April 9, 2013
The Advisory Committee on Corporate Responsibility in Investment Policies

On January 23rd, 2013, ACCRIP voted by a margin of six in favor to two against, with one abstention, to recommend that “the University publicly divest from the fifteen coal companies” that have contributed most egregiously to the social and environmental harms associated with the coal industry, and that “[communications be made] by the relevant parties with the University’s external fund managers to request their immediate compliance.”

Proposed Divestment Criteria:
Based on further discussion and research, we now amend our recommendation to divest holdings in U.S. entities that fulfill the following criteria:

- Any U.S. generator that produces more than 15,000 GWh of electricity annually from coal or that purchases more than 20,000,000 tons of coal annually, as reported in their 10-K SEC filing.

- Any U.S. mining company that produces more than 50,000,000 tons of coal annually, as reported in their 10-K SEC filing.

Such standards capture the actual contribution of each individual entity to the harms in question based on objective and readily available information. By setting thresholds in terms of the quantity of coal processed by these entities, rather than an entity’s relative investment in coal as compared to other energy sources, these standards reflect the fact that our greatest concern regarding the coal industry is its contribution to climate change, wherein the reduction of greenhouse gas emissions is the chief objective. Therefore our guidelines specifically target the largest producers, as it is the behavior of these entities that matters the most. A relatively small energy company that sources almost all of its generating capacity from coal-fired plants might therefore pass through this screen, while a larger and more diversified company which nevertheless contributes more to the harms of coal would not.

Assessment of whether or not an entity meets divestment criteria is based on information readily available from objective sources. Utility companies publish information on the generating of their coal-fired plants in their 10-K reports which are filed with the SEC. Based on continued evaluation of these credible and accessible data by the Committee, the divestment list may be updated on a yearly basis.

Justification for Divestment:
The decision to recommend divestment is not one ACCRIP takes lightly. Indeed it is an extreme measure only justified under certain conditions. According to the Committee’s Charter, ACCRIP should consider divestment only in cases where:

> ”...divestiture will likely have a positive impact toward correcting the specified social harm, or 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.”

In the case of the coal mining and power utility companies from which ACCRIP recommends divestment, the members of ACCRIP feel that while divestment is unlikely to have a positive impact on these companies' practices, the harms associated with these companies' business practices are so grave that it would be deeply unethical for Brown University to continue to profit from them.

Arguments Supporting Coal Divestment Recommendation:
ACCRIP's final decision is supported by the following conclusions, which are the result of six months of discussion and inquiry into the matter:

- The companies selected by the proposed divestment screen have a substantial stake in the extraction and burning of coal using the currently available technology. It is improbable that the business practices of any of these companies could be altered through the channels of shareholder activism available to the University.

- Setting aside the direct impacts of coal extraction and coal energy production on specific communities and ecosystems, the disproportionate contribution of coal to the threat of climate change means that this divestment proposition must be considered differently than other divestments in ACCRIP's history. As such, several objections to divestment, such as the likelihood that alternative investments may also be objectionable, are less compelling. If, hypothetically, the University were to increase its investment in natural gas extraction companies as a consequence of coal divestment, the goal of decreasing the University's association with global warming would still be achieved.

- The most current divestment criteria consist of thresholds which single out the largest coal miners and coal energy producers by the quantity of coal that they produce or burn. While these cutoff numbers may appear arbitrary, ACCRIP is aware of no more objective way to single out the greatest contributors to the coal industry's harms.

- While these proposed divestment criteria would affect Brown's investment in roughly fifteen companies out of two major industries, this partial approach is probably the most practical divestment option. Similarly, when the University chose to divest from the apartheid government of South Africa in the 1980s, it singled out a subset of businesses most implicated in the social harms in question. In the case of South African divestment, this list was gradually expanded. Whether or not this happens with the proposed coal divestment, maintaining a current divestment list on this scale presents a task not unlike previous divestments, such as the divestment from the Sudan conflict in 2007.

- While a lot of publicity has been raised over the years about the potential of clean coal, in reality this technology remains expensive and impractical to implement. ACCRIP is aware of no evidence that companies on the proposed divestment list have current or imminent plans to make a meaningful transition to cleaner forms of coal.

Arguments Against Coal Divestment Recommendation:

- The Investment Office informed the Committee that while divestment would not have a significant effect on the endowment's return at the current time since Brown's investment in the identified coal entities is very small, divestment could have a higher cost in the long-term if the valuations in this sector became compelling.

- An alumni representative on the Committee raised the concern that presenting external fund managers with SRI guidelines can present a great logistical difficulty in terms of coding which companies match divestment criteria and expressed concern that, until there is a viable alternative to fossil fuels, we are perhaps better served by encouraging implementation of clean coal technologies rather than distancing ourselves from those companies that could implement such technologies.

- The Investment Office expressed the concern that for a divestment list to work as it is supposed to there must be an institutionalized and practical method for monitoring the targeted companies. If a company's practices change to better reflect the values of the University, it would be arbitrary and counterproductive for that company to remain on the divestment list. In previous divestments, externally maintained lists have been used as guides for this purpose.

In light of the proposed divestment criteria the committee has identified the following mining and generating companies from which to divest:

NYSE Symbol	Coal Mining	2012 Tons Sold, in thousands			Information source
BTU	Peabody Energy	192600			Annual Report
ACI	Arch Coal	155600			10-k
ANR	Alpha Natural Resources	105998			10-K
CLD	Cloud Peak Energy	93,000			10-K
CNX	CONSOL Energy	56000			10-k
	Coal Generating	2012 Tons Bought, in thousands	Coal generating capacity, MW	GWh produced by Coal	10-K Page
AEP	AEP	60,054	24,551	165,687	p42
DUK	Duke Energy		16,164	109,086	p12, p41
SO	Southern			66,500	pII-17
PPL	PPL Energy Kentucky			65,640	p8
BRK.A[1]	MidAmerican Energy			19,073	p8, p10
AEE	Ameren			88,235	p12, p16
XEL	Xcel			16,023	p14
NRG	NRG			38,262	P18
FE	First Energy	32,100		88,563	p58,
D	Dominion			17,776	p37

[1] MidAmerican Energy is owned by Berkshire Hathaway.