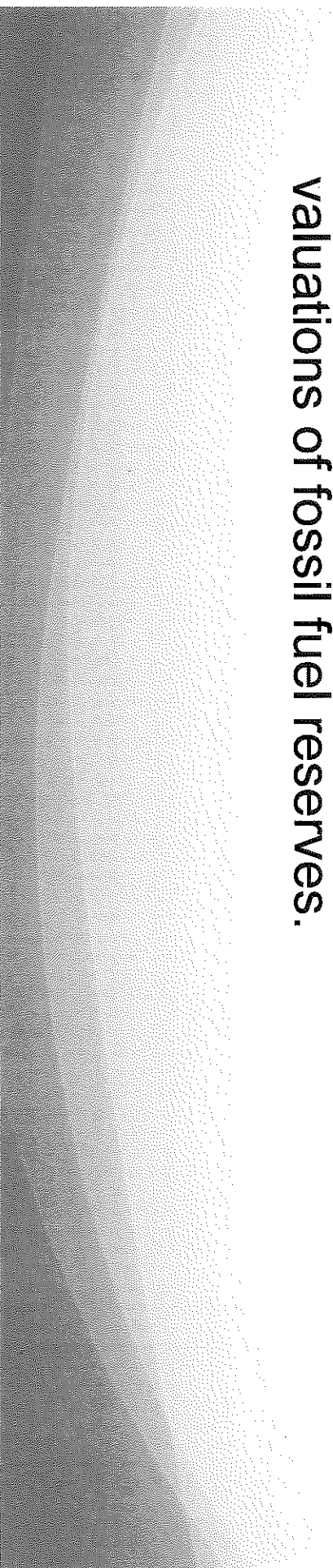
- Bevis Longstreth, former SEC Commissioner:
  - Governmental restrictions on CO2 emissions.
  - Advances in alternative energy, lessening demand.
  - Rising tide of public action at the grassroots level.
  - Growing reputational effects, “with adverse consequences for hiring, employee morale and motivation, stockholder satisfaction, and equity valuations.”





# Climate Risk

- “Most market participants are mistakenly treating carbon risk as an uncertainty, and are thus failing to incorporate it in investment analyses. By overlooking a known material-risk factor, investors are exposing their portfolios to an externality that should be integrated into the capital allocation process.” – Al Gore, the *Wall Street Journal*
- Climate risk can and should be taken into account in valuations of fossil fuel reserves.



# Minimal Risk to Endowment

- Aperio Group, LLC – “Do the Investment Math”:
  - Studied the effects of divestment from the fossil fuel industry; compared to the Russell 3000 benchmark.
  - Added 0.5978% of tracking error, increasing absolute portfolio risk by 0.01% and theoretical return to penalty by 0.0034%.
  - For index-based investing.
- Pro-forma analysis of a \$1B endowment over 10 years by S&P Capital IQ, for the Associated Press:
  - With fossil fuels: \$2.14B.
  - Without: \$2.26B.

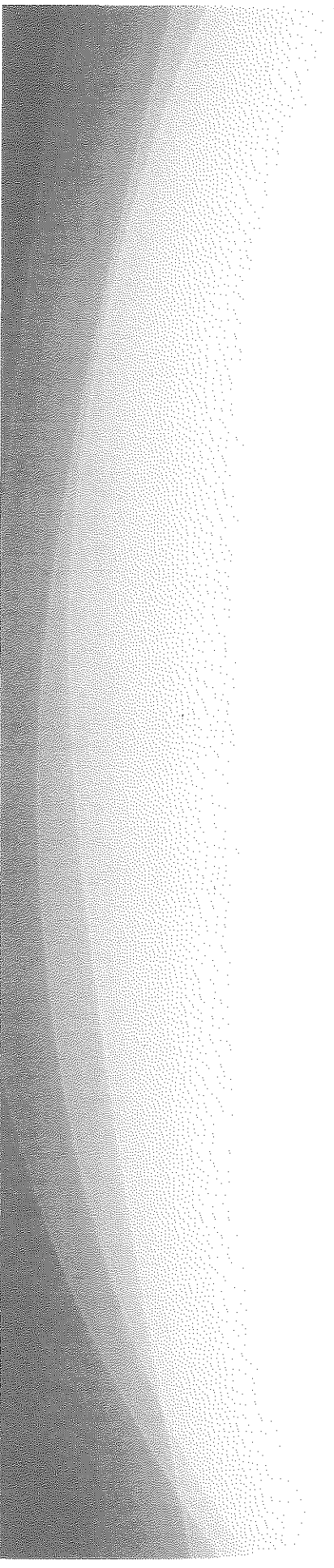
**Past performance does  
not guarantee future  
results.**

# Fiduciary Responsibility

“As long term investors, fiduciaries of endowments need not worry unduly about short-term results. Anticipatory divestment should be viewed as having unknown short-term consequences for the portfolio, which could involve loss as well as gain. In the long run, those short-term results are unimportant. The financial case advanced above rests on the claim that fossil fuel companies will prove to be bad investments over the long term and, therefore, with foresight that anticipates this result, should be removed from the long-term holdings of an endowment before the strengthening likelihood of this result becomes commonplace in the market.” – Bevis Longstreth

