



October 18, 2013

Dear President Paxson:

I am writing on behalf of the Advisory Committee on Corporate Responsibility in Investment Policies (“ACCRIP”) in response to your letter to the committee dated May 30, 2013. I apologize that we have not been able to provide a more timely response, but between the committee’s tendency to estivate during the summer months and the press of other committee business this fall, we have not been able to give your letter the attention it deserves until this month.

You have asked that we give consideration to:

- 1) the actions and strategies that the 15 companies recommended for divestment by the ACCRIP may be taking to reduce their consumption of coal, reduce their greenhouse gas emissions associated with the burning of coal, shift their energy mix to sources other than coal, or to develop and promote alternative energy sources. Additionally, you have asked us to undertake an analysis of the relevant actions/strategies of these companies as part of our assessment of social harm and to also determine whether these factors merit consideration in determining the broader impact these companies may have on the environment in the future.
- 2) whether or not there are other actions available short of divestment that might be even more effective than divestiture in light of Brown’s mission of scholarship and education in the service of public good.

We have considered these requests and have determined that we are compelled to stand by the committee’s recommendations as previously submitted in order to fulfill our mission under the terms of our charter. The companies recommended for divestment perpetrate grave, indeed egregious, social harm, and there is no possible way to square our profiting from such harm with the values and principles of the University.

As you know, the ACCRIP is responsible for considering issues of moral responsibility in the investment policies of Brown University in conjunction with the management of its endowment. We consider requests by any member of the Brown Community to examine issues of alleged social harm with respect to the activities of corporations in which the University is an investor. The ACCRIP charter requires the members of the Committee to carefully balance (in making its judgment on any specific question of social harm) the gravity of the social harm, the potential effectiveness of various means of influencing corporate policy, the University's need to maintain a sound financial policy, and the consistency of various proposed courses of action with the maintenance of an environment at Brown conducive to teaching and scholarly inquiry. In no event will a recommendation be made that an endowment security be selected or retained solely for the purpose of encouraging or expressing approval of a company's activities or, alternatively, for the purpose of placing or leaving the University in a position to contest a company's activities;

Under the ACCRIP charter, we may recommend divestiture from a company or group of companies when either or both of two circumstances exist:



- 1) When divestiture will likely have a positive impact towards correcting the social harm (the “Corporate Change Basis” for divestment) or
- 2) When the company in question contributes to social harm so grave that it would be inconsistent with the goals and principles of the University to accept funds from that source (the “Unconscionable Profit Source Basis” for divestment).

On Mitigatory Actions Taken By Targeted Companies

In discharging our responsibilities under our charter, we must establish administratively feasible methodologies and measurements given the constrained resources of the committee and the availability of information. We believe that our proposal sets forth a sound methodology that is consistent with our capacity to measure social harms associated with coal mining and/or consumption of coal to produce electricity.

You requested that the committee consider actions taken by the companies in order to encourage renewable energy and reduce coal use. Having reviewed various claims of environmental action by targeted companies, the committee believes that its recommended criteria accommodate such action. If targeted companies take sufficiently meaningful action, they would actually fall below established divestment thresholds, triggering a review and potentially removing the divestment sanction from those companies.

Action that does not produce these results should not be considered meaningful in terms of decisions on divestiture. These carefully measured social harms do **not** become acceptable if accompanied by token efforts toward the reduction of coal burning and emissions. Particularly considering that the coal industry has promised for decades to develop widespread "clean coal" technologies with little to show for it, such promises should not be accepted as a defense against divestiture. The recommended criteria form the basis of a divestment program based on quantifiable results rather than promises and rhetoric.

On Actions Other Than Divestment

Our charter lays out four specific actions to be recommended by the committee, as described in sections I.f.i-v of our charter.

One of these actions, that letters of inquiry and/ or protest be directed to the corporation(s) involved, expressing the University's concerns and requesting further information, and that (in appropriate cases) such letters establish specific terms and deadlines for the correction of the social harm involved and suggest that the University might divest itself of its shares in that corporation if these terms are not met, is at this point unproductive; the relevant data on what these companies are doing is public.

