Created by the WWU Divestment Study Group
May 2013-2014
Committee Charge and Charter

I. CHARGE
To identify issues related to fossil fuels and divestiture. Members of the study group shall be open to all aspects of the issue and should invite experts around the topics of investments and fossil fuels to speak to the group. The experts will offer opinions regarding this topic and the group will analyze and interpret the data presented to them. The objective of the group is to provide background information and estimated impacts from different aspects of divestment and provide a list of considerations for the Associated Students and appropriate University administrators by the end of winter quarter 2014.

II. MEMBERSHIP
AS Vice President for Business and Operations, Co-Chair
Senior Director for Fundraising, WWU Foundation, Co-Chair
AS Vice President for Student Life
Campus Sustainability Manager, Office of Sustainability
AS Environmental and Sustainability Programs Associate Director
Students for Renewable Energy President
Students for Renewable Energy Representative
Student-at-large
Assistant Vice President for Business and Financial Affairs
Dean of Students, Non-Voting Advisor
Secretary, Non-Voting

III. CHAIR
The Co-Chairpersons shall be the AS Vice President for Business and Operations, and the Senior Director for Fundraising of the WWU Foundation. They shall convene the meetings, approve agendas, and preside at all meetings.

IV. MEETINGS
Meetings shall be called by the Chair. The study group shall meet twice per month during the academic year with a minimum of twenty four (24) hours notice. Meetings may also be called by any member with support of at least twenty-five (25%) of the seated, voting membership. Summer meetings shall be held at the discretion of the committee.

V. VOTING
In order for a motion to pass, it must obtain a majority of the legal votes cast. An abstention shall not count as a legal vote cast.

VI. QUORUM
A majority of the voting membership shall constitute a quorum. If a quorum is not present, the Chair will adjourn the meeting and reschedule to a new day and hour.

VH. SUBCOMMITTEES
In order to provide for coordination and direction, the study group may establish subcommittees as necessary. Unless otherwise noted, these groups shall follow the provisions of the study group with respect to procedure.

VHI. RULES OF OPERATION
The study group may adopt and amend rules of operation governing its operation by a majority vote, subject to review or approval by the AS Board of Directors.
IX. AMENDMENTS

This Charter may be amended by a majority vote of the AS Board of Directors.

X. REPORTAGE

This study group shall report to the AS Board of Directors through the AS VP for Business and Operations.
Committee History Overview

Following the Associated Students election in the Spring of 2013, in which 86% of voting students of Western Washington University approved a resolution asking that the University divest from fossil fuels, Eileen Coughlin, Senior Vice President for Enrollment and Student Services and Ethan Glemaker, AS President, created a study group tasked with investigating the topic. Under the charge of:

To identify issues related to fossil fuels and divestiture. Members of the study group shall be open to all aspects of the issue and should invite experts around the topics of investments and fossil fuels to speak to the group. The experts will offer opinions regarding this topic and the group will analyze and interpret the data presented to them. The outcome of the group is to provide background information and estimated impacts from different aspects of the topic with a list of considerations for the Associated Students and appropriate University administrators regarding this issue in order to move forward.

The group, comprised of Western students and staff, first met in May, 2013 to begin their work. The study group was asked to prepare a document for presentation to the AS Board of Directors by end of Winter Quarter 2014. Over the course of nine months, the committee was convened nearly a dozen times and heard presentations on a variety of topics, all of which are covered in this document.

At the end of Fall Quarter, 2013, Hung Le, AS Vice President for Business and Operations and co-chair of the study group, resigned his position on the Board and therefore from the study group. He was replaced by Robby Eckroth, AS Vice President for Student Life.
Committee Membership

The study group was comprised of the following members. (Note that because the study group met over two academic years, new students were added to the committee if their predecessor graduated, was no longer employed by the AS or no longer held an elected position):

Hung Le, AS Vice President for Business and Operations, Co-Chair
Mark Bagley, Senior Director, WWU Foundation, Co-Chair
Katie Savinski and Robby Eckroth, AS Vice President for Student Life
Seth Vidana, Campus Sustainability Manager, Office of Sustainability
Nina Olivier, AS Environmental and Sustainability Programs Associate Director
Jenny Godwin, Students for Renewable Energy President
Andrew Eckels, Students for Renewable Energy Representative
Eddy Ury, Student-at-large
Brian Sullivan, Assistant Vice President for Business and Financial Affairs
Ted Pratt, Dean of Students, Non-Voting Advisor
Madeline Espeseth and Max Zetner, Secretary, Non-Voting
Process Summary

When the study group first convened, each member had a different level of understanding of divestment and the national movement underway, how foundations operate, investment philosophies and principles, social change and the impacts divestment could have on investment returns as well as societal issues. At the first meeting of the study group, topics of discussion, including all those listed above, were identified as areas where more information would be helpful. Group members agreed to reach out to resources for whom they had connections to bring experts to the table to discuss each topic.

