



May 1, 2015

Dear Ms. Schriever,

On behalf of the University Resources Committee, I want to thank you and your colleagues for meeting with us on March 3, 2015 to discuss the Princeton Sustainable Investment Initiative. We appreciated the opportunity to learn from you. The Committee has had several discussions regarding the specific proposals you presented and also about the general issues you brought to us at our meeting, in particular the fact that the University endorses sustainability principles in various policies and practices but the University is less evident in how it applies them in its investment decisions. Our conversation with you prompted us to write to President Eisgruber, asking him for clarification about the application of the University's principles. President Eisgruber responded with a letter that illuminates the University position regarding ethical and political issues and specifically addresses issues related to sustainability. His letter is accompanied by a memo in which Andrew Golden, the President of Princo, explains how ethical and, in particular, sustainability concerns play a role in making investment decisions and in Princo's interaction with asset managers. These documents, together with our letter, will be released at the next CPUC meeting on May 4 and we will forward them to you directly as well. We thank you for having helped us produce these clarifications.

Regarding your specific proposals, we offer the following observations on each, on the basis of our deliberations as well as the letter and memo we received from President Eisgruber.

With regard to the proposals that the University adopt the United Nations' Principles for Responsible Investment (PRI) as a symbolic representation of the University's commitment to responsible investment and become a signatory to the Carbon Disclosure Policy (CDP), the Committee notes that the University has a specific presumption against taking symbolic stands. In the context of the prevailing general and clear commitment of the University to develop sustainable practices, the value of signing the PRI appears uncertain and the Committee is not ready to recommend it at this time. We recognize that joining the CDP provides information about the practices of companies, but it would be unlikely to serve any purpose in daily investment decisions which go through asset management partners and very rarely deal with specific company stocks. The Committee does not believe that endorsing either the PRI or CDP initiatives would have a substantive impact on the University's already clear and unambiguous commitment to environmental stewardship.

However, the Committee does recognize that from time to time the University may join particular groups or organizations as a means of accessing information and data that can be helpful in guiding operational decisions. The University's participation in the Fair

Labor Association (FLA) and the Worker Rights Consortium (WRC) are examples of University involvement in organizations that provide useful and important resources and services to the University in helping to ensure that companies that produce University-licensed materials and apparel meet appropriate standards with respect to working conditions and the treatment of workers. The Resources Committee has been the venue for discussing the University's involvement in such organizations and welcomes the ideas and advice of the University community about organizations that can assist the University in its decision making and in carrying out its operational responsibilities.

The PSII proposals include a recommendation that the University annually calculate and report the "carbon footprint of the endowment." Subsequent discussions with PSII advocates and others revealed that no widely accepted standard for calculating a carbon footprint has been developed. Furthermore, it became clear in our discussions that any effort to develop and implement a carbon footprint measure would be costly and time consuming. The Committee does not support the idea of diverting resources to an effort to develop a methodology nor does the Committee find it useful to try to ascribe a carbon footprint value to a fluid and changing set of portfolio investments.

The final set of PSII recommendations pertain to the development of a set of investment guidelines that would "shift investments away from those with egregiously unsustainable practices such as fossil fuel extraction, deforestation, and support for anti-environmental policy." The proposal calls for these guidelines to be developed, tested and implemented by a newly created student-faculty-staff committee. The Resources Committee does not support the creation of such a committee. The obligation to establish investment policies lies with the Trustees of the University, who alone have the legal and fiduciary responsibility for developing those standards. The Committee does not believe that it is appropriate or productive to suggest that the Trustees abdicate or delegate those responsibilities. Additionally, the proposed process would establish a separate procedure for developing guidelines for a single category of investments. The Committee does not believe creating separate procedures for considering industry- or issue-specific divestment-related questions would be useful or efficient.

But RC has to recommend to BoT

The Committee notes that the PSII proposals overlook the fact that the University's divestment policy includes a disassociation provision that requires disassociation from any company or groups of companies whose policies or practices are so abhorrent to the community that a decision is made to divest. In his letter to the Resources Committee, President Eisgruber wrote: "If we believe that we should not be associated with a company or activity as a matter of our investment policy, then so too we ought to disassociate from it in all other aspects of our operations – we ought not to purchase products or accept gifts from it, nor should we form partnerships with it or facilitate its recruitment activities." With specific reference to energy companies, the President wrote,

"Given this University's commitment to influence the world by providing a fair and unbiased forum for scholarship and teaching, rather than by using its economic clout or institutional advocacy, it would be a profound mistake to create an investment policy that took political stands regarding the business activities of energy companies. These companies do not meet the disassociation standard. Every member of the Princeton community associates with energy companies and benefits

from what they do. We all purchase their products. Our scientists partner with them. Our students seek jobs with them and we welcome their recruitment. We seek their advice on issues of sustainability. Questions about energy, the environment, and sustainability are among the most important that the world faces – but they are questions that arise not out of the conduct of a few bad actors but rather out of the conduct of all of us. We must all find ways to reduce the damage that we cause to the environment – and that is why the University, which shares in this ethical obligation, seeks to reduce the damage to the from its campus and other activities under its control.

The University’s reputation as a fair and unbiased forum for teaching and research is as important in this area as in any other. Our scientists’ research is making a powerful case about the urgent need for action to protect the environment, and about what the world must do to meet that need. The persuasiveness of that research depends both on its rigor and on the integrity of the scholarly forums in which it is developed and tested. If the University itself behaves in a manner that is politically partial, we weaken our capacity to contribute to this debate in the way that is most needed, and as we are uniquely capable of doing – by providing authoritative and impartial scholarly expertise.”

The Committee concurs with the President’s perspective and is grateful for his clearly articulated description of the importance of linking the principles of divestment and disassociation. We urge PSII and any other petitioners advocating divestment to carefully consider whether their proposals can meet the standard of *both* divestment *and* disassociation.

Sincerely,

A handwritten signature in black ink, appearing to read 'MFEL', with a long horizontal stroke extending to the right.

Marc Fleurbaey
Chair of the Resources Committee

CC: Professor Lynn Loo
Professor Denise Mauzerall
Mr. David Schwartz GS
Mr. Jacob Cannon ‘17
Mr. Dallas Nan ‘16
Ms. Carolyn Ainslie
Ms. Jennifer Birmingham
Ms. Leila Shahbender
Ms. Karen Jezierny