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**Fossil Free Campaign Orientation Paper for University of Ottawa**

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## **Executive Summary**

- Addressing global warming and the shift to a low carbon economy in order to stay within the 2°C target required for a sustainable planet is the central issue of our times. To achieve this goal, meaningful actions will be required from all institutions including universities.
- University of Ottawa is a world leader among universities in its responsible investment policies and practices.
- Universities need to leverage all their assets to address the issue of global warming. These include teaching, research, physical plant, public policy engagement and leveraging financial assets in an effective way that creates meaningful change.
- Divestment is seen as a blunt and ineffective policy by most responsible investors and RI experts.
- Responsible investors are using more effective approaches to address climate risk in their portfolios. These approaches include measuring and reducing the carbon footprint of their portfolios by shifting investment away from companies that use carbon inefficiently to those that use it in the most efficient way possible. This approach sends clear signals to the market of future change.
- This report recommends twelve concrete short-term, medium-term and long-term actions that could be taken by the University to develop effective strategies using all your available resources to address global warming and encourage the shift to a low carbon economy.
- This report does not recommend the University of Ottawa change its already existing practice on negative screens, and does not recommend that the blunt and ineffective instrument of divestment from fossil fuels be used.

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## Section 1. Introduction

There is no question that the challenge of global warming and associated climate change is the central issue of our times. This has led to a general consensus that society at large must shift to a low carbon economy if we are to achieve the target staying below the 2°C limit needed to maintain a sustainable planet. It is a goal we must all be committed to, and as a society we must find effective ways to achieve this goal.

Over the past three years colleges and universities have been the focus of a student-led campaign to request that university endowments and pension funds divest from fossil fuels. Reactions to these campaigns have ranged from rejection of divestment as an effective strategy, to divestment from coal companies (seen to be the most egregious source of CO<sub>2</sub> emissions), to in a few cases, full divestment from fossil fuels.

Simultaneously, there is a growing movement toward responsible investment, with investors using environmental, social and governance (ESG) factors in their investment selection. Increasingly these factors are seen as material to investors including those that involve climate risk. The University of Ottawa is a leader among universities in its responsible investment policies and practices. University of Ottawa was one of the first universities in the world to sign the Principles for Responsible Investment (signatories currently represent \$45 trillion under management). Even today only four other Canadian Universities have taken this step (Régime de Retraite de l'Université de Montréal, Régime de retraite de l'Université du Québec, Simon Fraser University, and University of Victoria Foundation). As a PRI signatory, the University of Ottawa has committed to the six principles that will effectively integrate ESG into its investment practices, as indicated in the University of Ottawa's May 26th 2015 Responsible Investment Guidelines. These principles are used to inform the University's actions.

Most responsible investors and RI experts do not believe that divestment from fossil fuel is an effective strategy to accomplish the much needed aim of shifting society to a low carbon economy. At best it is a blunt instrument. The evidence that backs this statement is detailed in the report below. Responsible investors are rallying behind much more sophisticated and effective strategies to achieve the goal of addressing climate change. These are also detailed below. These strategies form the core of twelve short-term, medium-term and long-term effective actions that the University of Ottawa could take to encourage the shift to a low-carbon economy. The recommendations found in Section 4 of this report, draw on all the assets of the University: teaching, research, physical plant, public policy engagement, and leveraging its financial assets for meaningful change, rather just focusing on one single asset, the University's endowment fund.

For the reasons detailed in this report, I do not recommend divestment from fossil fuels as a meaningful or effective strategy to address climate change. However I do recommend that the University make a meaningful commitment to this issue, and undertake actions that demonstrate this real commitment. Rather than using a blunt instrument, I recommend the University of Ottawa take the much more difficult, but substantive, path detailed in the twelve recommendations in this report.

## 1.1 Background on the Fossil Free campaign

In 2012, 350.org a US-based non-profit organization launched a campaign to encourage divestment from 200 fossil fuel companies with substantial carbon assets.<sup>1</sup> The *Fossil Free* campaign draws attention to the urgent action required to limit global greenhouse gas (GHG) emissions to levels pledged at the 2009 Conference of Parties meeting in Copenhagen. Bill McKibben co-founder of 350.org and one of its primary proponents suggests that “if it’s wrong to wreck the climate, then it’s wrong to profit from that wreckage” (McKibben 2012). The campaign targets high net-worth individuals, religious organizations, foundations, public sector pension funds, universities and colleges. As of April 2015, 30 higher-education institutions,<sup>2</sup> 167 religious and public investment funds, and 656 individual investors, together representing \$50 billion, have committed to divest either in whole or in part from fossil fuel companies (Arabella 2014).

The campaign operates as a globally coordinated network. In Canada, there are at least 34 active campaigns on university campuses.<sup>3</sup> While the campaigns tend to target endowment funds, student union and faculty pension funds are also under scrutiny. Concordia is the first and only Canadian university to (partially) divest its endowment. The campaign organizes sit-ins, public rallies and referenda to gain support among faculty and students, and when such tactics fail, campaigners tend to deploy more extreme tactics, such as disruptions to campus events and litigation.<sup>4</sup>

While local campaigns differ in their scope and approach, the global campaign is organized around the pursuit of three goals: The first is to put pressure on fossil fuel companies to leave unburned fossil fuel reserves in the ground, recognizing that we are already on track for exceeding the 2°C warning issued in Copenhagen. The second aim is to pressure fossil fuel companies to engage in activities that reduce carbon emissions and contribute to disruptive technologies. The third aim is to pressure governments to enact legislation that would drive the transition to a low-carbon economy (Ansar *et al.* 2013).

The campaign boasts the fastest growing divestment movement in history (Ansar *et al.* 2013), and it enjoys widespread support from organisations including the World Bank and the Guardian Media Group. The campaign also has its critics, ranging from academics concerned that the divestment campaign oversimplifies the climate change narrative and distracts universities from their primary contributions to sustainability through research and education, to industry representatives concerned that the campaign alienates those best placed to lead the transition to a low-carbon economy.<sup>5</sup> The campaign has also been criticized for the negative

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<sup>1</sup> Carbon Tracker Initiative compiled a list of the most carbon-intensive companies.

<sup>2</sup> See Section 2 of this report for a full list, as of April 2015.

<sup>3</sup> SEPN 2015 <http://sepn.ca/wp-content/uploads/2014/12/SEPN-Divestment-Research-Brief-February-11-20151.pdf>

<sup>4</sup> Harvard University law students have taken legal action against the university for mismanagement of the endowment. See <http://www.thecrimson.com/article/2015/2/21/divestment-hearing-no-final-decision/> (note: this legal case was dismissed in Spring of 2015)

<sup>5</sup> Falkenberg, calls the divest movement “intellectually lazy.”

impacts that an immediate substitution away from fossil fuels would have on emerging economies.<sup>6</sup> Campaigners have responded citing an IPCC (2014) report that suggests climate change will have the greatest impacts on the poorest and vulnerable populations.

While some campaigners suggest that the fossil fuel divestment campaign is a moral imperative analogous to the South African apartheid campaign (Schneider 2014), others argue that divestment is at best a blunt instrument that fails to deliver its message to the affected companies while weakening the ability of the shareholder to influence the transition to a low-carbon economy. Critics of the campaign suggest that what is missing from the debate is the broader context of divestment. On its own, divestment evokes a 'yes' or 'no' response. But once it is placed in the context of responsible investment, the divestment question becomes nuanced, thereby allowing for a more dynamic response from those targeted by the campaign.

## 1.2 Divestment in the context of responsible investment

Divestment is the withdrawal of financial capital from specific investments or classes of investment that is motivated primarily by political, social or ethical reasons (see *Ansar et al.* 2013; EuroSIF 2014). While there are some instances where divestment has proven to be an effective strategy, these are primarily in areas where there is broad agreement among the population on the issue and this agreement is reflected with the adoption of a national or international code or norm. Examples of successful divestment campaigns are the South African Apartheid Divestment Campaign, and more recently divestment in cluster munitions producers. The Convention on Cluster Munitions, an international treaty signed by more than 100 countries including Canada. The Canada Pension Plan Investment Board (CPPIB), Norwegian Pension Fund and the New Zealand Superannuation Fund, along with other national pension funds, have divested from companies involved in cluster bomb production.

In other instances divestment has not been a successful strategy, if the aim is to influence and change corporate behavior. In these instances as one investor sells their shares, another investor buys them. The responsible investor loses his/her ability to influence company behavior, there is no change in the cost of capital for the company, the new investor may not care about the issue, and the company receives a confused and blunt message regarding its environmental, social and/or governance (ESG) standards. An example of this divestment outcome is the Canadian oil company, Talisman Energy. In the late 1990s a major campaign was launched to divest from Talisman in reaction to their oil production in the Sudan that was seen to assist the Sudanese Government in their civil war. In 2002 Talisman sold its Sudanese operations to the Indian national oil company and Petro-China. Neither of these new owners had any interest in raising the human rights standards or reducing the conflict in the region.