At the subsequent committee meetings, these experts presented to the study group and the group was able to ask questions and gain more clarification and knowledge. Following each meeting, minutes were distributed to the committee and audio recordings of each meeting were made available.

A template was then developed to recap all of the information gleaned from the presentations for submission to the AS Board of Directors. Each committee member was tasked with preparing an overview of one of the eight sessions and then the entire study group met to review, refine and prepare a final version.
Presentation Summaries
Summary

The population is going to double in 25 years and a major focus should be on resources, and other countries are already in solution mode. Divestment is an issue close to the Bellingham community as is the coal terminal, with fossil fuels being used largely in energy production. The National Academies of Science say that climate change is urgent, with a 97%-98% confirmation of anthropogenic climate change. It is important to understand what the fossil fuel industry is thinking for the future. Carbon emissions will continue to rise 26% between 2011 and 2030. World solar photovoltaic production has grown 70% between 2009-10. Renewable investments exceeded fossil fuel investment in 2010 for the first time and there has been a 17% increase in renewable energy for global resources.

350.org is an advocacy group dedicated to raising awareness on climate change, with a goal to reduce carbon emissions back to 350 parts per million. Fossil fuel divestment has evolved as a grassroots organizing effort initiated by 350.org. In February 2013, 50,000 people gathered at the National Mall in Washington DC to encourage the Obama Administration to not support the Keystone Pipeline. There were 1800 people at the Do the Math tour in Seattle, where Mayor Mike McGinn lead the way with Seattle being the first city to divest. The UN International Panel on Climate Change agree that nation states should do everything they can to keep global average temperature from increasing beyond two degrees Celsius. Based on the Carbon Tracker Initiative study in 2012 it would take an additional 565 GT of C02 to hit the two degree limit. The study also found that the fossil fuel industry as a whole will release 2,795 GT of C02 if it burns its current known reserves.

It is important to determine the why, how, and what to divest. Many socially responsible funds average the same or better on current index investment. 350.org argues that financial investment in fossil fuels is a poor long-term investment position and the decision to divest would be in line with the core values of Western. 350.org emphasized that the 10 reasons to divest from 350.org is the crux of the issue at hand:

1) If it's wrong to wreck the planet, than it's also wrong to profit from that wreckage
2) We shouldn't be investing in companies that are spending millions of dollars lobbying against clean energy solutions and millions more funding climate denial and anti-science think tanks

3) The fossil fuel industry's business plan is to burn five times more carbon dioxide than scientists say we can safely emit and still keep global warming below the 2°C tipping point

4) Companies like Chevron, Exxon, and Peabody Coal are polluting our land, air, and water, putting our communities and children at risk

5) Big Oil likes to say that it's greening its operations, but that's just PR: no major oil company is investing a significant part of its profits into renewable energy research

6) Divestment can have a major political impact by taking away the social license of the fossil fuel industry, turning Big Oil into Big Tobacco, an industry that no politician wants to be seen with

7) Divestment campaigns have made a big impact before, including in the fight against apartheid in South Africa

8) Divestment doesn't pose a serious financial risk to a portfolio and opens the door for more sustainable investments that not only get a good return but also help our communities and the planet

9) Investing in the fossil fuel industry is increasingly risky: financial analysts are now warning us about a "carbon bubble" that could result when governments decide to regulate greenhouse gas emission and fossil fuel companies are forced to leave their coal, oil and gas reserves underground, tanking their share price

10) There's a growing fossil fuel divestment movement that can amplify all of our individual actions

**Key Takeaways**

- Divestment is an issue close to home, of concern to both Western and the greater Bellingham community, most notable in recent protests against the Cherry Point proposed coal terminal
- Renewable investments exceeded fossil fuel investment in 2010 for the first time, with a 17% increase in renewable energy for global resources
- The fossil fuel industry's business plan is to burn five times more carbon dioxide than scientists say we can safely emit and still keep global warming below the 2°C tipping point (part of Bill McKibben's "Do the Math" figures)
- Many socially responsible funds average the same or better on current index investment
Summary

This report will attempt to give a broad overview of national divestment campaigns in the US.