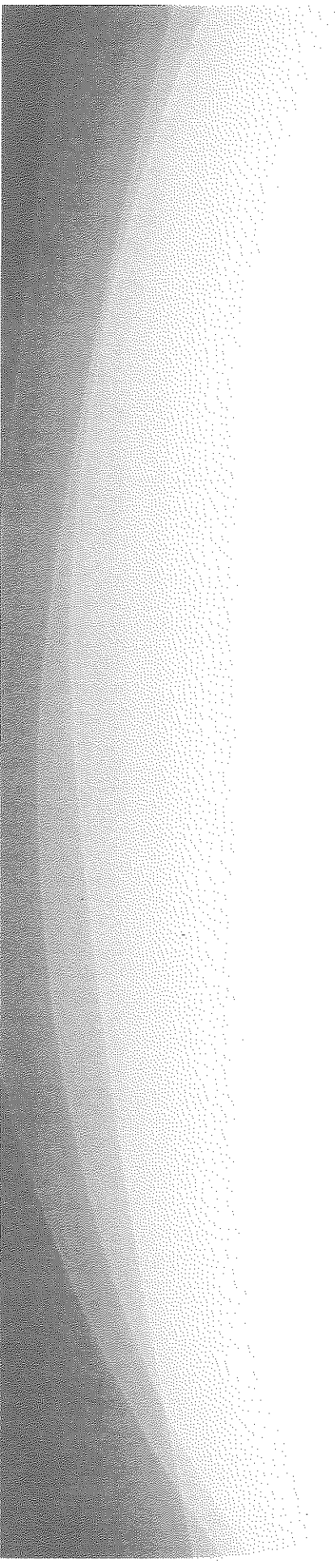
# Financial Aid

- “During the recession in FY2009, Brown University’s endowment shrunk by 29%, yet financial aid increased 10.9%.” (Brown)
- Columbia’s financial aid has consistently increased since 2006 (Annual Reports).



# Reinvestment Potential

- Student campaigns have been calling for 5% of endowments reinvested into socially responsible options, including:
  - Direct community investment
  - Community Development Financial Institutions (CDFIs) and credit unions
  - Renewable energy sector
  - Mutual funds that screen for fossil fuels



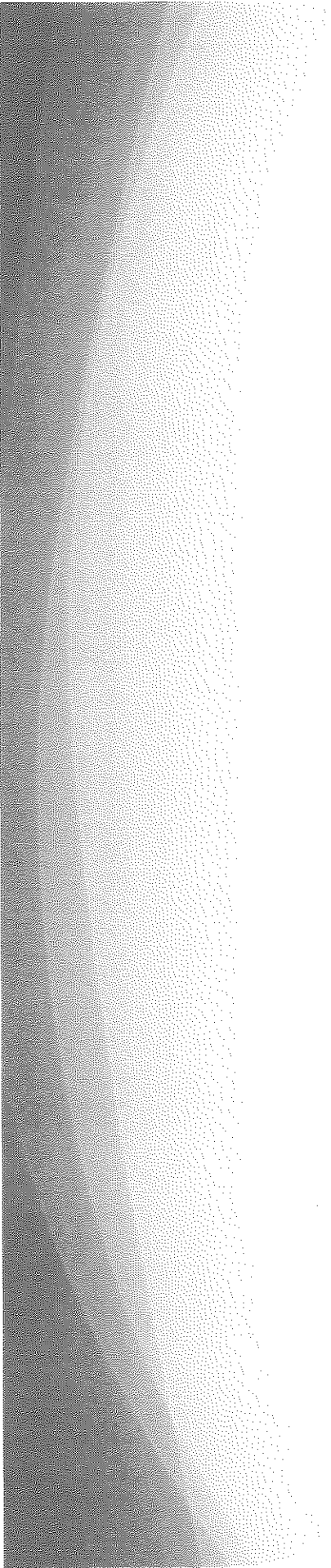
# Shareholder Activism is Not Enough

- Studies have shown that shareholder activism is rarely effective, since corporate structural impediments make enacting strong environmental policies extremely difficult.
- Many companies respond by greening their images, not their practices.
- Shareholder activism has been practiced for decades; business as usual continues.
- The problem is inherent to the business plan.





**We are part of a movement.**





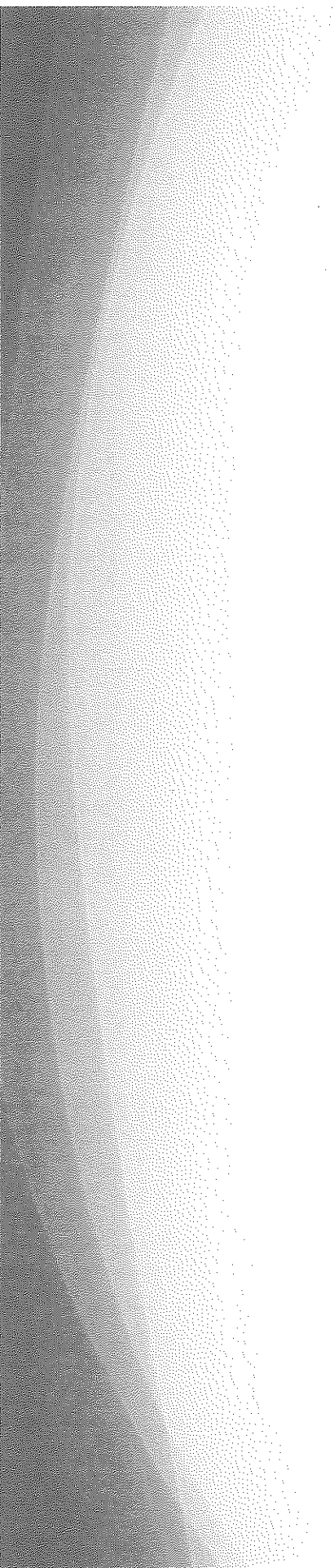
# On Campus

- First direct initiative in Columbia history.
- 73.7% of CC in favor of divestment.
- Endorsed by Columbia Democrats.
- CCSC, ESC, and GSSC exploring drafting resolutions on divestment.
- Co-sponsored events with a broad range of social justice groups.
- Substantial alumni involvement.