As indicated above, asset owners differ significantly in their investment beliefs, goals, constraints and ethical and political concerns. As such, there is no one-size fits all approach to divestment (Mathews *et al.* 2014). For some investors, demonstrating a commitment to ethics might be integral to their legitimacy (see Clark and Monk 2010), while for others, divestment

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<sup>6</sup> See for example: John Grapper, 'Fossil fuel campaigners play charades'. *Financial Times*. April 2015; 'Top Academics ask world's universities to divest from fossil fuels'. *The Guardian*. April 7, 2015.

only has relevance in the context of managing financial risks related to environmental, social and governance (ESG) issues.

Responsible investors who take ESG factors into consideration in investment selection are primarily concerned with the risks these factors raise in their portfolios. Increasingly climate change risk is being recognized as a major issue for investors (Briand *et al.* 2015). In particular, the stranded assets thesis suggests that in order to meet the 2°C target for limiting global warming, we cannot burn all the carbon assets that are currently in the ground. These are often referred to as 'stranded assets'. Changes in regulation and technological innovation will cause carbon assets to lose economic value before the end of their expected life (Briand *et al.* 2015; Ansar *et al.* 2013).<sup>7</sup> As such, it is anticipated that stock prices of fossil fuel companies will be permanently depressed.<sup>8</sup>

While divestment has been the primary focus regarding the management of stranded asset risk (see Briand *et al.* 2015), recent reports seek to show there are other options available to investors. (Ansar *et al.* 2013; PICS 2015; Briand *et al.* 2015). For example, investors can re-weight their portfolios to reduce their carbon exposure, while avoiding risks not addressed by full divesture including the short-term risks related to deviating from the market and the risks in non-energy sectors that are reliant on burning of fossil fuels (Briand *et al.* 2015). Moreover, re-weighting (also known as tilting) allows investors to engage with fossil fuel companies, a strategy that is seen as integral to managing climate risks (Metrick and Ambachtsheer 2013; Ansar *et al.* 2013; Covington and Thamotheram 2014).

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But engagement on climate change risk comes with a large caveat, which is that “unless investors are willing to work actively to change the strategies of fossil fuel companies, they will achieve more by divesting, and publicly explaining their reasons for doing so” (Covington and Thamotheram 2014: 47). Most engagement on climate change to date has focused on the

low hanging fruit of corporate disclosure. In part, the problem is that asset owners delegate too much authority to managers that are evaluated against short-term performance benchmarks (Johnson and de Graaf 2009), and some conclude that the traditional model of engagement is ‘ill suited to deal with risks of climate change’ (Covington and Thamotheram 2014). A more forceful form of investor stewardship is needed (ibid 2014), which could include shareholders asking fossil fuel firms to return capital, rather than re-investing in capital expenditures (known

<sup>7</sup> IPCC (2014) estimates that there are four times more fossil fuel reserves on balance sheets than what can be burned without dramatic climate change.

<sup>8</sup> Mercer (2012) reports that climate risk may represent 10 percent of portfolio risk for a hypothetical investor. Through the Looking Glass: How investors are applying the results of the climate change scenarios. Mercer, 2012.

as CapEx) that would lead to further extraction of carbon (CTI 2012).<sup>9</sup> Moreover, there is recognition that collaborative investment platforms are required to aggregate efforts of smaller investors that lack resources to engage companies (SAP 2014).

There is now widespread agreement on the need to transition to a low-carbon economy in order to meet the 2°C target required to limit global warming. Bank of England Governor Mark Carney recently told a World Bank seminar “the vast majority of reserves are unburnable, if we are to avoid catastrophic climate change” (Guardian, 2014) . However, there is less agreement on the appropriate mechanisms to achieve this goal. Some argue that students are wasting valuable resources and time with campaigns, and should instead focus their energy on research to advance energy efficient innovations and the promotion of on-campus sustainability initiatives. Those more sympathetic to the campaign celebrate its role in filling the void of globally coordinated action on climate change (Ansar *et al.* 2013). In the sections below, we review academic research that evaluates the direct and indirect social and environmental impact of divestment campaigns, and we consider the fossil fuel campaign in light of this literature.

The most direct way divestment can impact a company is by increasing its cost of capital. There is some evidence supporting this. Heinkel *et al.* (2001) find that divestment can reduce opportunities for investors among polluting firms to pool risk. El Ghouli *et al.* (2011) find that firms with higher corporate social responsibility scores experience better access to equity capital, and conversely, firms in tobacco and nuclear power experience higher costs of equity capital. But such outcomes are conditional on factors such as a relatively high degree of illiquidity in the market. Indeed, it is widely held that divestment has little affect on cost of a firm’s capital in reasonably efficient markets (Statman 2000; Renneboog *et al.* 2008), as studies of past divestment campaigns such as the South Africa anti-apartheid campaign have found (Teoh *et al.* 1999).

Most analysis of the fossil fuel divestment campaign predicts that the direct impact on the cost of capital of targeted firms will be limited (Ansar *et al.* 2013; Matthews *et al.* 2014; Ritchie and Dowlatabadi 2015; Briand *et al.* 2015). First, the investors targeted by the campaign represent a small fraction of total oil and gas firms’ equity capital and debt.<sup>10</sup> it is assumed that other investors will buy these stocks with little impact on the oil and gas firms targeted. Moreover, publicly traded oil and gas companies control less than 30% of reserves (Nelson *et al.* 2014), thereby preventing the ability to directly influence the majority of the world’s holders of fossil fuel reserves (Ritchie and Dowlatabadi 2015).<sup>11</sup>

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<sup>9</sup> In 2014 Exxon Mobil responded to shareholders concerns with climate change by claiming it projects 35% growth in global energy consumption by 2040 and that it expects cost limitations to renewable alternatives to persist. As such, the company concluded, ‘no fossil fuel assets would become stranded in the reasonable foreseeable future.’ Shell Oil also issued a similar statement. Needless to say there are many critics who are skeptical of such statements.

<sup>10</sup> The average US endowment exposure to fossil fuel companies is 2 – 3 % (Ansar *et al.* 2013)

<sup>11</sup> Ritchie and Dowlatabadi (2015) estimate that substituting renewable energy companies for all oil and gas in the University of British Columbia’s endowment would only reduce the fund’s GHG exposure by 3 per cent.

### 1.3 Channels of influence with companies on high cost/ high carbon projects

Campaigners themselves recognize that divestment is not likely to have direct market effects (350.org). That said, there is greater potential to directly impact the cost of capital for coal companies, given the lack of substitutes and the relative illiquidity of their stocks (Ansar *et al.* 2013). In fact, coal has not performed well, and is the most inefficient fossil fuel in terms of CO<sub>2</sub> emissions. It should be noted that the Dow Jones Coal Index has plunged 36.5 percent in the past year, and is down almost 75 percent in the past five years. As many US electrical utilities shift from coal to natural gas it is estimated that coal may supply only 14 percent of U.S. electricity fuel by 2030 (U.S. Chamber of Commerce, 2014) down from 40 percent in 2013. As investors measure, disclose and seek to reduce the carbon footprint of their portfolios (Montreal Carbon Pledge, 2014) we should expect to see a shift away from holdings that use carbon inefficiently and toward those that are the most efficient. Such moves align investors with economic trends and can reduce ESG risk in their portfolios.

It has been suggested that divestment campaigns can lead to social change by stigmatizing the industry and causing firms to lose their social license to operate. Ansar *et al.* (2013) are the first to consider in detail how the stigma process might work in the context of a divestment campaign. The report finds that success of previous divestment campaigns was achieved by stigmatization and lobbying for restrictive legislation. The authors predict that the campaign will be most successful in creating the expectation that the government legislate a carbon tax, as this would lead investors to go underweight on fossil fuel companies (ibid 2013).

Looking forward, the lack of investible substitutes presents a challenge for those seeking divestment in the immediate term. This is particularly true for the developing world, where it is seen as unjust to ask these countries to restrict their use of carbon and hence restrict their future growth, without obvious substitutes that are needed to satisfy their energy demand in a sustainable manner.

While there is a great deal of interest around the possibilities for investment opportunities in infrastructure and renewable energy projects, re-investment on a mass scale envisioned by the campaigners would likely create a renewable energy bubble given the absence of market structure to support such investment (Thamotheram 2014; Ritchie and Dowlatabadi 2015). Moreover, incentive structures of the investment management industry do not align with the long-term horizons demanded by these alternative investments (Thamotheram 2014). Investors also require knowledge about what constitutes a sustainable alternative investment (Ritchie and Dowlatabadi 2015).<sup>12</sup> While renewable energy will not constitute a substantial market share in the immediate term (Matthews *et al.* 2014), there are some promising developments to make sustainable investment opportunities more accessible, such as investments in public infrastructure.

