

November Meeting

At a meeting of the Advisory Committee on Socially Responsible Investing, held remotely on November 18, 2020, the following members participated:

| | |
|--------------------------|-------------------|
| Howard W. Buffett | Sharon Liebowitz |
| April Croft (non-voting) | William Shamma |
| Merritt Fox | Courtney Thompson |
| Daniel Howard | Bruce Usher |
| Ruby Khan | Regen Wallis |
| Bridget Realmuto LaPerla | Michael Wang |
| Benjamin Lebwohl | |

The following members of the administration were also in attendance:
Colin Redhead

Absent with regrets:
Anne Sullivan (non-voting)

The meeting was called to order at 6:05 p.m.

Chair

Announcements

- The Committee welcomed a new faculty member, [SIPA Professor Howard W. Buffett](#).
- The [ACSRI website](#) has been redesigned.

Chair

Approval of the October 21, 2020 Minutes

The ACSRI approved the minutes of October 21, 2020.

Committee Members

Racial Justice

The ACSRI formed a subcommittee to consider ways for involvement in the national conversation on racial justice issues.

Committee Members

Guest Speaker Presentation on Sudan

Payton Knopf, a former diplomat and advisor to the Africa program at the United States Institute of Peace, discussed the current situation in Sudan.

Guest Speaker

Ratification of ACSRI Fossil Fuel Recommendation and Position

The ACSRI ratified its Fossil Fuel Recommendation and Position documents (attached hereto) that were submitted to President Bollinger and the Trustee Subcommittee on Shareholder Responsibility for their consideration.

Committee Members

There being no further business, the meeting was adjourned at 8:00 p.m.

Respectfully submitted,
April B. Croft
Associate Director
ACSRI

Fossil Fuel Divestment Recommendation

Columbia University Advisory Committee on Socially Responsible Investing (ACSRI)

Submitted to President Bollinger and the University Trustees, November 12, 2020

Our Goal: Columbia University should use its academic leadership and financial resources to accelerate the transition to a global low-carbon economy, with the objective of reaching net zero greenhouse gas emissions by 2050. “Net zero” emissions is a state in which any emissions produced are balanced by the removal of others from the atmosphere. According to global scientific consensus, reaching net zero emissions by 2050 is required in order to limit average global temperature rise to 1.5 degrees Celsius and avoid the worst impacts of climate change.

Our Process: Columbia University students and a local chapter of Extinction Rebellion submitted to the ACSRI on December 6, 2019 a proposal calling for “divestment of any firm engaged in the exploration for, extraction, or production of fossil fuels as a central component of their business model,” and representatives of the proponents attended a February 12, 2020 meeting of the ACSRI at which they undertook a presentation in support of this proposal. This proposal initiated a process under which the ACSRI conducted an in-depth review of climate change and divestment, as summarized in the accompanying document titled “Position on Fossil Fuel Divestment”. The Divestment Recommendation adopted here by the ACSRI is very much influenced by the student proposal and presentation. Our Divestment Recommendation, although slightly different with respect to oil & gas company divestment, goes beyond the student proposal by calling for an expansion over time of the divestment criteria to include companies in other economic sectors that materially contribute to climate change. The ACSRI previously recommended divestment of all thermal coal companies in 2017, a recommendation that was adopted by the University Trustees.

The ACSRI’s research and recommendation has been informed through consultations with dozens of students, faculty and other experts across the university, including Columbia’s Earth Institute. Our recommendation also builds on the ACSRI’s knowledge and experience from annually reviewing hundreds of companies for divestment in areas including thermal coal, tobacco, private prisons, and ties to Sudan. As it relates to fossil fuels, the ACSRI acknowledges that the transition to net zero greenhouse gas emissions will take many decades, and an inherent tension exists between actively supporting all companies in their transition to a net zero future through academic and research partnerships, while at the same time financially benefiting from their current often emissions-intensive business models. Therefore, our recommendation focuses on the imperative for Columbia’s investments to help spur the transition to a net zero emissions

future -- much as Columbia's campus activities, research and educational activities are seeking to help spur this transition.