# City Wide Support

- New York Students for Fossil Fuel Divestment
- NYU, CUNY, Fordham, The New School
- “It is quite likely that The New School in the coming months might soon become the first NYC university to divest from fossil fuel corporations, but we have zero intention of being the last.” – Ben Silverman, Co-Chair of the University Student Senate, TNS

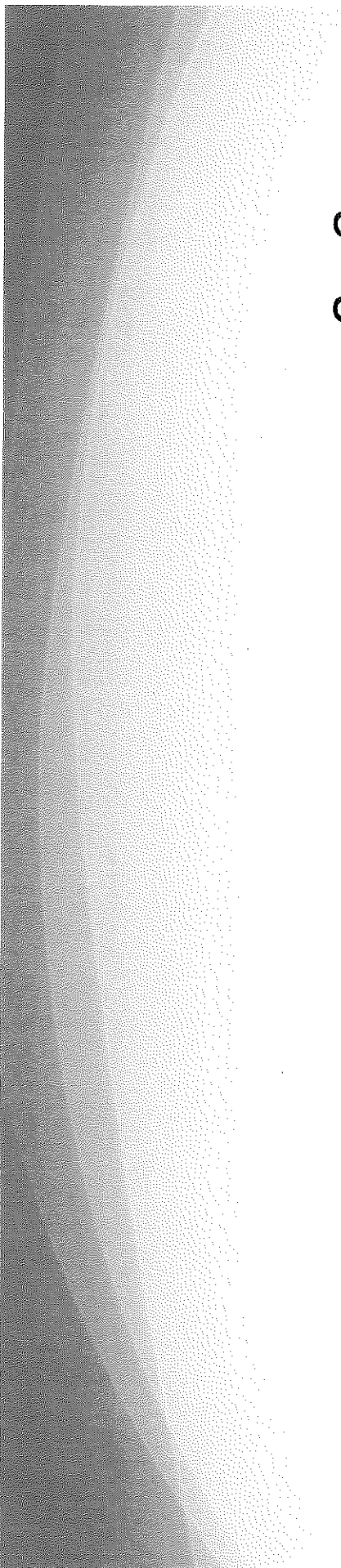


# The National Movement

- “Invest, divest” – President Obama, June 2013
- **Cities (20):** SF, Seattle, Santa Monica, Ithaca, Madison, Providence, Amherst, and more
- **Colleges (8):** Green Mountain College, Sterling College, Unity College, College of the Atlantic, Hampshire College, SFSU, Naropa University, Foothill-De Anza Community College Foundation
- **Institutions:** United Church of Christ, Sierra Club Foundation, Santa Fe Art Institute, Wallace Global Fund, etc.
- Total of 400+ campaigns right now!
- National Student Divestment Network launched at PowerShift in October 2013.

## ACCRIIP at Brown University

“...we do not see any way that the University can continue to profit from the egregious harmful conduct of these companies. And we believe that termination of our shareholder relationship should be undertaken with all deliberate speed so that assets can be directed to investments in companies that are not engaged in such egregious harmful conduct.”

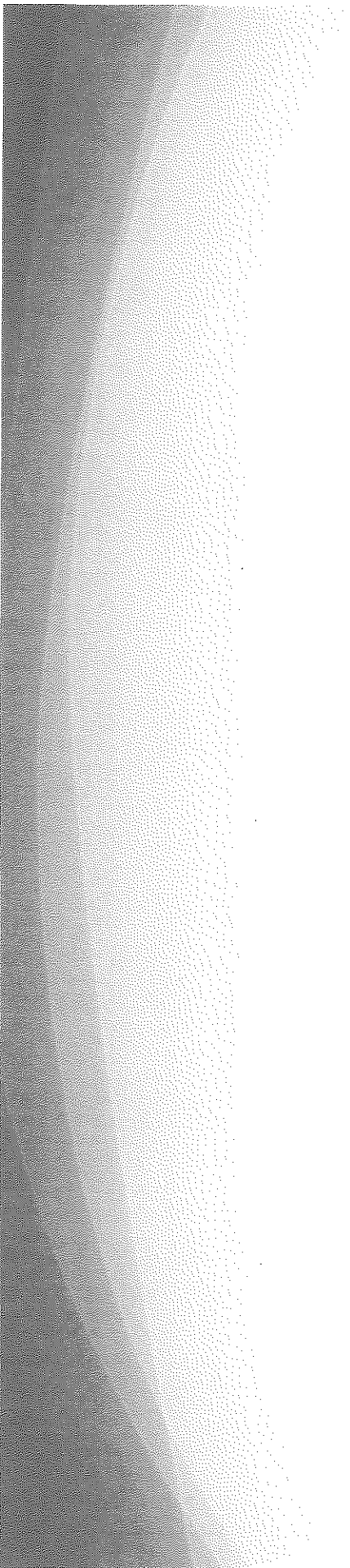


# The Global Movement

- Campaigns in Australia, NZ, Canada, Europe
- Do the Math Europe just began – 25+ campaigns in UK in the last month, incl. Oxford, Cambridge, Edinburgh
- \$74B Norwegian asset manager Storebrand divests from coal and oil sands, stating, “if global ambitions to limit global warming [...] become a reality, many fossil fuel resources will become unburnable and their financial value will be dramatically reduced.”
- Dutch bank Rabobank – no longer lending to unconventional energy extraction.

“Because we refuse, as a nation, to accept a future where super typhoons like Haiyan become a fact of life. We refuse to accept that running away from storms, evacuating our families, suffering the devastation and misery, having to count our dead, become a way of life. We simply refuse to.”