Many attribute the interest in fossil fuels divestment on US college and university campuses to an article written by author and environmentalist Bill McKibben titled, "The Case for Fossil-Fuel Divestment", which appeared in the February 2013 issue of *Rolling Stone*. This article was preceded by the "Do the Math" tour sponsored by the 350.org organization which gave McKibben a national stage to launch the divestment campaign. Since the November 2012 start of the tour, nine colleges and universities have made some level of commitment to divesting from fossil fuels, and as of February 2014, 489 different organizations have active campaigns attempting to divest. They are joined by 22 cities, 2 counties, and 27 other religious institutions, foundations, and other organizations (see "List of US Divestment Campaigns" below). Divestment activities on college campuses range from public commitment to divestment (8 of 9 involved campuses) to being fully divested (1 campus). Detail on all nine involved campuses follows.

College and University Divestment Detail by Institution

**College of the Atlantic, fossil fuel divestment decision February 2013**
College of the Atlantic in Maine committed to fossil fuel divestment after a student campaign. The college says about $1 million of its $30 million endowment was invested in fossil fuel companies.

[College of the Atlantic News - NBC NEWS](http://www.nbcnews.com)

**Foothill-De Anza Community College Foundation, fossil fuel divestment decision in October 2013**
This October, The Foothill-De Anza Foundation, which raises and manages funds for the Foothill-De Anza Community College District in California, became the first community college in the country to commit to fossil fuel divestment. The Board of Directors of the foundation...
voted unanimously to divest its $33 million endowment.

Green Mountain College, fossil fuel divestment decision in May 2013
Green Mountain College became the second college in Vermont and the fifth in the nation to divest from the fossil fuel industry after a student campaign on campus. The school has a $960,000 endowment.

Hampshire College, fossil fuel divestment decision in December 2011
In 1977, Hampshire College became the first school to divest from apartheid South Africa. They are also the first college to have divested from fossil fuels. In December 2011, the Board of Trustees approved a new sustainable investment policy to screen out fossil fuel holdings. 2011 holdings were almost 29 million dollars.

Naropa University, fully divested from the "top 200 fossil fuel companies" as of October 31, 2013.
Following a unanimous vote by Naropa University's endowment committee, the institution has fully divested from their holdings in companies identified by 350.org as having the highest potential greenhouse gas emissions, based on their carbon reserves.

Peralta Community College District, fossil fuel divestment decision on December 10th, 2013
The Peralta Colleges Board voted unanimously to immediately cease investments in the 200 largest fossil fuel companies and to fully divest their holdings within five years.

San Francisco State University Foundation, fossil fuel divestment decision in May 2013
This May, San Francisco State University (SF State) became the first public university and first school on the west coast to commit to divest immediately from coal and tar sands companies and start a formal process to look at fully divesting from the fossil fuel industry. The SF State University Foundation manages $51.2 million endowment for the university. In addition, per a request by SF State President Leslie Wong, the Foundation Board will convene a special committee comprised of Foundation directors to review the Foundation's investment policy, identify all of the Foundation's fossil fuel investments, and make recommendations for future changes to the Foundation's investment policy in regards to divestment.

Sterling College, fossil fuel divestment decision in February 2013
In February, 2013, Sterling College became the first college in Vermont and the third in the United States to commit to divest from the 200 top fossil fuel companies. (350.org founder Bill
McKibben is an honorary alumnus of Sterling College.)

Burlington Free Press

Unity College, fossil fuel divestment decision in November 2012

Unity College in Maine became the first school in the country to commit to fossil fuel divestment.