A final observation is that the campaign does have an intrinsic value for drawing widespread attention among students across disciplines to financial markets and sustainability (Hudson *et al.* 2014). While the campaign currently focuses on the simplest narrative about climate change

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<sup>12</sup> The authors suggest that re-investment in roadway projects for example would increase demand for fossil fuel, thereby undermining divestment in the first place.

(Hume 2015), it can open the door to education opportunities on campus that delve into the more complex dimensions of climate change risks. Some suggestions include experiential learning through establishing a parallel endowment fund (Ritchie and Dowlatabadi 2015) much as we see in the decision of Concordia University to establish a \$5 million sustainability fund that is X-fossil fuel. Others suggest the establishment of student advisory committees (Humphreys *et al.* 2012; CURI 2013) to allow for further discussion among all stakeholders of the complex issues involved in the shift to a low carbon economy, beyond the simple yes/no of the divestment campaign. Sustainable and responsible investment is about much more than divestment, and in this sense, divestment campaigns should be considered only the beginning of a much broader conversation (see Metrick and Ambachtsheer 2013).

*The Norwegian Pension Fund, the largest and one of the most forward thinking responsible investors in the world, commissioned an independent committee to advise on its decision regarding fossil fuel divestment. The committee recommended that the Fund **not divest** from fossil fuels. They did however take a decision to begin divestment from coal companies .*

#### 1.4 The Role Investors can play in the shift to a low-carbon economy

To date most responsible investors have chosen not to divest fossil fuel from their portfolios, but rather to take a much more considered approach to encouraging the shift to a low carbon economy. (Mercers, 2015) Fossil fuel companies pose a unique challenge to investors with a responsible investment policy. First, there is no international convention on climate change to underpin a divestment decision. Moreover, fossil fuels are embedded in modern economic activity, making the process of identifying companies to be excluded from a portfolio highly complex.<sup>13</sup>

For example, the Norwegian Pension Fund chose not to divest, noting that, “[a]ttributing greenhouse gas emissions to a specific part of the chain of energy production and consumption is therefore not an easy exercise... taking part in the global economic system also means contributing to climate change” and ... “the villain is our present society – any further delineation quickly becomes complex” (Skanke *et al.* 2014: 46). The Norwegian Fund did, however, divest from coal companies, illustrating that divestment can occur at several levels and that divestment is not necessarily an ‘all or nothing’ response (Litterman 2013).

Responsible investment author and scholar Cary Krosinsky (2015) suggests,

" If we are attempting as a field to achieve a necessary environmental and social evolution of both existing and new social businesses, and through good governance and better investment strategies, then the divestment from fossil fuel movement writ large, as well as the move to decarbonize portfolios with

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<sup>13</sup> John Grapper Fossil fuel campaigners play charades. Financial Times, April 2015. <http://www.ft.com/intl/cms/s/2/399d8228-e1cf-11e4-bb7f-00144feab7de.html#axzz3Xtyv2Ytr>; and Interfaith Center on Corporate Responsibility, Insights for Investors Working for Bolder Intervention on Climate Change, July 2013.

insufficient data and thought are both particularly dangerous and potentially unhelpful."

He goes on to detail a set of steps he thinks provide greater value in the shift to a low-carbon economy:

"What investors can and should do would fall into the realms of:

- using ESG as primary considerations in active and passive investment choices with all or a majority of their assets under management, and to explain if not, why not;
- to vote their proxies supporting thoughtful resolutions and engage with companies on the most pressing issues of the day;
- to have a culture that specifically seeks a positive environmental and social transition for all stakeholders, including shareholders, with intentionality, including as involves future asset allocation strategies;
- to have the capacity to execute on these strategies, and if not, to commit to training their professionals to fully understand the direction global society is taking and can take;
- to also commit to engaging with policymakers on what is needed to remove unnecessary obstacles to societal progress, such as old fiduciary interpretations, misaligned incentives and loopholes in disclosure and regulation which otherwise prevent or seriously inhibit investors from taking effective action (Krosinsky, 2015)."

Such a course of action is reflective of the Principles for Responsible Investment's (PRI)<sup>14</sup>, *Montreal Carbon Pledge* announced in September of 2014. Investors who sign the pledge agree to measure, disclose and reduce the carbon footprint of their investment portfolios on an annual basis.

## Section 2: Current university practice in fossil fuel investments

### 2.1 Current practices of Canadian universities

Many universities both in Canada and beyond have experienced fossil free divestment campaigns in the past few years. These include Concordia University, Dalhousie University, Guelph, McGill, McMaster, Ryerson, Simon Fraser University, Trent, Queen's University, University of British Columbia, University of Ottawa, University of New Brunswick, University of Toronto, and York University (See Appendix A for detailed list).

These campaigns are generally campus-led, initiated by students, and can include faculty and staff. As of March 2015, 10 university student bodies and five faculty associations have adopted

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<sup>14</sup> University of Ottawa is a signatory of PRI, and was one of the first universities in the world to become a signatory.

the request for the university endowment to divest from fossil fuel.<sup>15</sup> These campaigns generally put forward a formal request to university officials that the university endowment and/or pension fund divest of fossil fuel producing companies, particularly the 200 companies identified by [Fossil Free Campaign](#). There seems to be general agreement that university pension funds face much tighter fiduciary duty requirements that would make divestment difficult, as a result most campaigns and universities responses are centered on their endowment policies.

Most of these campaigns are on-going with these universities taking the request under advisement, referring the request to either standing committees of the university or in several instances convening special advisory committees on the issues involved in divestment. Such an approach has been taken by University of Toronto and Queen's University for example. Queen's Advisory Committee on Divestment of Fossil Fuels has put forward a Call for Submissions on the question: "Do the activities of public corporations engaged in fossil fuel extraction and distribution generally constitute "social injury" as defined in Queen's Statement on Responsible Investing" this Call closes in September of 2015.

In three instances university Board of Governors' votes have taken place: Dalhousie, McGill and Concordia. Dalhousie and McGill both rejected the demand for divestment. Though McGill students have recently (Spring 2015) put forward a second proposal for consideration. In December of 2014, Concordia became the first university in Canada to take a partial step in divestment. They will allocate \$5 million from their \$136 million endowment, to create a special fossil free fund that will divest of the 200 stocks identified in the fossil free campaign and seek ways to invest in sustainable initiatives and socially desirable goods. Concordia will monitor the financial impact of divestment on this fund and may consider a broader application if there are no negative impacts on performance.

While the campaign is in its early days in Canada, some conclusions can be drawn from US and international campaigns about the characteristics of universities that accept and reject divestment resolutions, their reasons for doing so, and other RI initiatives that have accompanied their formal responses to the divestment question.

## **2.2 Universities outside Canada that have accepted requests for full or partial divestment**

As of April 2015, 30 universities and colleges globally have committed to divesting all or part of their endowment funds from fossil fuel companies. The majority of these commitments (22/30) have been made by US schools with small endowments (of the 22 US school endowments, 15 have endowments of less than \$65 million). The seven US schools with large endowments that have committed to divestment (Dayton, Stanford, Maine, New School, Syracuse, CalArts and

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<sup>15</sup> The 10 universities with successful student body votes on divestment (as of Jan. 2015) are: University of British Columbia, University of Victoria, Simon Fraser University, University of New Brunswick, Dalhousie University, University of Guelph, Trent University, McMaster University, McGill University, Concordia University.

The five campuses with successful faculty votes to divest (as of February 2015) are University of Victoria, Simon Fraser University, University of Toronto, Mount Allison, and UBC.

Pitzer) arrived later at their decision to divest and have made partial rather than full commitments (with exception of Dayton and Pitzer). In October 2014, University of Glasgow committed to full divestment from fossil fuels and was the first university in Europe to do so. They have put in place a freeze on new investment in fossil fuel companies and plan to phase in divestment from current holdings in fossil fuel companies over the next ten years. Hydrocarbons account for approximately 4% of their portfolio and divestment expected to equal about £18 million of investment. They will monitor the impact of divestment on their overall portfolio performance. See Appendix A for full list of universities that have chosen full or partial divestment.

Examples of partial divestment include limiting divestment to direct holdings, or coal and tar sands, or a portion of the endowment fund. Stanford University's decision to divest from coal companies in its endowment fund is perhaps the most well-known of these decisions. Stanford took this decision rather than full divestment requested by the Fossil Free Stanford Campaign.