- Yeb Saño

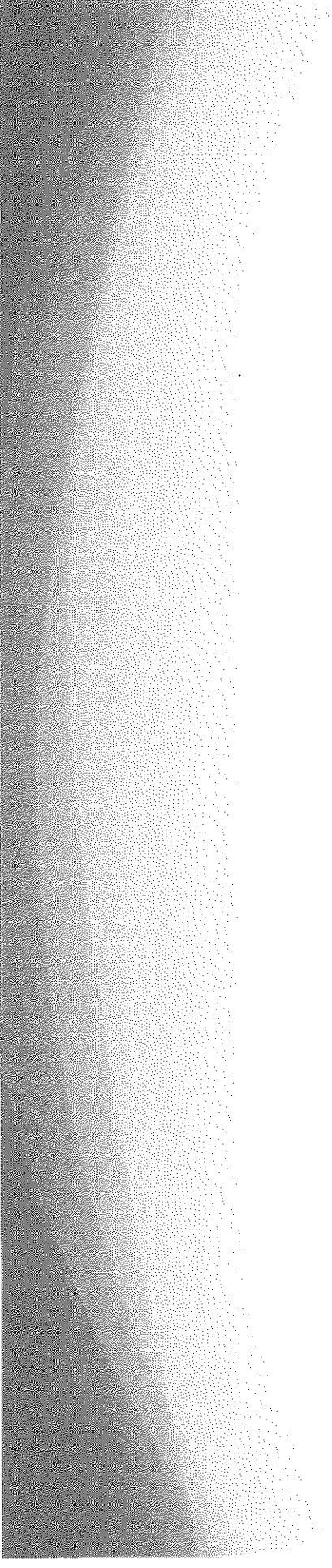




# Sustainability at Columbia

- The Earth Institute, blending research, education, and practical solutions
- Office of Environmental Stewardship
- Student involvement: Columbia EcoReps, Green Fund, Consilience, Greenborough, etc.
- LEED Platinum certification for Manhattanville and more
- On track to meet PlaNYC goal of 30% emission reduction by 2030
- Princeton Review's 2014 Green Honor Roll
- ACSRI history with sustainable proxy voting

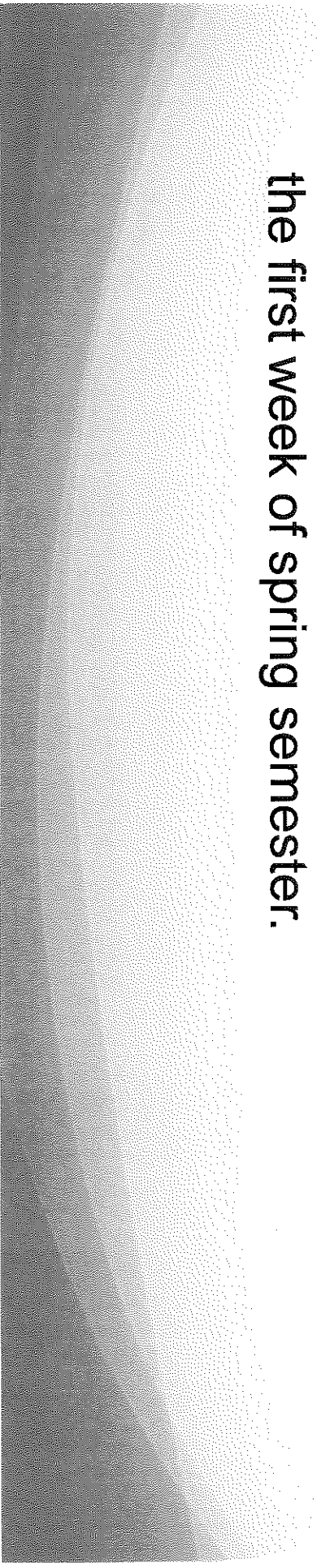
**Columbia is a leader.**





# Our Requests

- Post all notes since September 2012 online.
- Collaborate on a panel discussion in the first week of December.
- Public statement on Columbia's fossil fuel holdings.
- A response about a recommendation to the Board of Trustees to freeze new investments immediately and divest from the Carbon Tracker 200 within 5 years, by the first week of spring semester.



**Thank you.**

**ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING**

Statement on Petition to Divest from Corporations Selling Arms to Israel

December 4, 2002

The Advisory Committee on Socially Responsible Investing, as chartered by the University Trustees in March 2000, is the University community's vehicle to advise the Trustees on ethical and social issues confronting the University as an investor. During its first two years, the Committee has had a full agenda of deliberating upon and making recommendations on how the University should vote on shareholder proposals presented through the proxy process to companies held in the University's endowment. The Committee has not previously been presented with an issue of divestment.

The Committee held its fifth community hearing on November 13, at which it heard from the University community on a variety of issues, including the environment and human rights, as well as from proponents and opponents of a petition to the Trustees to divest the University's endowment holdings in corporations that manufacture arms sold to Israel or sell arms to Israel.

In the case of the current petition, divestment, if it ultimately achieved its stated goals, would result in corporate decisions to withhold weapons and other military hardware from Israel, as a sanction for acts by the Israeli government against Palestinians characterized by the petitioners as human rights abuses. The appropriateness of divestment in this instance must be considered in the context of an armed conflict with a long and tragic history. To find that sanctions are an appropriate response to this complex international dispute, this Committee and our diverse community must find that the merits in the dispute lie disproportionately on one side.

Moreover, to choose divestment as a course of action, an institution must find that such a measure is more appropriate than on-going communication and engagement as a shareholder. Divestment is the strongest step an institution can take as a socially responsible investor. It stops the communication between shareholder and corporation that takes place through the process of proxy voting on shareholder resolutions, seeking instead to affect corporate behavior through the symbolic act itself.