Our Recommendation: Columbia should build upon its academic climate change initiatives with a complementary investment strategy to reach our goal. This includes a mix of both divestment and engagement, initially with companies involved in oil & gas exploration & production, including integrated oil & gas companies, and subsequently with other sectors that are major fossil fuel consumers or that otherwise contribute significantly to greenhouse gas emissions and climate change. We recognize that there is no perfect or universal strategy to achieve our goal, but we seek to prioritize measurable and transparent criteria, wherever possible. Specifically:

1. **Oil & Gas Divestment:** Although Columbia's endowment currently has no direct public holdings in fossil fuel companies, it will be prevented from future investment in all oil & gas companies involved in exploration & production activities, including integrated oil & gas companies, (henceforth "oil & gas companies") lacking a credible plan for transitioning to net zero emissions by 2050. This oil & gas divestment is *in addition to* Columbia's prior divestment of thermal coal companies. Specifically, the ACSRI will annually create an oil & gas divestment list and place companies on it if:
 - a. they do not, at a minimum, acknowledge climate change as a significant issue for the business, recognize climate change as a relevant risk and/or opportunity for the business, have a policy commitment (or equivalent) to act on climate change, have a public ambition to achieve net-zero greenhouse gas emissions no later than 2050, set greenhouse gas emission reduction targets, and publish information on their Scope 1 and 2 greenhouse gas emissions; or
 - b. their Scope 1 and Scope 2 emissions intensity (gCO₂e / MJ) exceeds the oil & gas sector mean.

In composing this list, the ACSRI has discretion to rely on external research, including the use of third-party consultants and Columbia University experts. The exact methodology is subject to change at the discretion of the ACSRI based on future consultation with Columbia experts, but any such changes will be consistent with the larger goal of adding companies to the divestment list whose actions are counter to the objective of reaching net zero emissions by 2050 and removing from the list companies that show leadership on the objective of reaching net zero emissions by 2050.

Based on a preliminary analysis as of October 2020, less than 5% of all publicly listed oil & gas companies globally would be permitted for investment consideration under the

criteria set forth above. A complete divestment list will be updated annually by the ACSRI, beginning in the first quarter of 2021. Until the first divestment list is developed, the Columbia endowment should not make any investments oil & gas companies.

2. **Collaboration with Investment Managers:** When Columbia invests in a fund or strategy with a new investment manager, or renews investment in a fund or strategy with an existing investment manager, the following criteria will apply:
 - a. Columbia will not make any new investments or renew investments in any fund or strategy that primarily invests in oil & gas companies, whether such companies are publicly or privately held.
 - b. Investment managers in publicly traded companies should, when possible, adhere to the same oil and gas divestment list as for Columbia's direct investments. We recognize that this requirement may not be feasible for certain broad-based index funds or for funds employing primarily technical trading strategies.
 - c. All investment managers, regardless of oil & gas exposure, will be asked to engage with the management of portfolio companies on credible plans to reduce greenhouse gas emissions and achieve net zero emissions by 2050. Investment managers are encouraged to join the Climate Action 100+ or similar initiatives. We again recognize this requirement may not be feasible for certain broad-based index funds or funds employing technical trading strategies.
3. **Criteria Expansion:** Columbia recognizes that many sectors beyond oil & gas are significant contributors to greenhouse gas emissions and climate change, and drive the demand for fossil fuels. Multiple sectors are critical for achieving net zero emissions by 2050. Therefore, every five years, beginning no later than 2025, the ACSRI will work with experts at Columbia to proactively expand the sectoral focus for potential divestment beyond oil & gas exploration & production to other oil & gas activities and other significant emitters of greenhouse gases, including but not limited to utility, cement, agriculture and transportation sector companies.
4. **Active Engagement:** Columbia will use its academic and scientific knowledge to support companies in the transition to net zero emissions by 2050, engaging with management of companies in all sectors through direct dialogue, academic research, proxy voting, and its investment managers.