Unity College News

List of Colleges and Universities Deciding not to Divest at this Time

Harvard University - http://www.harvard.edu/president/fossil-fuels


Middlebury College - http://www.middlebury.edu/newsroom/archive/524638/node/459563

University of Vermont - http://digital.vpr.net/post/uvm-keep-fossil-fuel-investments

List of US Divestment Campaigns (from 350.org website)
Colleges and Universities (9)

College of the Atlantic
Foothill-De Anza Community College Foundation
Green Mountain College
Hampshire College
Naropa University
Peralta Community College District
San Francisco State University Foundation
Sterling College
Unity College

Cities (22)

Seattle, WA
San Francisco, CA
Portland, OR
Eugene, OR
Berkeley, CA
Richmond, CA
Santa Monica, CA
Boulder, CO
Santa Fe, NM
Madison, WI
Bayfield, WI
State College, PA
Ithaca, NY
Truro, MA
Provincetown, MA
Providence, RI
Cambridge, MA
Northampton, MA
Ann Arbor, MI
Boxtel, NL
New London, CT
Amherst, MA

Counties (2)

San Francisco, CA
Dane County, WI

Religious Institutions (18)

United Church of Christ - National
Massachusetts United Church of Christ
Minnesota United Church of Christ
Evangelical Lutheran Church of Oregon
First Unitarian Church of Salt Lake City
First Parish Unitarian Universalist Church in Cambridge, MA
Portsmouth South Church Unitarian
First Unitarian Church of Pittsfield, ME
First Unitarian Society of Milwaukee
Uniting Church, New South Wales & ACT, Australia
Dover Friends Meeting, Dover, NH
Melbourne Unitarian Church, Australia
Unitarian Universalist Society of Amherst, MA
Anglican Diocese of Wellington, New Zealand
Anglican Diocese of Auckland, New Zealand
Anglican Diocese of Dunedin, New Zealand
Anglican Diocese of Waiapu, New Zealand
Anglican Diocese of Waikato and Taranaki, New Zealand
Society for Community Work
Episcopal Diocese of Massachusetts, MA

Foundations (4)
Divest-Invest Philanthropic Group
Sierra Club Foundation
Wallace Global Fund
Jubitz Family Foundation

Other Institutions (5)
Conservation Breeding Specialist Group
Santa Fe Art Institute
New Progressive Alliance
Council of Canadians
Santa Clara Valley Water District
Students' Society of McGill University (pdf)
Summary

Stephanie Bowers, Vice President for University Advancement and Executive Director of the WWU Foundation and Bruce Clawson, Vice President of the Foundation Board of Directors, were invited to explain the role and make-up of the WWU Foundation. The WWU Foundation was formed in 1966 as a 501(c)3 with the sole purpose of supporting and serving the mission of the University. The formal agreement between the WWU Foundation and the University states that the Foundation is the only entity who can raise money on behalf of the University. They also lend a voice in Olympia and assist students in seeking employment.

Donations to the Foundation come in the form of annual gifts, major gifts, planned gifts, and through events. The WWU Foundation is donor centered - meaning donors choose where they want their money to be allocated. Annual gift donations are through phone-a-thons, direct mail, e-solicitations and fundraising events. Major gifts are $25,000 or more. Planned gifts are when the deceased have set aside money in wills or estates to establish scholarships or other donations. Events are fundraising events, such as business forums.

Anyone can donate to Western; however, most donations come from alumni, parents, faculty, friends, and businesses and corporations. Over the past 47 years, the WWU Foundation has raised $115,968,407. Annually, the Foundation receives somewhere between $5-6 million. Scholarships are increasing. College and departments determine their funding priorities and then work with the Foundation in raising the funds. The Foundation does not take a fee from donations; the money coming in is the same going out. Money donated toward endowments are invested and only the earnings are spent. The WWU Foundation Mission Statement states, "By inspiring our community to give, we secure and steward resources to advance scholarship, research and creativity." Students are the best inspiration for people to donate money to Western and one of the goals in the Charter is to
serve the needs of Washington State and the community at large. This is done by funding universities that produce a steady stream of worthy students who go out into the world and do good things.

The Alumni Association is a separate 501(c)3 within the Division of University Advancement. In the Investment Policy for the WWU Foundation, intergenerational equity is the major principle that guides all investments. Intergenerational equity ensures what we have and how we live does not compromise future generations. The intergenerational equity component is very important and is connected to the fact that almost all Foundation assets are invested. It is essential to grow these investments because the earnings are what is allocated to student scholarships or program funds and spent. Over time, you want to make sure whatever you are earning is more than what you are spending, otherwise you are spending future generation's money. They allocate resources in the best fashion to achieve intergenerational equity.