In the Committee's view, the current divestment petition does not meet these tests. There is no indication from the Committee's hearing or otherwise that the predominant view within our community is that sanctions against Israel, as called for by the petition, are clearly justified on the merits. This Committee, for its part, does not believe that such sanctions are justified, given the nature and history of the conflict. Nor does it view the conflict as generating appropriate grounds for terminating all communication with the corporations involved through the act of divestment.

## Attachment C

### ACSRI Divestment Recommendations

Since its inception, the ACSRI has considered a number of requests for divestments based on these three tests. Summarized here they are:

Year	Petition	ACSRI Action
2002	Petition to Divest From Corporations Selling Arms to Israel	Declined to Recommend
2006	Petition to Divest From Corporations Doing Business In Sudan	Recommend
2007	Formalization of Divestment from Tobacco Companies*	Recommend
2008	Petition to Divest From Corporations Which Supply Munitions For the War in Iraq	Declined to Recommend
2013	Petition to Divest from HEI Hospitality, LLC	Declined to Recommend

\*It had been the practice for the University to screen for tobacco companies for a number of years; the recommendation in 2007 formalized this process and more carefully delineated the criteria for divestment.

Prior to the formation of the Advisory Committee on Socially Responsible Investing, Columbia divested from South Africa in 1985.

## Attachment D

### The Intergovernmental Panel on Climate Change Summary

In publicizing the release of its 5th Assessment Report (AR5), the Intergovernmental Panel on Climate Change (IPCC) quantifies scientific consensus around the understanding that humans are influencing the climate, primarily through emissions from industrialization, at 97% (Cook et al., 2013 in Environ Res Lett <http://iopscience.iop.org/1748-9326/8/2/024024/article>).

In its Summary for Policymakers, Working Group I of the IPCC, tasked with summarizing “the Physical Science Basis” concludes that:

“Human influence has been detected in warming of the atmosphere and the ocean, in changes in the global water cycle, in reductions in snow and ice, in global mean sea level rise, and in changes in some climate extremes. This evidence for human influence has grown since AR4. It is extremely likely that human influence has been the dominant cause of the observed warming since the mid-20th century.”

and that: “Global surface temperature change for the end of the 21st century is likely to exceed 1.5°C relative to 1850 to 1900 for all RCP scenarios except RCP2.6. It is likely to exceed 2°C for RCP6.0 and RCP8.5, and more likely than not to exceed 2°C for RCP4.5.”

Working Group II, tasked with summarizing “Impacts, Adaptation and Vulnerability”, concludes that:

“Human interference with the climate system is occurring, and climate change poses risks for human and natural systems.”

and that: “Responding to climate-related risks involves decision-making in a changing world, with continuing uncertainty about the severity and timing of climate-change impacts and with limits to the effectiveness of adaptation (high confidence).”

Working Group III, tasked with summarizing “scientific, technological, environmental, economic and social aspects of mitigation of climate change”, concludes that:

“Scenarios reaching atmospheric concentration levels of about 450 ppm CO<sub>2</sub>-equivalent by 2100 (consistent with a likely chance to keep temperature change below 2°C relative to pre-industrial levels) include substantial cuts in anthropogenic GHG (greenhouse gas) emissions by mid-century through large-scale changes in energy systems and potentially land use”

and that: “Delaying mitigation efforts beyond those in place today through 2030 is estimated to substantially increase the difficulty of the transition to low longer-term emissions levels and narrow the range of options consistent with maintaining temperature change below 2°C relative to pre-industrial levels

The fact that cWe began our research with the belief that climate change is real, and that , while there are myriad influences, the causal relationship between climate change and the useconsumption of fossil

fuels and the increase in global mean temperature is generally accepted as categorical based on sound physical principles dating back to the work of Arrhenius and Fourier in the 19th century, were largely agreed upon by the committee. Because of this we did not feel it was not necessary for the purposes of this recommendation to research the role that fossil fuels play in the climate change beyond the summaries of the work of the IPCC provided above. Further, we agreed that it is our understanding that left unchecked climate change will continue to have a significant effect on the global economy and the health and well-being of the world's population. For this reason we took BCD's proposal as an opportunity to engage with the university community on this important topic.

## **Attachment E**

### **Summary of Panel Discussion Co-Sponsored by Barnard Columbia Divest and the ACSRI, held on April 7<sup>th</sup>, Earl Hall**

We cannot continue to burn fossil fuels at the current rate. If we do, we will trigger climatic change of a magnitude that our civilization has not experienced in its history. Because of the century-scale lifetime of atmospheric CO<sub>2</sub>, and positive feedbacks in the system, it would not be possible to reverse these changes – think melting of the Greenland and Antarctic ice sheets and the consequent sea level rise, to be measured in meters, not millimeters – once they are set in motion. Yet, developed societies owe their wealth, and their high standard of living to the burning of fossil fuels. Not only is most of the energy that provides electricity and heating/cooling to our homes, schools, offices, and transportation, derived from fossil fuels, but so are the fertilizers and pesticides that have allowed for a dramatic increase in agricultural production over the course of the 20th century. While we acknowledge that business as usual is not sustainable, we are concerned about divestment being hypocritical, given that even if we divested, we would still benefit from the burning of fossil fuels in our daily lives. Further, if we cannot wean our own lifestyles from our fossil fuel consumption habits, we certainly cannot deny the opportunity to develop to those who have not yet benefited from the fossil fuel economy. Conversely, since we know that we cannot afford to continue burning fossil fuels indefinitely, due to the serious consequences for natural and managed ecosystems, it is possible that rather than for ethical reasons, we may want to consider divesting, or engaging with socially responsible investment strategies, for strictly financial calculations. What we mean by that is that in addition to divestment being a moral obligation towards the most vulnerable, who have benefited the least from fossil fuel burning, investment in the solutions to climate change, i.e. a no-carbon energy system/economy may make financial sense to avoid the problem of a “carbon bubble.” Assuming it will sooner or later be passed into law, some energy companies have already begun to include the costs of a carbon tax in their strategies. Further, past performance is no indication of future returns in investment in fossil fuels, because the transformational change in energy production that will need to occur to mitigate climate change has the potential to impact substantially the viability of companies that rely predominantly on fossil fuels in their business model, which could be left with “stranded assets”. [Ale- I think we need to add something here about what Klaus said “fossil fuel agnostic, but solutions will come from big energy companies. They have the resources and talent, etc.”]