Position on Fossil Fuel Divestment
Columbia University Advisory Committee on Socially Responsible Investing (ACSRI)
Submitted to President Bollinger and the University Trustees, November 12, 2020

This document explains the ACSRI's position on fossil fuel divestment, and why we have made our current proposal rather than supporting full fossil fuel divestment or taking no action.

As an important point of clarification, Columbia's endowment currently has no direct public holdings in fossil fuel companies. Divestment therefore relates to any *future* investments in this sector.

Why the ACSRI recommends taking action on fossil fuels:

Climate change is a man-made crisis and its complexity requires a coordinated response. Columbia must join other segments of society in confronting this crisis and use every tool at its disposal, including divestment or threat of divestment, to encourage companies to reduce their greenhouse gas emissions and address the urgency of climate change.

Fossil fuels are the primary source of greenhouse gas emissions. Science is clear that greenhouse gas emissions resulting from human activity (anthropogenic emissions) are the primary cause of climate change. In 2017, 76% of the United States' anthropogenic greenhouse gas emissions came from burning fossil fuels for energy.¹

Many fossil fuel companies have been "bad actors". Whether directly or through trade associations, many fossil fuel companies at one point or another have lobbied against the science of climate change, an area in which Columbia has dedicated significant resources and is a respected, academic leader.

Columbia's actions have great symbolic value. By virtue of Columbia's size and academic leadership, its actions and commitments are a powerful signal to the market and other stakeholders. Divestment or threat of divestment would focus further attention on fossil fuel production and climate change, potentially encouraging other investors to take similar action. At scale, such attention can help remove companies' "social license to operate" as they traditionally have, thus making it easier for governments to act appropriately on climate issues.

Columbia's investments should be aligned with its leadership in addressing climate change. Columbia is already a leader in addressing climate change through its operations and research, including the new Climate School. There is an inherent tension between supporting academic research and partnerships with others on addressing climate change, while at the same time financially benefiting from companies that contribute significantly to climate change with emissions-intensive business models.

¹ "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2017." U.S. Environmental Protection Agency (EPA), April 2019, <https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks-1990-2017>

The Columbia community cares deeply about addressing climate change and supports action from Columbia's endowment. Over many years, Columbia student groups have called for fossil fuel divestment, documented in the official positions of the Columbia College Student Council.² In 2019, fossil fuel divestment was supported by over 100 Columbia faculty members.³ Moreover, the ACSRI's current review of fossil fuel divestment was triggered by the proposal of Columbia University students and a local chapter of Extinction Rebellion submitted at the end of last year. It is evident that the Columbia community cares deeply about climate change and views the endowment as an important part of the solution. As representatives of the Columbia community, the ACSRI shares this view.

Why the ACSRI does not recommend complete divestment of fossil fuel companies:

Complete divestment of the fossil fuel sector will not address the climate change problem. Divestment will not directly reduce the capital available to publicly listed fossil fuel companies, and may in fact promote the transfer of fossil fuel extraction activity to national- and state-owned companies that are more polluting, less transparent, less sensitive to societal pressures, and less committed to addressing the climate crisis.

Through complete divestment, Columbia will lose its ability to influence fossil fuel companies' management by engagement and proxy voting. This would leave shares in the hands of investors who may not share the same urgency to address the climate crisis. With many fossil fuel companies now primed for a shift in business strategy and the transition to a low-carbon economy, investors are in a unique position to influence companies' long-term plans. This influence could extend to other sectors dependent on fossil fuels, including utilities, transportation, chemicals, plastics, cement and agriculture.

Fossil fuels still serve a purpose and cannot be entirely replaced, yet. Alternatives to fossil fuels currently exist in the generation of heat and electricity by using renewable energy, but in automobile transportation the infrastructure for electric vehicles is still nascent, and for air transportation it remains experimental. Despite significant progress, Columbia and its students and faculty are still dependent on fossil fuels for a significant portion of their energy needs.⁴ However, it would be short-sighted for Columbia not to focus on reducing exposure to fossil fuels through both its operations and investments.

Fossil fuel companies are not the only major contributors to the climate crisis. Full divestment from the fossil fuel sector ignores the complexity of climate change and the significant contribution of other sectors to greenhouse gas emissions, including their demand for fossil fuels.