There appears to be no geographic pattern among universities that have committed in the US. Internationally, committed schools are concentrated in UK/Europe and Australia/NZ. The rationales provided for divestment can be organized into three categories: (1) alignment with values with respect to sustainability and social justice, including existing policies; (2) leadership of the university on sustainability, including concern for university brand, student empowerment and university responsibility; and (3) risks of stranded assets and opportunities in alternative investments.

Those citing the alignment of values fall into the small endowment category (< 65 million), with the exception of Dayton, which cites its religious values and Syracuse. Stanford, Maine, New School do not cite alignment of values in their rationale for divestment. Only one school explicitly mentions the cost to divestment (Chico). Stanford considers risk in coal and oil and gas, but all others do not state in press releases that costs or risk was a factor in their decision-making.

Leadership on sustainability was a frequently cited secondary reason for divestment among universities. In particular, universities noted their responsibility as leaders. Another closely related reason is the role of universities to empower students and train future leaders. A few universities mentioned divestment was consistent with maintaining their brand. In two instances, schools have reported an increase in donations from alumni (and even non-alumni) after divestment (Unity College and Sterling College).

The long-term risk to endowment stability is cited among larger funds as their primary reason for divestment. Stanford evaluated that coal is more risky investment than oil and gas since it cannot be substituted, justifying its partial divestment decision on this basis. University of Maine similarly sites stranded asset risk. Internationally, a few schools cite stranded assets as reason for divestment.

Most schools that committed to divestment did not have an existing SRI policy in place prior to the divestment campaign (with the exception of Hampshire College, San Fran State, CalArts, Glasgow and Bedfordshire, Stanford). These schools updated their investment policies after making a divestment decision. Seven schools adopted new SRI policies alongside their

divestment decision: Green Mountain College Humboldt State U, Pitzer College, Syracuse, Dayton, Pacific School of Religion and ANU.

Additional commitments to responsible and sustainable investment were made alongside the divestment decision by some schools. Some have committed to positive investments in renewable energy projects, either through creating a new fund or introducing positive screening into their existing funds. In several cases, multi-stakeholder committees were established to make recommendations to the investment committee and the board.

### **2.3 Universities that have rejected divestment from fossil fuels**

The majority of funds that have rejected divestment have endowments of at least \$100 million, with the exception of Fort Lewis (\$17 million). The average size of endowments of schools that have formally rejected divestment is \$1.2 billion (excluding outliers Harvard and Yale). Rejection was often communicated through a formal letter from the President stating the position of the university on divestment and its reasons for not divesting. Again, there appears to be no geographic pattern among those schools rejecting divestment.

The reasons for not divesting can be grouped into two categories: (1) costs and risks, and (2) minimal impact of divestment on climate change risk. None of the funds that rejected divestment cited on-going debate over the risks associated with climate change, and there was widespread acknowledgement in all communication from the universities on the divestment issue that climate change science is settled in terms of its imminent threat to environment, health systems, ecosystems and the economy.

Almost all universities cite the costs associated with changing their investment approach and the risks associated with excluding such a large sector as a primary reason for rejecting divestment. Several have asked consultants to estimate these risks and costs. Bowdoin estimates their endowment would suffer a loss of \$100 million over ten years. Similarly, Swathmore estimates a loss of \$10 to \$15 million a year and Pomona estimates a decrease in performance with loss of \$485 million over ten years. American University estimates that divestment would double its annual management fees. Only a few schools make explicit reference to their fiduciary duty as reason for not divesting. American University is the only school that claims the costs and risks were its only reason for rejecting divestment, while others schools provided additional rationales, explored below.

The second most cited reason for not divesting is related to the limited impact such action would have on changing company behaviour and contributing to the transition to a low carbon economy. Universities claim divestment would have limited direct impacts (which campaigners agree with) and minimal indirect impacts related to symbolic action. Universities using this minimal impact rationale express other ways the university can contribute to mitigating climate change risks – and in particular, education and research – and to a lesser extent, shareholder advocacy.

In May of 2015, University of Edinburgh put forward a policy on fossil fuel investment that calls for greater engagement with fossil fuel companies and seeks alternative energy sources and

improved technologies for carbon capture and storage rather than divestment. Some universities present the issue as a trade-off, where divestment would undermine the university's ability to engage in research activities and education, given the costs that divestment imposes on the endowment fund. A few universities (Boston College, Davidson College, Fort Lewis and Swarthmore) have suggested that it is inconsistent to divest from fossil fuels, noting the hypocrisy of the campaign.

A third rationale for rejecting divestment is that the endowment is not a political instrument. Several other universities have followed this logic, claiming that university endowments should be managed strictly in the interest of beneficiaries. Two universities point out the slippery slope of divestment (though both do not have existing SRI policy), whereas other schools were able to clearly state that climate change did not fit their definition of social injury after a formal review process (Yale and McGill). The Yale concept of Social Injury is used by several universities to make determinations on social investment issues, including McGill, Queens and U of T.

Almost all universities that have issued a statement regarding their decision not to divest have made commitments to other sustainable investment initiatives. Some committed to offering an SRI option to donors (e.g., Dalhousie). Several universities made commitments to make positive investments in the community and environment, or to create a new fund dedicated to renewable energy investment (American University, Cornell, Harvard Climate Change Solutions Fund, Haverford college and Middlebury). Some have committed to create special endowments dedicated to divest from fossil fuels (Colorado College). Harvard has hired a VP Sustainable investing. Schools where no further commitments to sustainable investment initiatives were made in their press releases related to divestment decision include Seattle University, Boston College, Bates Bowdoin, Brown, Davidson Pomona, Whitman and URI. That said, these commitments may not be finalized or publicly available. At Boston College student climate change activists have been denied formal status on university campus.

The reaction from students to decisions not to fully divest has been mixed. Some have perceived these alternative investment initiatives as insincere concessions rather than meaningful commitments that take seriously their concerns (Harvard for example, where students filed an unsuccessful law suit action against the university). University of Edinburgh has received considerable backlash to its policy, with student protests and academics and climate change advocates challenging the engagement strategy proposed by the University. As a result within two weeks of announcing their policy (May 12th 2015), the University of Edinburgh announced a decision to divest from three major fossil fuel companies (though they will allow for four weeks of engagement before the process of divestment begins).

Schools where no evidence of student backlash was found tended to involve the students in the process, either in the form of multi-stakeholder advisory committees, and worked in collaboration with students to create alternative proposals for sustainable investment initiatives and created experiential learning opportunities for students. That said, divestment campaigns have escalated at Harvard, Yale, and University of Edinburgh and can partially be attributed to their visibility and the recent support given by high profile alumni to the campaigns (such as pledging to give back their degrees).

### Section 3: Factors for University of Ottawa's Consideration

The University of Ottawa is a leader among universities in both its sustainability practices and in its adoption of a responsible investment policy for its investment funds.

It is important that the University leverage all its assets when taking on the issue of climate change, not just its endowment fund. The Office of Campus Sustainability web site provides a clear picture of the commitment of the University to sustainability. The University's commitment to addressing climate change is front and center, "Target: Reduce direct greenhouse gas emissions (scope 1 emissions) by 34% from 2005 levels by the year 2020. This means emitting no more than 13,000 tonnes of ghg emissions in 2020." The University's progress in this area is measured and reported on. It is on track for achieving its goal. **I recommend that University of Ottawa's targeted reduction in its own CO2 emissions should be promoted more fully across the University.**

Additionally the many courses offered students in sustainability is impressive and the list on the Office of Campus Sustainability is clear and detailed. The Living Lab provides unique opportunities for students to engage in these issues. We find significant research on climate change issues and sustainability in general being carried on at the University. An on-line search of research at University of Ottawa in the areas of climate change, sustainability, and carbon footprint, provides pages of listings for University of Ottawa professors doing research work in these areas including those at Telfer Business School, and departments as diverse as Geography, Economics, Law, Medicine, Engineering, Political Science and History. Research centers such as the University's Institute of the Environment and its Centre for Sustainable Prosperity are leading-edge in this work. The Centre for Sustainable Prosperity brings a much needed public policy dimension to bare on issues of climate change and global warming. **I would recommend that leading-edge world class research on climate change and emerging sustainable substitutes to fossil fuels and their uses be highlighted and promoted more fully on the University's web site, including the Office of Campus Sustainability web site,** where currently only the Collaborative Master's Program in Environmental Sustainability is listed under Research.