**Attachment F****Actions Taken by Other Schools and Universities**

As part of our due diligence, we reviewed the positions taken by other educational institutions across the country. The results can be found below.

<b>College/University</b>	<b>Request</b>	<b>Action</b>
Amherst	Request to divest from coal only.	No Action Taken
Brown	Request to divest from coal only.	Rejected
Carleton	Request to divest from fossil fuels	No Action Taken
Colby	Request to divest from fossil fuels.	Rejected
Colgate	Request to divest from fossil fuels.	No Action Taken
College of the Atlantic	Request to divest from fossil fuels.	Accepted
Cornell	Request to divest from fossil fuels. Strong faculty support.	No Action Taken
Dartmouth	Request to divest from fossil fuels.	No Action Taken
Davidson	Request to divest from fossil fuels.	Rejected
Green Mountain	Request to divest from fossil fuels.	Accepted
Hampshire College	Request to divest from fossil fuels.	Accepted
Hamilton College	Request to divest from fossil fuels.	Rejected
Harvard	Request to divest from fossil fuels. Strong faculty support.	Rejected
Haverford	Request to divest from fossil fuels.	Rejected
Loyola	Request to divest from fossil fuels.	No Action Taken
Middlebury College	Request to divest from fossil fuels.	Rejected
Oberlin	Request to divest from fossil fuels.	No Action Taken
Pomona	Request to divest from fossil fuels.	Rejected
Princeton	Request to divest from fossil fuels.	No Action Taken
San Francisco State University	Request to divest from fossil fuels.	Accepted
Seattle University	Request to divest from fossil fuels.	Rejected
Stanford University	Request to divest from Coal.	Accepted
Sterling College	Request to divest from fossil fuels.	Accepted
Swarthmore	Request to divest from fossil fuels.	Rejected
Tufts	Request to divest from fossil fuels. Strong faculty support.	Rejected
Unity College	Request to divest from fossil fuels.	Accepted
UC Berkeley	Request to divest from fossil fuels.	No Action Taken
UC Santa Barbara	Request to divest from fossil fuels. Strong faculty support.	No Action Taken
University of Connecticut	Request to divest from fossil fuels.	No Action Taken
University of Wisconsin	Request to divest from fossil fuels	No Action Taken

Vassar	Request to divest from fossil fuels.	Rejected
Wellesley	Request to divest from fossil fuels	Rejected
Williams	Request to divest from coal only.	No Action Taken
Yale	Request to divest from fossil fuels.	No Action Taken

\*In some cases, "No Action Taken" may indicate that there has been no significant movement on campus in the past three months.

**Attachment G**  
**Letter from President Paxson to Brown Community**

October 27, 2013

Dear Members of the Brown Community,

Over the last year, the Brown University community has engaged in an expansive and thoughtful discussion of whether or not to divest the Brown endowment from holdings in a set of U.S. companies that mine coal or use coal in the generation of electricity. Brought forward originally by students through Brown Divest Coal, considered and discussed by Brown's *Advisory Committee on Corporate Responsibility in Investment Policy* (ACCRIP), further reviewed by an *ad hoc* committee of the Corporation, and discussed fully by the Corporation as a whole at two separate meetings, the issues have been thoroughly taken up by this campus. The context for this discussion, which has reflected the very best of Brown, is the moral and social imperative of confronting and addressing in a responsible and immediate manner the devastating impacts of global climate change. There is no question in my mind that human-caused environmental change and the threat it poses to sustaining life on earth is among the most pressing issues of our time. Brown University must, consistent with our mission of teaching and research, be a leader in this arena.

How Brown can best lead is a complex and multifaceted question, without one correct answer or unanimity of opinion. Some have made the case that, in addition to conducting cutting-edge research, promoting sustainability on campus, and educating members of our community about climate change, the University should lead through divestiture. Others have made the case that divestiture does not reflect the complexity of issues associated with the use of coal and society's efforts to reduce our reliance on coal and, as such, should not be included among the strategies we follow. The serious, thoughtful and robust discussion in the Corporation covered the full range of perspectives. The conclusion of this discussion is that Brown will not divest from coal. I agree with this decision and I am writing to explain why.

Brown's guidelines for incorporating ethical and moral issues into investing have supported previous divestiture decisions. For example, in 2003, Brown divested from tobacco companies. The charter of ACCRIP notes that divestiture may be recommended when a company's actions produce social harm, and (if social harm exists) when either (1) "divestiture will likely have a positive impact toward correcting the specified social harm" or (2) the company "contributes to social harm so grave that it would be inconsistent with the goals and principles of the University to accept funds from that source." In addition, the charter emphasizes the need for balanced judgment when making divestiture decisions. To divest in response to anything but the most clear-cut and widely acknowledged cases of social harm would violate our duty to maintain a sound financial policy. Even more important, divestiture must be consistent with Brown's central mission of the "discovery, communication and preservation of knowledge."

Given our guidelines for divestiture, the first question to be addressed is whether companies that produce coal or use it in power generation cause social harm. I think it is clear that they do.