Two of these actions: a) that the University make its views on these issues known to the public, and b) that the University cooperate with other interested groups and institutions to exert additional pressure upon the company (or companies) involved to correct the social harm, are **fully consistent with and would be complemented by a divestment strategy**. They should **not** be viewed as alternatives to divestiture, and should have little weight on the Corporation's decision.



The final action, that a representative of the University appear at the shareholders' meeting where the proxy is to be voted and present on behalf of the University its views on the issue, would in fact be precluded by divestment. However, effective proxy resolutions are mainly concerned with reporting; they are not mechanisms for changing the core business of a company. There is no basis for believing that support of proxy resolutions (or any other form of ongoing shareholder activism) would have a meaningful impact, and the committee does not recommend this course be pursued instead of divestment.

Other alternative actions on the part of the university have been proposed, including local investments in alternative energy, campus sustainability initiatives, and broader uses of the University's purchasing power to promote coal alternatives. These are all ideas worth doing, and the University has multiple committees set up to deal with our general environmental impact. Again, however, these actions and divestment are **not mutually exclusive**. They should not be used to justify continued investment in companies that are engaged in this particular social harm.

On Unconscionable Social Harm

Our recommendation is predicated on a well-documented Unconscionable Profit Source Basis, as described in section I.g of our charter. In short, having reviewed the activities of these companies in terms of environmental damage to the land, water and air and in terms of their contribution to greenhouse gas emissions and potentially catastrophic global climate change, we do not see any way that the University can continue to profit from the egregious harmful conduct of these companies. And we believe that termination of our shareholder relationship should be undertaken with all deliberate speed so that assets can be directed to investments in companies that are not engaged in such egregious harmful conduct. This committee believes it would be unacceptable to continue to profit from companies that are engaged primarily in the business of mining and/or burning coal.

Since we submitted our recommendation, there has been increased scientific evidence to support the conclusion that climate change trends are continuing and that those trends are caused by human behavior.¹ The science also leads us to the conclusion that there is an urgent need for action; incremental progress over the long-term is simply not enough.

On Alternative Divestment Criteria

We are aware that some non-profits have elected to apply different divestment criteria being advanced by representatives of the coal industry.² If you or the members of the Corporation have any alternative

¹ See "Climate Change 2013: The Physical Science Basis," a report of the Intergovernmental Panel on Climate Change.

² For example, at the October 2, 2013 Janus Forum, Mr. James E. Rogers, a member of the National Board of the Nature Conservancy and Chairman of the Board of Duke Energy, one of the companies that meets ACCRIP's recommended divestment criteria, urged the university to consider the more gradual approach to divestment adopted by the Nature Conservancy. We believe that that approach fails for two reasons. First, Brown would



divestment strategy in mind, we would be pleased to give you the benefit of our thoughts. However, we would ask that any suggested alternative divestment approach: (1) result in prompt termination of the University's connection to companies engaged in conduct that is incompatible with the university's values, and (2) reflect the urgency associated with the need for public and private sector action to combat climate change. We are not aware of any approach, other than the one that we have recommended that meets these two criteria.

We would hope that the University will decide to take a leadership position with respect to investment in companies such as the ones on the list of targeted companies that the ACCRIP submitted, companies that do irreparable harm to the land, pollute the air and water and contribute inordinate amounts of greenhouse gases. Certainly, you can appreciate how the failure of the University to act courageously and decisively would reflect on our community. And more to the point, we would hope by having our investment policies reflect our values, we believe that we will help contribute to a public awareness of the need for urgent action to protect the planet.

We appreciate the opportunity to play a role in shaping the direction of the University's investment policies and to participate in the community dialog on topics of such vital public importance.

Please do not hesitate to contact me if you wish to discuss this matter further or need more information from the committee.

Sincerely,

A handwritten signature in blue ink that reads "C. Bull".

Christopher Bull

Chair of the Advisory Committee on Corporate Responsibility in Investment Policies

continue to be profiting from grave social harm perpetrated by coal companies and companies that consume coal in violation for an extended period of time. Second, the timeframe for separating from these companies would not reflect the need for urgent public and governmental action that we would hope to stimulate by the statement that we make by the University's adoption of ACCRIP's recommendation.