The University of Ottawa was one of the first universities in the world to sign the UN-backed Principles for Responsible Investment (PRI). The PRI currently has signatories with assets under management of \$45 trillion who have pledged to manage their assets in a responsible manner. While other universities in Canada endorse the Principles for Responsible Investment, only four other universities are signatories to the PRI (Régime de Retraite de l'Université de Montréal, Régime de retraite de l'Université du Québec, Simon Fraser University, and University of Victoria Foundation). As a signatory to the PRI, the University of Ottawa has sought ways to integrate environmental, social and governance factors into its investment decision making. This is reinforced in the University's Responsible Investment Guideline (May 26th 2015). Being a PRI signatory, University of Ottawa is a leader in responsible investment in Canada. The University is also a member of the Pension Investment Association of Canada (PIAC) and works with PIAC on issues of corporate governance.

The University's Responsible Investment Guideline (2015) highlights the steps the University will take in fulfilling its commitment to responsible investing. This policy is referenced in the

University's Statement of Investment Policies and Practices (SIPP) and detailed in its Statement of Principles and Beliefs. The University has adopted a positive approach in its application of responsible investment and states, *"Negative screens to filter investments are not consistent with industry best practices and are not used. Portfolio constraints can impact long term returns and it is impossible to obtain broad agreement for a large and diverse group of stakeholders."* University of Ottawa Overview of Investment and Investment Governance, page 4 Oct 1 2013.

Consistent with this statement is a set of more effective strategies for responsible investing including the use of positive screening (best of class); portfolio tilting, engagement (often to demand increased transparency and disclosures from companies); proxy voting; impact investing; public policy engagement, and other positive strategies. The May 26th 2015 Responsible Investment Guideline states that "The approach and related actions facilitate the ability to collaborate with other investors and undertake engagement initiatives, which is the most effective method to achieve positive changes with respect to ESG issues." p. 1. **Given the findings on the lack of effectiveness for achieving systemic change from divestment, I do not recommend a change in the current University of Ottawa practice on negative screens. I do recommend that the positive responsible investment strategies highlighted in this report be used to encourage a the broad systemic shift to a low carbon economy needed for a sustainable future.**

Currently there is limited information publically available on the University's web site on the responsible investment steps being taken by the University to integrate ESG in its investment portfolios. The Responsible Investment Guideline indicates an annual report on responsible investment will be tabled with the Board of Governors and published on the University's web site. **I strongly recommend that the University of Ottawa produces an annual report on its responsible investment activities and publishes and promotes this report on its web site annually.** The report should detail the steps the University has taken to integrate ESG with its external fund managers; any actions it has taken to engage companies in raising their ESG standards; its proxy voting record; and any other responsible investment actions taken over the year. This report could draw on the annual reporting required by the PRI of its signatories to avoid undue duplication of effort.

While the University of Ottawa is an active member of PRI and PIAC, there are other organizations that promote the goals and aims of University of Ottawa's Responsible Investment Policy. **The Carbon Disclosure Project (CDP) is one I would recommend.** The CDP has members with more than \$92 trillion of assets under management. It uses the demand of its investor membership base to annually request companies to disclose their carbon footprint and indicate how they will reduce their use of carbon over the following year. When the CDP first began ten years ago only a handful of Canadian companies responded to their disclosure request, but with steady pressure from Canadian CDP members such as CPPIB and TD Bank, by 2014, 60% of the top 200 companies listed on the TSX reported on [their carbon footprint](#).

In addition to requesting that companies disclose and reduce their carbon footprint, it is important that the University of Ottawa also measures, monitors, discloses and reduces its own carbon footprint on an annual basis, as you have pledged to do. Other universities such as

University of Edinburgh and University of British Columbia have also taken this approach. **I recommend that the carbon footprint of the university should include the carbon footprint of the University's investment portfolios (both pension and endowment), with a view to reducing this investment carbon footprint each year toward a measurable goal.** The University of Sydney recently announced that it would reduce its carbon intensity in its investment portfolios by 20% over the next three years. Such an approach would assist the University of Ottawa in shifting its investment portfolio away from companies that use carbon inefficiently (such as the coal industry) and into companies that use carbon in the most efficient way possible. This approach is known as 'tilting'. New products from groups such as MSCI that now provides a Low Carbon Global Index Fund and a Global Index X Coal, allow managers to make such tilts without undue cost or negative impacts on returns given the large global exposures of these funds. Tilting a portfolio away from companies that use carbon inefficiently delivers market signals that are far more meaningful than the blunt instrument of total divestment from fossil fuels.

In September of 2014 the PRI (of which University of Ottawa is a signatory) proposed the [Montreal Carbon Pledge](#) to ask investors to measure, monitor and reduce their investment portfolio's carbon footprint. **I recommend that the University of Ottawa become a signatory to the Montreal Carbon Pledge.** Once a signatory, there are a number of available services and tools that will assist the University in measuring the carbon footprint of its investment portfolios (both pension fund and endowment). The not-for-profit organization [Carbon Tracker](#) provides investors with the necessary tools required to identify and track their portfolio's carbon footprint. The company [Trucost](#) also provides investors with such services. Additionally services related to climate risk are also offered by the pension consultant [Mercers](#) and include an sustainable investment fund that allows for positive impact investment in low carbon alternatives. **The University of Ottawa should ask its external money managers to begin to track the carbon footprint of their investment portfolio with an aim of year over year reductions.**

Concordia University has responded to the fossil fuel divestment campaign by establishing a \$5 million sustainability fund out of its \$136 million endowment that will divest from fossil fuels and proactively invest in sustainable and socially desirable opportunities. They describe this as an experimental fund that will allow them to compare the returns from this fund against the rest of their portfolio. However they have not pledged to add more funds to this in the future regardless of the outcome. **I recommend that the University of Ottawa reach out to Concordia University through organizations such as CAUBO and ask for the results of this experimental sustainability fund and its financial implications be shared with other universities and responsible investors in Canada.** In this way the University of Ottawa can monitor the outcomes of this experiment over the next few years.

### **Benchmark Funds**

Other responsible investors of a similar size and scale to the University of Ottawa that are worth noting for their sustainability guidelines, policies, practices, and reporting include the University of Edinburgh who publish an annual [Sustainability Report](#).

## Section 4: Recommendations

### 4.1 External actions that could be taken by the University of Ottawa

#### Short-Term Recommendations

1. There is a strong view that organizations should deploy all their assets in order to achieve maximum impact. These include social, physical, and financial capital. Given the magnitude of the challenge of staying within the recommended 2°C global temperature rise to avoid global warming, I recommend that the *University of Ottawa seek to use all the assets at its disposal to assist society in moving to a low carbon economy*. This includes teaching, research, physical plant, policy levers, and financial assets.

**Cost:** no additional cost to the University.

2. Given the findings in this report and others on the lack of effectiveness for achieving systemic change from divestment, *I do not recommend a change in the current University of Ottawa practice on the use of negative screens*.

**Cost:** no additional cost to the University.

3. I recommend that the *University of Ottawa continue to take positive action to integrate environmental, social and governance factors into its investment decision-making* including but not limited to using positive screening (best of class); portfolio tilting, engagement (often to demand increased transparency and disclosures from companies, but also to limit company CapEx and other corporate strategies that undermine the shift to a low carbon economy); proxy voting; impact investing; public policy engagement and other positive strategies. This action would apply to both the University pension fund and its endowment and would be communicated to the funds' external managers a key part of their mandates.

**Cost:** no additional cost to the University. Costs to be carried by external money managers as part of their already existing mandates.

4. I strongly recommend that the *University of Ottawa produces an annual report on its responsible investment activities and promotes and publishes this report on its web site*. The required reporting as a PRI signatory could provide the metrics to be used in this report.

**Cost:** Staff time allocated to produce this report. The University of Ottawa's Responsible Investment Guideline (May 26th, 2015 page 3) establishes this reporting commitment.

5. I recommend that the *University of Ottawa become an active member of The Carbon Disclosure Project (CDP)* and request Canadian companies to disclose their carbon foot print and indicate how they will reduce their use of carbon over the following year.

**Cost:** No cost to be a CDP signatory, no annual filing required by university of Ottawa, staff time to engage in annual campaign to request companies disclose their carbon foot print to CDP (this campaign is coordinated by CDP itself).

6. I recommend that the *greenhouse gas emissions footprint of the University include the carbon footprint of the University's investment portfolios* (both pension and endowment), with a view to reducing this investment carbon footprint each year toward a measurable goal.

**Cost:** no additional cost to the University.

7. Consistent with the recommendation above, I suggest that the *University of Ottawa become a signatory to the PRI's Montreal Carbon Pledge* and agree to measure, disclose and reduce the carbon footprint of both its pension fund and endowment portfolios.

**Cost:** no additional cost to the University to become a signatory to this pledge.

8. I recommend the *University of Ottawa ask its external money managers to begin to track the carbon footprint of their investment portfolio* with an aim of achieving year over year reductions.

**Cost:** no additional cost to the University. Costs to be carried by external money managers as part of their already existing mandates.