The Foundation uses professional investment advisors to manage their accounts. The Board of Directors for the WWU Foundation sets a policy for investing and spending decisions, and then uses that policy to select investment managers, who then make investment decisions on behalf of the WWU Foundation. The WWU Foundation acts in a governing capacity rather than as active investors. The Foundation uses asset allocation to ensure intergenerational equity. They set ranges of different investment levels, meaning only a certain amount can be spent in certain markets; this balances risk and return. Another way this is done is by using different investment managers. The principal investment manager is the Commonfund, used by Western and hundreds of other universities. This connects the Foundation to a community that has similar practices and goals. Western is considered small when compared to the other universities using Commonfund. Commonfund manages about 70% of Western's assets. Two other companies, Morgan Stanley and Saturna Capital, a local Bellingham firm, manage the other 30%. Commonfund follows the WWU Foundation's Investment Policy and finds funds to invest in, this is known as "fund of funds." Commonfund pools Western's funds with other universities' funds to invest with the investment managers who fit their investment strategy. Western has good resources and has a good manager, but they manage their funds by selecting managers. Commonfund is getting up to speed on the divestment topic, and are researching the opportunity to see how it can be incorporated into their business model. As of now, there are no managers who align fully with divestment.

Divesting would cause a policy change, and then Commonfund would reallocate investments accordingly. The University can make recommendations to the Foundation, but it cannot mandate. Spending dollars that are raised and/or earned through investments is the whole point of the Foundation so that students can benefit. Growing the endowment fund is a large part of spending so that there is more money to spend now and in the future. The Foundation Board of Directors is made up of volunteers and are all non-paid positions. When decisions need to be made, the Board reviews recommendations and votes. President Bruce Shepard is an ex-officio (non-voting) member. The Board of Directors for the Foundation is completely separate from the University Board of Trustees; they
work in tandem, but do not serve the same purpose. The Board of Trustees members are Washington residents appointed by the Governor to govern the University; they hire the President.
Summary

Mary Jane McQuillen explained to the committee that recent studies caution looking into environmentally sustainable investing because of the great risk in their long-term approach. In the past, faith-based investors mostly invested outside the general pool. Therefore, as the faith-based trend in investing became apparent, there was adamant pressure for foundations to look into their investments. In the past 5 to 7 years, there has been a large transition from SRI (Socially Responsible Investing) to ESG (Environmental, Social, and Governance) investing. The emergence of ESG investments brings about a focus of environmental issues and allows for coincidence of various topics. However, when investing funds, it is important to represent student voices and preferences. Excluding an entire sector area brings about great risk with the possibility of missing out on booms in other areas. There could be the possibility of compromise in investing most of the endowments in non-fossil fuel affiliated companies, while still participating in small amounts of fossil fuel investments. This allows for greater prosperity economically speaking. There is also a need to analyze the best process of divesting; whether it includes a radical and immediate transition, or a gradual "phasing out" process of non-renewable energy while simultaneously supporting renewable energy. To effectively make a decision in divesting funds, investors would want to know what the divestment timeframe is, what the benchmarks are, how other assets were allocated, what the risks are completing the process, and what the funds are needed for. Currently, universities are divesting from fossil fuel companies at an increasingly frequent rate. Although there is an apparent rising trend, care should be taken to make sure this change is a right decision for the university. As a result, gathering information from other universities that have divested from fossil fuels would enhance the process in making the right decision. Divestment, in essence, can impact companies by creating pressure from shareholders requesting for the incorporation of more renewables and environmentally sound approaches.
**Key Takeaways**