Brown Divest Coal was particularly effective at raising awareness of the dangers of coal to the environment and human health. Further, it is undeniable that fossil fuels are a significant driver of climate change. Given current technology, coal contributes more to the production of greenhouse gases per unit of electricity generated than other fossil fuels.

The existence of social harm is a necessary but not sufficient rationale for Brown to divest: Once social harm is established, divestiture may be warranted if either divestiture is likely to help reduce the harm or the harm is sufficiently grave. Taking the second of these criteria first, is it the case that the social harm from coal is so grave that divestiture is warranted? Absent a bright-line threshold for gravity, this is a judgment call, and a difficult one at that. I believe that although the social harm is clear, this harm is moderated by the fact that coal is currently necessary for the functioning of the global economy. Coal is the source of approximately 40 percent of the world's electricity, and it provides needed energy for millions of people throughout the world. In many regions, there are serious technological impediments to transitioning away from coal. In addition, coal is used in the production of other products, such as cement and steel, which are central to the economies of both developed and developing countries. The comparison to tobacco is instructive. Unlike tobacco, which arguably has no social value, a cessation of the production and use of coal would itself create significant economic and social harm to countless communities across the globe.

The second question to consider is whether divestiture would help correct the social harm by speeding the transition away from coal. It is clear that divestiture would not have a direct effect on the companies in question. Brown's holdings are much too small for divestiture to reduce corporate profits. Furthermore, because the profits of these companies are determined primarily by the demand for their products rather than their stock prices, divestiture would not reduce profits even if Brown's holdings were orders of magnitude larger.

Some have argued that the symbolic statement of divestiture might decrease the harm from coal by galvanizing support for policies or practices that reduce coal's production and use. I agree that symbolic statements can be powerful drivers of social change when they support clearly defined actions. For example, the lunch-counter sit-ins in the southern United States signaled a vivid and unambiguous demand for an immediate end to segregation. The case of coal is different. Divestiture would convey only a nebulous statement—that coal is harmful—without speaking to the technological and policy actions needed to reduce the harm from coal—actions where Brown can make real and important contributions through teaching and research. It is unclear what message divestiture would convey about the timing of the transition from coal in different regions of the country and the world; the development of alternative fuels, such as natural gas, nuclear power, and renewables; the value of investments in new technologies that may reduce the harm from coal; the effectiveness of different strategies for regulating U.S. coal companies and electric utilities; and the development of U.S. policies toward countries that are increasingly reliant on coal. As a university, Brown has a responsibility to grapple with the world's problems in all their complexity. As I and others considered the matter, it became apparent that the symbolic statement of divestiture would not elucidate the complex scientific and policy issues surrounding coal and climate change and, for this reason, it would run counter to Brown's mission of communicating knowledge.

Our consideration of divestiture is over, but our work on stemming the progression of climate change and mitigating its effects will continue and expand. Brown takes seriously its responsibility to be a leader in addressing climate change, and we can be proud of our long-standing commitment to sustainability. In 1990, President Vartan Gregorian launched Brown is Green, an environmental education and advocacy initiative. In 2008, under President Ruth Simmons, the University established ambitious goals for greenhouse gas reductions on campus, and in 2010 it signed the Sustainable Campus Charter. Most recently, Brown's Sustainability Strategic Planning Committee presented an interim report that proposed to expand and broaden our sustainability efforts. Brown reduced its energy-related carbon footprint by 30.6 percent between 2007 and 2013, and we have plans for further reductions.

Our commitment to sustainability is also reflected in the University's strategic plan, Building on Distinction, which identifies "Sustaining Life on Earth" as a major theme for research and education. Building on Brown's Environmental Change Initiative, this new program will feature research on three challenges that come with climate change: food and water security, human health and well-being, and equity and development. These efforts will complement our long-standing and distinguished educational programs directed through the Center for Environmental Studies and support the active engagement of students and faculty in domestic and international environmental policy issues. This is an academic area where Brown has great strength, and the advocacy of students and others on these issues has helped make this theme a priority in the new strategic plan.

We can and should do even more. I have asked the Provost to form a Task Force on Brown's Response to Climate Change, which will supplement the work of our standing committee on campus sustainability. My hope is that this committee of faculty, students and staff will identify bold and aggressive ways that Brown as an institution and community members as individuals can lead and contribute to the societal response to climate change. This Task Force will be charged with recommending significant and impactful initiatives to position the University as a leader in combating climate change locally, nationally and around the globe.

Although I do not believe that divestiture is the right tool to achieve the societal goals to which we all aspire, I recognize that some of our donors have strong feelings about the role of coal in climate change. Since 2008, Brown has had a social choice fund through which donors can make gifts to the University's endowment. Currently, Brown's social choice fund is invested in a mutual fund that applies a negative screen for fossil fuel-related companies. No investments are made in companies involved in the extraction or production of coal, oil or natural gas. However, because of the role of natural gas in the transition to renewable energy, the fund will invest in companies involved in the transmission and distribution of natural gas as well as utilities that use natural gas in their generation. The portfolio is coal-free and, with this one exception, fossil-fuel free. I hope that donors will consider this option when making endowed gifts to Brown.

On behalf of myself and the University community, I thank the members of Brown Divest Coal for their efforts. I respect their commitment and purpose, and I recognize the important role Brown Divest Coal has played in highlighting the issue of coal and climate change on campus. I also want to thank members of ACCRIP for their thoughtful attention to this issue over the last year.