²<https://www.columbiaspectator.com/news/2013/10/18/heinrich-wins-senate-seat-divestment-passes-overwhelmingly/>

³<https://www.columbiaspectator.com/news/2019/12/04/over-100-columbia-faculty-members-sign-petition-in-support-of-divestment-from-fossil-fuels/>

⁴<https://sustainable.columbia.edu/news/columbia-university-achieves-100-zero-emissions-renewable-electricity-2018>

Why the ACSRI recommends setting criteria to permit investment in select fossil fuel companies with credible plans to transition to net zero emissions by 2050:

Investor pressure has encouraged many fossil fuel companies to transform their approach to climate science, greenhouse gas emissions, and the transition to a low-carbon economy.

Alongside civil society, pressure from investors has led several large fossil fuel companies to reimagine their business model and actively support climate science, regulation and the larger transition to a low-carbon economy. Fossil fuel companies are often well capitalized, employ thousands of highly talented people, manage complex operations, and are well-recognized brands. Those resources can and should be used to proactively transition business models to a net zero emissions economy, both in terms of switching to the production of renewable energy sources and achieving net zero emissions in their remaining production of fossil fuels. For example, in 2020, Eni, one of the world's largest fossil fuel companies, announced that its oil and gas production would peak in 2025 and pledged to cut its greenhouse gas emissions by 80% by 2050.⁵ BP pledged to eliminate its greenhouse gases by 2050.⁶ Royal Dutch Shell and Spanish petroleum company Repsol have also set ambitions to reduce emissions and increase their investments in renewable energy.⁷ Orsted (previously named Danish Oil and Natural Gas) has committed to become the first carbon neutral utility by transitioning its business model from fossil fuels to renewable wind and solar.⁸ Equinor has committed to halve its carbon intensity by 2050 and grow its renewable energy capacity tenfold.⁹ Investment in - and active engagement with - select, climate-leading fossil fuel companies provides an opportunity to further encourage and accelerate the transition to a net zero emissions energy sector.

Columbia's endowment should support companies actively transitioning to net zero emissions. The economy's transition to net zero emissions will require trillions of dollars in capital investment and require several decades.¹⁰ Columbia can support this transition by providing capital and expertise to companies, or it can sit on the sidelines. The urgency and importance of climate change require Columbia to do everything it can to support and accelerate the transition, including investments in companies with credible plans and actions to transition the economy from fossil fuels to net-zero GHG-emitting sources of energy.

Columbia should invest in companies of the future. Nearly every sector of the economy emits greenhouse gas emissions, and all businesses must be encouraged to reach net zero emissions no later than 2050. Divesting entirely from one sector will not solve climate change. And were Columbia to divest from all sectors emitting greenhouse gas emissions, it would be left with a very small and limited investment portfolio. Instead, Columbia must invest in the companies of the future, those with credible and verifiable plans to further the economy's

⁵ <https://www.ft.com/content/ffa4d050-5a03-11ea-a528-dd0f971feb9c>

⁶ https://www.washingtonpost.com/climate-environment/2020/02/12/1a867124-4da4-11ea-bf44-f5043eb3918a_story.html

⁷ <https://fortune.com/longform/bp-oil-gas-clean-energy-ceo-bernard-looney-petroleum-profits-stock/>

⁸ <https://www.fastcompany.com/90459425/how-this-danish-energy-company-is-transitioning-from-oil-and-gas-to-all-renewables>

⁹ <https://www.equinor.com/en/news/2020-02-06-climate-roadmap.html>

¹⁰ "Making Mission Possible," Energy Transitions Commission, September 2020. <https://www.energy-transitions.org/wp-content/uploads/2020/09/Making-Mission-Possible-Full-Report.pdf>

transition to net zero emissions, initially fossil fuel companies and in the coming years expanding to all investment sectors.

We believe Columbia should use its academic leadership and financial resources to accelerate the transition to a global low-carbon economy, with the objective of reaching net zero greenhouse gas emissions by 2050.