9. I recommend that the *University of Ottawa reach out to Concordia University* through organizations such as CAUBO and ask for the results of this experimental sustainability fund and its financial implications be shared with other universities and responsible investors in Canada.

**Cost:** no additional cost to the University.

### Mid to Long-Term Recommendations

1. *The University as a whole may want to take a bold move and develop an overarching principle that suggests that "We believe that systemic change – a real transformation of the global economic system – is required if we are to achieve the scale of change that will limit global warming and prevent catastrophic climate change."* (note: this statement is taken from the Carbon Disclosure Project's Statement of Principle). Such a statement would then infuse all the actions of the university including teaching, research, internal operations, and the investment portfolios. It could be *incorporated into the Statement of Investment Principles and Beliefs* and underpin the investment policies of the University. In my opinion such a bold move would be more effective than taking the limited, and I believe ineffective action to divest the endowment from fossil fuel companies, in absence of any other larger changes that the University would commit to.

**Cost:** no additional cost to the University.

2. I recommend that the *University explicitly incorporates actions that encourage the shift to a low carbon economy into its proxy voting guidelines, proxy voting, and that it reports annually on its proxy voting record.* This will require the development of Proxy Voting Guidelines by the University.

**Cost:** Staff time to develop Proxy Voting Guidelines for the University pension fund and endowment fund. Many such guidelines developed by other responsible investors are published and in the public domain. Staff time to prepare an annual report on proxy votes taken by external managers in each year. Cost of voting proxies in line with guidelines to be carried by external money managers as part of their already existing mandates.

3. I encourage the *University of Ottawa to use its leadership in responsible investment to engage in public policy discussions on the critical issues of climate change and global warming.*  
**Cost:** no additional cost to the University, engaging in public policy discussion already part of the work of the University.

## 4.2 Internal actions that could be taken by the University of Ottawa

### Short-term Recommendations

1. It is important to develop internal processes and consultation that engages all the stakeholders on this issue: students, faculty, staff, and university officials. *I recommend the Environmental Sustainability Committee of the University continue the process of promoting the shift to a low carbon economy including the actions that leverage the University pension fund and endowment fund as responsible investors in achieving this goal. It is important that the Committee include all these stakeholders in this process and provides on-going advice to the University's Finance and Treasury Committee on these issues.*

**Cost:** no additional cost to the University.

2. I recommend that *University of Ottawa more fully promotes its own targeted reduction of its green house gas emissions* across the University.

**Cost:** no additional cost to the University.

3. I recommend that *the leading-edge, world class research on climate change and emerging sustainability issues be more fully promoted on the University's web site*, including the Office of Campus Sustainability web site.

**Cost:** no additional cost to the University

## 5. Conclusion

Addressing the changes required to move to a low carbon economy will be a significant challenge for us all. But the potential outcome if we do not make this shift is unimaginable. We as individuals and institutions must all do our part in making this change happen. While I do not recommend divestment from fossil fuels, it is not because I want us to ignore the threat of global warming and carry on as if it is 'business as usual'. Quite the contrary - this issue is too critical to be addressed by small, ineffective and symbolic steps that will not advance our shift to a low carbon economy. Instead, we must redouble our efforts to assist in making a meaningful change for the future of our planet.

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## Appendix A:

A. Schools committed to divestment as of April 2015				
Accepted - Canada - US - International	Rationale	Implementation Scope and Other Commitments	Decision-making Process	Size
Concordia, QC	<ul style="list-style-type: none"> <li>Leadership in sustainability</li> </ul>	\$ 5 million sustainability fund divested from 200 companies; adopted an RI policy for endowment; continues to monitor situation before commitment to further divestment	Board of trustees decision	\$ 136 million CAD
Brevard College	<ul style="list-style-type: none"> <li>Align with values</li> <li>Brand</li> <li>Student education and empowerment</li> </ul>	Full divestment from 200 fossil fuel companies commitment by 2018	Vote passed by trustees	\$25 million
California Institute of the Arts	<ul style="list-style-type: none"> <li>No clear rationale given in press release</li> </ul>	Partial divestment through phased approach: reduce fossil fuel stocks by 25 % and continue until full divestment. Commit to review fund managers and revise investment policy	Discussion between President, CIO, investment committee and faculty, students	\$137 million
Chico California State University, CA	<ul style="list-style-type: none"> <li>Alignment with values</li> <li>Minimal cost (\$20,000 a year)</li> </ul>	Fully divest from 200 fossil fuel companies within 4 years	Resolution past by Board of Trustees 8-4	\$52 million
College of the Atlantic, ME	<ul style="list-style-type: none"> <li>Align with values</li> <li>Student empowerment</li> </ul>	Fully divest from 200 fossil fuel companies	Multi-stakeholder task force made resolution, passed by the Board of Trustees	\$ 30 million
Foothill-De Anza Community College Foundation, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Responsibility</li> <li>Minimal cost</li> </ul>	Partial divestment: Divest from direct investments and minimize exposure in co-mingled funds	Finance committee worked with administration to draft resolution, unanimous board support	\$ 33 million
Goddard College	<ul style="list-style-type: none"> <li>University responsibility</li> </ul>	Full divestment: moved assets to Trillium Asset Managers	Board decision	\$1 million
Green Mountain College, VT	<ul style="list-style-type: none"> <li>Align with values</li> </ul>	Fully divest, establish advisory committee, considers SRI initiatives; In 2010 committed 15% of endowment to portfolio to renewables.	Multi-stakeholder advisory committee recommendation, board of trustees in favour	\$3 million

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Hampshire College, MA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Responsibility</li> <li>Existing policy</li> </ul>	Sustainable Investment policy (2011) updated to screen out direct investments in fossil fuel companies and actively seek positive investments	Multi-stakeholder advisory committee, board of trustees in favour	\$ 31 million
Humboldt State University, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Leadership in sustainability</li> <li>Existing policy</li> </ul>	Socially and Environmentally Responsible Offset Policy" (SEROP): abstain from direct investments in concerning sectors and offset indirect investments in concerning sectors (broader than 200 fossil fuel companies) with SRI	Board of Directors asked the Finance Committee to make recommendation regarding divestment, approved	\$27 million
Naropa University, CO	<ul style="list-style-type: none"> <li>Align with values</li> <li>Minimal risk</li> <li>History of SRI</li> <li>Share advocacy limited</li> </ul>	Fully divested from 200 fossil fuel companies within 5 yrs; collaborative dialogue with students on other investment strategies advocacy and investment strategy	Board vote unanimous in favour, based on principle of not causing harm, existing divestments in other sectors	\$6 million USD (2013)
New School, NY	<ul style="list-style-type: none"> <li>Existing investment policy</li> <li>Leadership in sustainability</li> </ul>	Full divestment and Board's Investment Committee approved a significant investment of the university's endowment in renewable energy	Board of Trustees approved a motion to divest from fossil fuels and advisory committee on investor responsibility	\$299 million
Pacific School of Religion, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Social transformation</li> </ul>	Full divestment: New investment policy directs Pacific School of Religion to divest of investments in the 200 major fossil fuel companies	Board of Trustees has voted unanimously	\$
Peralta Community College District, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Concern for future students</li> </ul>	Immediately cease investments in 200 largest fossil fuel companies and fully divest within five years - endowment board has urged pension board to divest.	College Board voted unanimously in favour	\$
Pitzer College, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Minimal cost</li> <li>Fiduciary duty</li> </ul>	Fully divest from 200 fossil fuel companies; Create a sustainable-investment fund within its endowment and adopt new ESG investment policy	Board of Trustees vote in favour of divestment after creating multi-stakeholder working group to advise-Trustee champion for divestment	\$134 million