- Look into ESG investing
- Understand the risk of excluding entire sector areas
- Analyze the process and speed by which divestment will take place
- To effectively make a decision it is important to keep in mind:
  - Timeframe
  - Benchmarks
  - How other assets were allocated
  - Risks in completing the process
  - What the funds are needed for
- Confirm the change is the right decision for the University
- Perform case studies on other universities that have divested
- Shareholder interests can ultimately put pressure on companies towards change
On Wednesday October 23rd, 2013 Dr. Debra Salazar, a Political Science Professor at Western Washington University who studies how marginalized groups confront authority to make social change, brought her expertise in social movements to discuss the potential outcomes of divesting from fossil fuels. She argued that because society is so complex it is impossible to know for sure what the outcome of a tactic such as divestment will be. She also discussed different forms of confrontation and their typical outcomes. She explained that the key distinctions between different forms were whether a group was attempting to work with authorities or to challenge them directly and create political and economic disruption to force them to change. From this conversation some members on the committee started to see a different reason for divesting than they hadn't previously thought about. Others were under the impression that it was intended to impact the fossil fuel companies financially and weaken their ability to extract fossil fuels. A few committee members clarified that the intent is to get universities to take a bold moral stance on climate change and change the culture surrounding fossil fuels in the Western community. Some of the committee members said that they would like to eventually see change outside of the University. Another member stated that divestment is based upon climate change research that states that the remaining fossil fuel deposits need to stay in the ground to keep our environment from drastically changing. The transition from fossil fuels is difficult because our entire infrastructure is based on the consumption of fossil fuels, so there needs to be a provided alternative. Salazar pointed to the effectiveness at the South Africa, alcohol, and tobacco divestments campaigns in the 80s and 90s as an example of how this tactic has been used successfully in the past to weaken an industry's lobbying power. Salazar also argued that divestment campaigns are an opportunity to build social movements and create spaces where students can gain skills as activists.
Key Takeaways

• Salazar described the outcomes of different tactics used to create social change
• Some of the committee members’ perspective on the goal of divestment changed from thinking the reason to divest was to hurt fossil fuel company’s value on the stock market to changing the culture based around fossil fuel consumption
• Historically divestment campaigns have been successful
• The impact of tactics used by activists can be unpredictable
• It may be difficult to change the culture based around fossil fuel consumption until there’s a viable alternative provided
Hart Hodges, professor of environmental economics at Western Washington University, presented his thoughts on divestment to the committee. He explained that divesting from fossil fuel companies at this time is not a bad idea since the stock value of these companies has decreased in value over the course of the last few years, although BP and Exxon both pay a nice dividend because their stock has risk associated with it which means it has a low end price performance. He went on to explain that the energy sector has had a bad year while renewable and clean energy companies have been more profitable than traditional energy companies. Although, Hodges asks "would divestment help raise the price of fossil fuels? What is the end goal and are you moving toward it efficiently?" Hodges was asked if the fossil fuel companies will grow or decline in the future. Hodges stated that the companies that transition from oil and coal will likely continue to be financially successful. Another committee member stated that it's more than just changing the culture as a whole and that existing developing patterns makes us completely dependent on cars, and by divesting he hopes that people will start to shift away from the automobile culture that's so prevalent in the United States. Hodges responded that natural gas would be a good transition fuel that would lower emissions and that protesting will only have a small effect and that a good investment policy could be more effective. Another committee member asked if green energy sectors will be greater than SMP in the future. Hodges stated that he does see the more successful green energy companies seeing greater returns than SMP. He also stated that any board investing should be guided by a policy. Another committee member stated that there is a social responsibility clause in the Foundation's investment policy excluding tobacco and alcohol, and that they hope to expand that clause to include fossil fuels.
Key Takeaways

- A lot of clean energy companies have been more successful in the stock market than a lot of fossil fuel companies
- Fossil fuel companies often pay a nice dividend due to the risk associated with purchasing their stock
- Fossil fuel companies that are transitioning to natural gas will likely remain successful in the stock market
- Hodges believes that some fossil fuel companies are not bad companies and that some are moving toward cleaner energy such as natural gas
- If the foundation were to decide to divest they may want to consider adding fossil fuels to the social responsibility clause
Summary

About seventy people gathered at Seattle City Hall on October 18th for a day of presentations. Among them were fund managers, analysts, and city officials from Seattle, Tacoma, Los Angeles, San Francisco, Eugene, Providence, Salt Lake City, and Madison. Altogether, the attendees represented funds worth over $40 billion total.

Here is a link to the presentation slides.

http://www.mayorsinnovation.org/custom.asp?id=352

Here is a link to the agenda:


Key Takeaways

The choice to divest, from the standpoint of investment management, is like all financial decisions, based on an assessment of risk.

The evidence presented at this conference, altogether, lends itself to an argument made in the keynote speech by Bob Massey, that divestment is not impeded by fiduciary duties, but rather is implored.