Sincerely,

Christina H. Paxson

**Attachment H**  
**Letter from President Faust to Harvard Community**

October 3, 2013

Dear Members of the Harvard Community,

Climate change represents one of the world's most consequential challenges. I very much respect the concern and commitment shown by the many members of our community who are working to confront this problem. I, as well as members of our Corporation Committee on Shareholder Responsibility, have benefited from a number of conversations in recent months with students who advocate divestment from fossil fuel companies. While I share their belief in the importance of addressing climate change, I do not believe, nor do my colleagues on the Corporation, that university divestment from the fossil fuel industry is warranted or wise.

Harvard is an academic institution. It exists to serve an academic mission — to carry out the best possible programs of education and research. We hold our endowment funds in trust to advance that mission, which is the University's distinctive way of serving society. The funds in the endowment have been given to us by generous benefactors over many years to advance academic aims, not to serve other purposes, however worthy. As such, we maintain a strong presumption against divesting investment assets for reasons unrelated to the endowment's financial strength and its ability to advance our academic goals.

We should, moreover, be very wary of steps intended to instrumentalize our endowment in ways that would appear to position the University as a political actor rather than an academic institution. Conceiving of the endowment not as an economic resource, but as a tool to inject the University into the political process or as a lever to exert economic pressure for social purposes, can entail serious risks to the independence of the academic enterprise. The endowment is a resource, not an instrument to impel social or political change.

We should also be clear-sighted about the risks that divestment could pose to the endowment's capacity to propel our important research and teaching mission. Significantly constraining investment options risks significantly constraining investment returns. The endowment provides more than one-third of the funds we expend on University activities each year. Its strength and growth are crucial to our institutional ambitions — to the support we can offer students and faculty, to the intellectual opportunities we can provide, to the research we can advance. Despite some assertions to the contrary, logic and experience indicate that barring investments in a major, integral sector of the global economy would — especially for a large endowment reliant on sophisticated investment techniques, pooled funds, and broad diversification — come at a substantial economic cost.

Because I am deeply concerned about climate change, I also feel compelled to ask whether a focus on divestment does not in fact distract us from more effective measures, better aligned with our institutional capacities. Universities own a very small fraction of the market capitalization of fossil fuel companies. If we and others were to sell our shares, those shares would no doubt find other willing buyers. Divestment is likely to have negligible financial impact on the affected companies. And such a strategy would diminish the influence or voice we might have with this industry. Divestment pits concerned citizens and institutions against companies that have enormous capacity and responsibility to promote progress toward a more sustainable future.

I also find a troubling inconsistency in the notion that, as an investor, we should boycott a whole class of companies at the same time that, as individuals and as a community, we are extensively relying on those



companies' products and services for so much of what we do every day. Given our pervasive dependence on these companies for the energy to heat and light our buildings, to fuel our transportation, and to run our computers and appliances, it is hard for me to reconcile that reliance with a refusal to countenance any relationship with these companies through our investments.

I believe there are a number of more effective ways for Harvard both to address climate change and to enhance our commitment to sustainable investment.

Our teaching and research on environmental and climate issues is significant and growing, and it is a priority in The Harvard Campaign.

We offer some 250 courses in the broad domain encompassing environmental studies and energy. We support some 225 faculty who work in the area, as well as a graduate consortium that involves more than 100 students and seven Schools.

We have a thriving University Center for the Environment. Outstanding faculty in chemistry, biology, earth and planetary sciences, engineering, and beyond are making profoundly important contributions to envisioning the future of energy and shaping the relevant science and technology. The Kennedy School's Belfer Center has won international acclaim for its influential work on climate change economics and policy. Harvard scholars in design are on the frontier of thinking about sustainable cities; scholars in law, business, economics, and public policy are leaders in addressing regulatory, commercial, and economic aspects of energy and the environment; scholars in public health do vital research on environmental health and its relation to energy use. Indeed, the foundation of our current national clean air regulations was a study undertaken more than two decades ago by faculty at the Harvard School of Public Health.

We also have a strong institutional commitment to sustainability in how we live and work. Our Office for Sustainability is doing outstanding work. We are making substantial progress in reducing our greenhouse gas emissions. We have become much more conscious of sustainable design principles in all of our physical planning and construction. We have created awards to recognize "heroes" who are helping to make Harvard green. And Harvard has earned an array of honors to recognize various sustainability efforts. I am very proud of all that our students and faculty and staff are doing on this front, and those efforts will continue and grow.

As a long-term investor, we need to strengthen and further develop our approach to sustainable investment. This is no small undertaking, and it will present challenges along the way. Especially given our long-term investment horizon, we are naturally concerned about environmental, social, and governance factors that may affect the performance of our investments now and in the future. Such risks are complex, often global in nature, and addressing them effectively often entails collaborative approaches. Generally, as shareholders, I believe we should favor engagement over withdrawal. In the case of fossil fuel companies, we should think about how we might use our voice not to ostracize such companies but to encourage them to be a positive force both in meeting society's long-term energy needs while addressing pressing environmental imperatives. And, like other investors, we should consider how to obtain further, better information on how companies not only in the energy industry but across all sectors take account of sustainability risks and opportunities as part of their business strategies and practices.

To help us pursue this path, Harvard Management Company has recently brought on its first-ever vice president for sustainable investing. She will help us think in more nuanced, forward-looking ways about sustainable investment, including the consideration of environmental, social, and governance factors. And, in concert with colleagues, she will play a central role in considering how Harvard can achieve superior investment returns as it fulfills a university's distinctive responsibilities to society.

Harvard has a strong interest in marshaling its academic resources to help meet society's most important and vexing challenges, and there is no question that climate change must be prominent among them. We will continue to do so, through the energy and ideas of our faculty, students, and staff, in ways that are true to the purposes of our endowment and that best take advantage of the University's distinctive capacities as an academic institution.

Sincerely,  
Drew Faust