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Prescott College, AZ	<ul style="list-style-type: none"> <li>Align with values</li> <li>Long term stability</li> </ul>	Fully divest over next 3 years from 200 fossil fuel companies, College will work with endowment brokerages to advocate for new fossil fuel free funds	Board of Trustees approved resolution	\$460 000
San Francisco State University Foundation, CA	<ul style="list-style-type: none"> <li>Align with values</li> <li>Sustainability clause in investment policy</li> </ul>	Partial divestment: Immediately divest from coal and tar sands and establish a committee to explore full divestment from the fossil fuel industry, updated its investment policy	Existing social responsibility clause in investment policy - decision delegated to finance and investment committee	\$ 65 million
Stanford University, CA	<ul style="list-style-type: none"> <li>Coal is the most carbon intensive and can be substituted.</li> <li>Oil and gas not substituted</li> <li>Consistent with policy on investing</li> </ul>	Direct divestment from 100 coal companies. Will continue to monitor development	Recommendation of Advisory Panel on Investment Responsibility accepted by Board of Trustees	\$21.4 billion
Sterling College, KS	<ul style="list-style-type: none"> <li>Align with values</li> <li>Long-term financial stability</li> </ul>	Full divestment: Claims increase in donations since divestment	Board of Trustees vote unanimous in favour of divestment	\$ 1 million
Syracuse	<ul style="list-style-type: none"> <li>Align with values</li> <li>Responsibility</li> <li>Existing SRI policy</li> </ul>	Partial divest: Divest from direct divestment only and will seek positive investments	Decision made based on existing SRI policy	\$ 1.18 billion
Unity College, ME	<ul style="list-style-type: none"> <li>Align with values</li> <li>Responsibility</li> <li>Minimal costs</li> </ul>	Fully divestment from 200 fossil fuel companies; Create sustainability revolving fund; claims increase in donations since divestment	Existing policy to review impact of endowment investments on sustainability, Board of Trustees unanimous vote in favour – initiated by University President and not campaign	\$ 13.5 million
University of Dayton, OH	<ul style="list-style-type: none"> <li>Align with values (religious)</li> <li>Long term stability (risks)</li> <li>University sustainability policy</li> </ul>	Implemented in phases, first divest equity, then positive investments, then divest private equity/hedge funds; New SRI policy	Board of Trustees unanimous vote in favour	\$ 670 million
University of Maine	<ul style="list-style-type: none"> <li>Risks of stranded assets</li> <li>Decline in coal as renewable resource</li> <li>Emergence of new technologies</li> </ul>	Partial divestment: direct holdings in coal companies	Board of Trustees has unanimously agreed to divest	\$589 million
<b>International</b>	<b>Rationale</b>	<b>Implementation Scope and Other Commitments</b>	<b>Decision-making Process</b>	<b>Size</b>
Australia National University, AUS	<ul style="list-style-type: none"> <li>Existing SRI Policy</li> <li>Align with university</li> </ul>	Partial divestment: Divestment of stocks in seven companies; selection	Independent review undertaken by ethics	\$1.3 billion (2012)

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	sustainability goals	of manager based on existing ethical SRI policy requirements	committee, University Council agreed with recommendations	
Chalmers University of Technology, Sweden	<ul style="list-style-type: none"> <li>Risk of stranded assets</li> <li>Leadership on climate change</li> </ul>	-(documents in Swedish)	Decision taken by Foundation board	
College of Marshall Islands	<ul style="list-style-type: none"> <li>Leadership on climate change</li> </ul>	Full divestment of 200 fossil fuel companies and formal policy statement and positive investments	Approved by board of regents	
SOAS, UK	<ul style="list-style-type: none"> <li>Leadership on climate change</li> <li>Responsibilities as ethical investor</li> </ul>	First phase: Freeze new investments, Second phase: divest the £1.5m of its £32m endowment held in oil and gas companies over the next three years	Approved by university governing committee after review process	31.7 million GBP (2013/14 annual report SOAS)
University of Bedfordshire, UK	<ul style="list-style-type: none"> <li>Align with values</li> <li>Existing policy</li> </ul>	Full divestment: Updated investment policy to include climate change	Existing SRI policy	1.64 million GBP (2011)
University of Glasgow	<ul style="list-style-type: none"> <li>Align with values</li> <li>Existing policy</li> </ul>	Full divestment: Committed to a biannual evaluation, which will be put in place to assess the investment policy's financial and 'other' impacts.	Has SRI policy (2009), Investment advisory Committee approved by University governing board	130 million GBP
Victoria University, NZ	<ul style="list-style-type: none"> <li>Risk of stranded assets</li> </ul>	2014 annual report not available – no evidence of other commitments		

List of schools that have accepted divestment as of April 2015 from 350.org website.

\*Align with values refers to sustainability and social justice. Long-term stability refers to climate change risks; Leadership refers to university leadership on sustainability (or student leadership and empowerment if specified). Existing SRI policy refers to the justification of divestment based on policy. Size of endowments for all charts from NACUBO.org, reported in USD as of FY 2014, unless otherwise stated.

[http://www.nacubo.org/Documents/EndowmentFiles/2014\\_Endowment\\_Market\\_Values\\_Revised.pdf](http://www.nacubo.org/Documents/EndowmentFiles/2014_Endowment_Market_Values_Revised.pdf)

<b>B. Schools that have formally rejected divestment</b>				
<b>Rejected Canada-US</b>	<b>Rationale</b>	<b>Other existing and new investment initiatives proposed</b>	<b>Decision-making Process</b>	<b>Size \$</b>
Dalhousie University, NS	<ul style="list-style-type: none"> <li>Minimal impact</li> <li>Shareholder advocacy</li> <li>Costs</li> </ul>	Intentions to allow donors to direct endowments to environmentally sustainable fund options and improve transparency by reporting annually on holdings.	Board of Governors vote after IC Review conducted in collaboration with campaigners; Board rejected further review of divestment impact on stakeholders	\$485 million
McGill University, QC	<ul style="list-style-type: none"> <li>Does not meet definition of social injury in invest policy</li> <li>Risks</li> </ul>	University student fund commit to divest, the university updated its investment policy in 2014 to include environmental degradation as criteria for social injury	Existing policy based on Yale social injury, requires 300 signature petition, formal review process conducted by investment committee, Board rejected divestment based on committee recommendation	\$ 1.37 billion
<b>United States</b>	<b>Rationale</b>	<b>Other existing and new investment initiatives proposed</b>	<b>Decision-making Process</b>	<b>Size \$</b>
American University	<ul style="list-style-type: none"> <li>Costs (mgmt. fees double due to withdrawal from passive funds)</li> </ul>	New green investment fund; Review of managers on ESG; and Shareholder engagement and proxy voting	ACSRI committee established in 2013, made recommendations and BoG vote not to divest	\$ 566 million
Bates College	<ul style="list-style-type: none"> <li>Fiduciary Responsibility</li> <li>Costs</li> <li>Minimal impact</li> <li>Not political instrument</li> </ul>	Existing SRI policy	SRI subcommittee of finance and investment advised Board of Trustees	\$263 million
Boston College	<ul style="list-style-type: none"> <li>Inconsistent</li> <li>Minimal impact</li> <li>Costs</li> <li>Not political instrument</li> </ul>	Has existing ethical investment policy, no evidence of new commitments	Decision communicated in letter not to divest	\$2.1 billion
Bowdoin College	<ul style="list-style-type: none"> <li>Costs and risks (\$100 million over 10 yrs.)</li> <li>Minimal impact (and potential harm)</li> </ul>	Students are asking for creation of a committee to consider divestment	Decision expressed in letter to university community	\$1.2 billion
Brown University	<ul style="list-style-type: none"> <li>Not right tool</li> <li>Existing policy</li> <li>Minimal impact</li> </ul>	Offer social investment option for donors since 2008	Decision reviewed by Advisory committee and an ad hoc committee of board	\$3 billion
Bryn Mawr College	<ul style="list-style-type: none"> <li>Costs and risk (\$10 million over 5 yrs.)</li> <li>Fiduciary responsibility</li> <li>Minimal impact</li> <li>Shareholder advocacy</li> </ul>	Commitment of investment committee to continue to work with students to be active owners	Decision by finance committee - unwilling to recommend divestment to board	\$854 million

Colorado College	<ul style="list-style-type: none"> <li>Costs</li> <li>Risk</li> <li>Minimal Impact</li> </ul>	Creation of special endowment fund divested from fossil fuel companies by 2016; Rejected proposal to establish committee on sustainable investment	Investment committee (IC) recommendation, Board of Trustees vote 7-2 not to divest, In past, student trustee has served on IC	\$680 million
Cornell University	<ul style="list-style-type: none"> <li>Risk</li> <li>Minimal impact</li> </ul>	Exploring direct investment in renewables; sustainability in timber investments; agree to continue to monitor divestment social consequences and meet with students	University assembly (main governing body) vote 8-5-1 against divestment resolution put forward by faculty senate (also open to public comment)	\$5.89 billion
Davidson College	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> <li>Minimal impact</li> <li>Inconsistent</li> </ul>	No evidence	Decision taken by Board of Trustees	\$649 million
Fort Lewis College	<ul style="list-style-type: none"> <li>Costs</li> <li>Minimal impact</li> <li>Slippery slope</li> <li>Contradictory</li> </ul>	The investment committee urged the board to monitor the status of fossil fuels annually	Foundation board votes not to divest	\$17 million
Harvard University	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> <li>Not political statement</li> <li>Minimal impact</li> <li>Shareholder advocacy</li> </ul>	UNPRI and CDP signatory; New Climate Change Solutions Fund and New VP Sustainable Investing. It has also created social choice fund for donors	Governing board decision not to divest; Litigation against administration by students on-going (for mismanagement)	\$35.8 billion
Haverford College	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> <li>Minimal impact</li> </ul>	Established a small fund allow students to engage in active ownership	Decision referred to Committee on Investments and Social Responsibility and board consensus not to divest upon recommendation	\$494 million
Middlebury College	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> <li>Fiduciary duty</li> <li>Minimal impact</li> <li>Slippery slope</li> <li>Not likely investment managers will offer options</li> </ul>	Committed to develop ESG principles for managers; establish guidelines to monitor managers and increase investment in renewables	Board reached consensus and decision was conveyed in open letter from the University President	\$1.08 billion
Pomona College	<ul style="list-style-type: none"> <li>Risks (\$485 million loss over 10 years)</li> <li>Minimal impact</li> </ul>	Declined to divest smaller separate managed portion of endowment	Decision taken by Board of Trustees investment committee	\$2.1 billion
Seattle University	<ul style="list-style-type: none"> <li>Minimal impact</li> <li>Not political statement</li> </ul>	Decision not to undertake feasibility study of divestment	Letter from VP Business Office convey decision not to consider divestment	\$174 million
Swarthmore College	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks (lose \$10 - 15 million /year)</li> </ul>	Issued statement supporting sustainable investment	Decision not to divest expressed in letter from President – Has	\$1.87 billion