The decision to remove oil, gas and coal is by no means a risky path. Fossil-free portfolios have performed just as well or better than standard portfolios. But less fossil fuel divestment doesn't necessarily mean less carbon footprint. There needs to be a look beyond fossil fuel.

49% of portfolios valued at more than one million dollars has at least one ESG screen.

The MSCI Social Index outperformed the S&P 500 from 1990-2013, and the Carbon Free MSCI ACWI outperformed the MSCI ACWI, with higher annualized returns and greater cumulative growth.
report from HIP Investor shows that 19 of 20 studies show neutral or positive Impacts on funds that are divested.

Rather, the question should be: what are the risks and gains to be weighed over retaining ownership of these equities? Granted, there Is some risk of potential losses of future returns from these stocks. Carbon Free portfolios may underperform when oil prices rise and most portfolios are Invested 3% - 4% In fossil fuel companies.

These potential gains can be weighed against the risk of lost value due to stranded assets, If the top 200 energy companies, which own 92% of known hydrocarbon reserves, are prevented (by for Instance, a UN agreement) from exploiting the majority of their property. These companies clearly believe that this will not happen, because they are spending $650 billion annually exploring for more reserves. This Is arguably an Irrational business strategy, and fiduciary duty Implores that responsible fund managers should not Invest In companies that act Irrationally.

The Carbon Tracker Initiative compared the estimation of the "carbon budget" with those accepted by the UNIPCC In 2013, which differed numerically but not essentially. While Carbon Tracker estimates that to have an 80% chance of preventing global average temperature from rising more than 2 degrees centigrade, our carbon budget Is 975 Gt, while UNIPCC estimates 866 Gt.

They estimate a 66% probability for 987 Gt, and 50% for 1134 Gt. Total reserves are 2860 Gt.

Another potential risk being Ignored Is one of Imposed costs for externalities. Trucost analysts estimate that 83% of revenue for oil and gas companies Is at risk, If they had to pay for destruction of natural capital such as water supplies.

An alternative strategy for addressing these risks Is shareholder advocacy. Notably, several presenters who engage professionally In shareholder advocacy stated their opinion that divestment Is a better route, because It Is Ineffective to advocate for corporate policy that Is wholly Incompatible with the bottom line and business platform of these companies.
Commonfund is a non-profit investment management company managing about 24 billion dollars for 1400 non-profit institutions. Commonfund has been wrestling with the question of "how do you integrate the values of the institution with investment policy?" Fiduciaries like Commonfund are the people who take care of others’ financials as they would their own. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires prudence and care in investing. In absence of a specific direction by the donor the fund is to be extended and its value preserved into perpetuity. Usually investments are given to the University with either intent, or to be used at the University's discretion. There is a potential conflict between the desire to divest and the maximization of fiduciary returns.

The first step to think about is defining goals. Socially responsible investing traditionally has avoided "sin stock:" alcohol, guns, ammunition, tobacco and gambling. Engagement with companies is a tool that provides investors with opportunities to share proxies, to participate in and submit shareholder resolutions, and to accompany issues of sustainability. There has been a record amount of proposals and support for sustainability investments recently. Impact investing involves thinking affirmatively about where you're putting your assets, with reinvestment impact options like those in clean tech. Some schools have created funds to support retrofitting buildings which can increase energy efficiency, allowing the return in terms of energy savings to come back into the endowment.

Divestment and negative screening are both possible practices. It’s important to look at the carbon intensity across sectors. If you look back at religious institutions they express their beliefs through their investment portfolio. None have the intention of saying "we're trying to put the alcohol industry out of business." They knew they wouldn’t, but didn't want to benefit from it themselves. The goal Western seeks with divestment is to effect some change and take a stance. Long term, will it affect the overall investment return if Western doesn't have exposure to certain sectors of the economy? The answer is maybe not a lot over a long time. On the negative side, divestment has not changed any company's behavior. From WWU's perspective it would lose the benefit of diversification. Again, defining goals is important, as with a purpose to support the university's academic mission. There should be an ethical
Statement. (See WWU Endowment Investment Policy attached, noting clause 2.3.8. Social Responsibility).

2.5-3% is the overall exposure of fossil fuel companies. A committee member asked how many clients are requesting divestment from Commonfund and the answer was not many. Yet there is quite a lot of interest in ESG investment. (See attached Commonfund.pdf, note pages 8-12). Current divestment is a bigger issue than the apartheid divestment movement because fossil fuels take up a much greater portion of investments. Divestment takes a different nature. It affects a lot of the market. The question becomes, "is there a way to get to the sustainability that we want without taking so much off as once?"