	<ul style="list-style-type: none"> <li>Minimal impact</li> <li>Inconsistent</li> </ul>		a committee on investor responsibility	
Tufts University	<ul style="list-style-type: none"> <li>Costs and risks (75 million over 5 yrs.)</li> <li>Fiduciary duty</li> </ul>	Established sustainability fund and committed to continue to examine feasibility of divestment	Multi-stakeholder working group made recommendation not to divest (decision accepted by Board)	\$1.59 billion
Tulane University	<ul style="list-style-type: none"> <li>Minimal impact</li> <li>Not political statement</li> <li>Inconsistent</li> </ul>	Commit to on-going dialogue with students on divestment and other actions	Letter from President expressing board's decision not to divest	\$1.18 billion
University of Rhode Island	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> </ul>	Campaigners created escrow account for holding donations until university divests	Decision taken by Exec. Board of Foundation conveyed in letter to university community	\$110 million
Whitman College	<ul style="list-style-type: none"> <li>Costs and risks (\$13 million over 5 yrs.)</li> <li>Inconsistent</li> <li>Minimal impact</li> </ul>	Board of Trustees has considered SRI issues in past but has no policy in place	Board of Trustees decision	\$444 million
Yale University	<ul style="list-style-type: none"> <li>Costs</li> <li>Risks</li> <li>Minimal impact</li> <li>Climate change does not fit definition of social injury policy</li> </ul>	Commitment to communicate to investment managers to account for climate risks (letter from CIO Swensen to managers); adopted a proxy voting policy on climate change and implemented carbon tax.	Corporation Committee on Investor Responsibility decision based on Social injury policy and collaboration with multi-stakeholder advisory committee	\$ 23.9 billion

### A Hybrid Approach

International	Rationale	Other existing and new investment initiatives proposed	Decision-making Process	Size \$
University of Edinburgh	Recommendation made by senior management to partially divest from coal and tar sands	Signatory to UN PRI; formalize investment policy	Recommendation by central management board (multi-stakeholder consultation) to take a range of actions approved by University in May 2015.	292 million GBP

List of schools that rejected formally in the US (Grady Benson and Sarathay 2015, Fossil Fuel Divestment in Higher Education) and from own review of media and reports.

\*Costs refer to the direct costs of divestment including change to investment management approach; Risks refer to loss to investment returns of portfolio due to removing large sector from investment universe. Fiduciary duty: the university claims legal basis for not divesting; Minimal impact: direct and symbolic impact of divestment on companies determined to be limited; Not right tool: research and education or share advocacy if specified. Not political statement: Harvard President's view that is cited by other schools; Inconsistent refers to the complexity of divestment from fossil fuels and contradictory position of the campaign. Slippery Slope refers to opening the university to other divestment demands.

<b>C. No Decision or under review</b>				
<b>Under Review/ Awaiting Decision</b>	<b>Recent Developments</b>	<b>Other recent sustainable investment initiatives</b>	<b>Decision-making process</b>	<b>Size</b>
McMaster University	No evidence of response from administration	No evidence	No evidence of pending decision	\$ 553 million
Mount Alison University	No evidence of response from administration	No evidence	No evidence of pending decision	\$110 million
Queen's University	In Feb 2015 advisory committee convened and is expected to make recommendations by end of the year after receiving petition	Existing SRI policy; states preference for engagement	Statement on RI adopted in 2009, provides for divestment on basis of Yale concept of social injury; requires 200 signatures upon which multi-stakeholder Advisory Committee on RI to advise	\$722 million
Simon Fraser University	Faculty vote in favour of encouraging SFU to divest endowment and offer SRI option in pension plan	Implemented a RI policy in 2014 that applies to endowment and non-endowment funds. Signatory to UN PRI. Comments from president suggest admin is not in favour of divestment	Policy provides for a multi-stakeholder Responsible Investment Committee – no provision for divestment in committee ToR	\$ 281 million
University of British Columbia	Faculty vote in favour of divestment January 2015 and Board to vote in 2015	UBC has SRI option for faculty in pension; and adopted new RI policy for endowment in 2014;	New endowment RI policy provides 5 criteria for divestment if faculty and student vote in favour. Final divestment decision rests with Board of Governors; Committee to advise trustees on SI	\$1.3 billion
University of Guelph	Convened a working group in January 2015 to consider the issue of divestment	Raised \$200 million to address global food environment and health challenges (The Better Planet Project)	Working group to present recommendations to finance committee, which are then to be passed on to Board of Governors	\$309 million
University of New Brunswick	Student vote in favour of divestment - no evidence of response from administration	No evidence	No evidence of pending decision	\$ 222 million
University of Toronto	University appointed ad hoc advisory committee to make recommendations under its existing policy. Board decision expected late 2015	Existing RI advisory committee; ESG management guidelines; proxy voting policy	Multi-stakeholder committee to advise President's committee - UoT's ethical investment policy based on Yale principle of social injury - divested from tobacco in 2005	\$1.66 billion
University of Victoria	Faculty vote in favour of divesting pension fund and endowment fund comes after letter sent by Foundation to UVic society explaining they	Board of Governors considering establishing sustainable investment committee (as of Sept 2014)	Decision to be taken by Foundation Board	\$348 million

	would not divest			
York University	Shareholder advocacy stated as University's preferred approach in previous divestment requests – no evidence of response from administration	York University Advisory Committee on Responsible Investment is currently drafting engagement process for community members and proxy voting policy	Has a multi-stakeholder advisory committee on RI – no evidence of pending decision	\$373 million
<b>International</b>				
Cambridge University	No announcement from university regarding decision	No evidence	No evidence of pending decision	4.9 billion GBP (including colleges, 2013)
St Andrew's University	Updated its RI policy to include climate change risks – no decision on divestment	Has an RI policy and is a signatory to UN PRI	No evidence of pending decision	49.9 million GBP
University of Oxford	Postponed divestment decision in March 2015	Reviewing shares in fossil fuel companies. Oxford has SRI committee	SRI Review Committee (multi-stakeholder) to advise Council on divest decision after wide consultation with university community	4.35 billion GBP (2013 including colleges)

## About the Author

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Dr. Hebb is the Director of the Carleton Centre for Community Innovation, Carleton University, Canada. Her research focuses on Responsible Investment and Impact Investment is funded by the Social Sciences and Humanities Research Council, Government of Canada. The Carleton Centre for Community Innovation is a leading knowledge producer on these topics together with non-profit and philanthropic leadership, northern communities and community economic development. Dr. Hebb received her Doctorate from University of Oxford and was the recipient of the Canadian Social Sciences and Humanities' William E. Taylor Fellowship for outstanding doctoral candidate (2002-2003). She also received a Clarendon Fellowship from University of Oxford. She received her Master in Public Administration from Harvard University.

Dr. Hebb is the past chair of the steering committee of the UN- backed PRI Academic Network and continues to serve on the PRI AN Steering Committee. She also serves on the boards of the Heartland Network, Canadian Business Ethics Research Network, the Responsible Investment Association and the Impact Investing Policy Collaborative. She led a four year research project on US Public Sector Pension Fund Investment in Urban Revitalization based at Harvard University and funded by the Ford and Rockefeller Foundations (2004-2008). She is a frequent guest speaker on responsible investment issues in both Canada and the US. She has published many books and articles on responsible investing and impact investing policies including the volumes the *Routledge Handbook of Responsible Investment*, *SRI in the 21st Century: Does it make a Difference to Society*; *Working Capital: the Power of Labor's Pensions*; *No Small Change: Pension Fund Corporate Engagement*; and *The Next Generation of Responsible Investing*.

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