A committee member asked if they currently offering any funds that are fossil fuel free. They aren't but are willing to work with WWU on creating one. A five year goal is a reasonable amount of time to reinvest. WWU is currently invested in multi-strategy funds with hundreds of other colleges and universities. If WWU says they want to divest, they don't own securities directly, but own interests or shares. With different managers WWU would have to set up separate custodian accounts and agreements with banks. Separate funds add anywhere from a quarter to half of a percent in extra costs to the organization.

There is a history of Commonfund working with value-based organizations to have specific funds created for them excluding various stocks. Currently, when investors were shown the economic implications of divestment and asked if they could create a fossil-free fund they couldn't agree. Someone is developing fossil free indices so that people will be able to measure what an equity portfolio would look like without certain companies. A committee member asked if there is a possibility of creating a shared fund for the multiple universities that are looking to divest. If they had enough demand it would be possible. It was suggested that if 350.org were to contact Commonfund that could have an impact, listing the number of universities involved in divestment and who are having these similar discussions. This could be a rational venue to pursue creation of the above shared funds. Over 670 institutions have stated that they will be carbon neutral between now and 2050. There will likely over the next five to ten years be much more demand for divestment. You start seeing economies of scale with the investments over $100 million as a general rule for socially responsible investors. Committee members continued to discuss the creation of a "pre-fund" for fossil fuel-free investments through Commonfund, and the feasibility of this.

**Key Takeaways**

- Engagement with companies is an effective tool that provides investors with an opportunity to participate in action that accompanies issues of sustainability
- Divestment isn't a tool to put the fossil fuel industries out of business, rather it would be a matter of Western saying it didn't want to benefit from such funds as an institution
- WWU's investment in multi-strategy funds makes divestment more complicated
- More demand for divestment would likely increase the number of fossil-free funds
Considerations

Questions

• How do we as a university balance our reputation and legacy - environmentally conscious - with the fiduciary responsibility of the Foundation Board to provide as much private support possible to assist students?

• Is there enough long-term data to know with some certainty that divestment won't impact investment returns?

• Are there lessons to be learned from those colleges and universities that have divested AND from those who have decided not to invest?

• How do you integrate the values of an institution with investment policy? How does divestment factor into WWU’s values as a community of higher learning?

• Will it affect Western's overall investment return if the university doesn't have exposure to certain sectors of the economy, namely fossil fuels?

• Would it be feasible and beneficial for Western to engage in creating a shared fossil free fund for the multiple universities that are looking to divest?

• What is the best process of divesting? An immediate transition, or a gradual "phasing out" process of non-renewable energy while simultaneously supporting renewable energy?

• To effectively make a decision in divesting funds, investors would want to know what the divestment timeframe is, what the benchmarks are, how other assets were allocated, what the risks are completing the process, and what the funds are needed for.

• With renewable investments exceeding fossil fuel investments in 2010 for the first time, does this signal a good time for Western to take on divesting?

• What are some examples of socially responsible funds? Are current index investments averaging the same or better than funds in fossil fuels?
Estimated Impacts

Though we cannot know the impacts of divestment for Western Washington University, based on our study, underlined here are some possible outcomes based upon the committee's research:

- Divestment would be good for the portfolio if fossil fuel company stock prices decrease. If fossil fuel companies continue to see an increase in stock prices, having those companies in the portfolio would be advantageous financially.

- Separate custodian accounts and agreements with banks for screened funds add an average of a quarter to half of a percent in extra costs to the organization. If divestment is pursued by many institutions, this cost could be reduced.

- Western is one of over 670 institutions that have stated they will be carbon neutral between now and 2050. Divestment offers an option to align with this goal as with the socially responsible investment clause within the Foundation Investment Policies.

- There could be the possibility of compromise in investing most of the endowments in non-fossil fuel affiliated companies, while still participating in small amounts of fossil fuel investments.

- Based on the history of divestment campaigns in alcohol, tobacco and South Africa, universities divesting from an industry can weaken the political power of that industry. In the case of fossil fuels, divestment can lead to policies that will address climate change even if those policies are damaging to the fossil fuel companies.