

## Presidential Task Force to Examine Divestment

Presentation to the Committee on Investments

December 7, 2016

divestment + sustainability  
"informed decision"

- message to the  
Community  
- press release  
- webpage going  
live w/ 24  
- Spec article  
later today

### Task Force Recommendations

- Good faith effort to divest from companies that deny climate science or otherwise seek to thwart efforts to mitigate the impact of climate change.
  - Scope encompasses many of the top 200 fossil fuel producers, including coal and tar sands.  
↳ coal + tar sands fall within Climate deniers
- Establish a faculty, student, admin, trustee working group to develop criteria and an implementation plan in conjunction with an OCIO.
- Pursue a robust sustainability program to reduce Barnard's carbon footprint.

task force subset of students / Faculty/staff

## Key Findings

- Recommendations were based on 9 months of study and analysis.
- Key findings include:
  - Climate change is a real threat to the environment and Barnard has to do its part to mitigate its impacts.
  - Barnard should pursue a robust climate action plan.
  - Ensuring strong returns for the endowment is critical. *highest possible returns*
  - We cannot predict the financial impact of divestment on the endowment.
  - The endowment needs to be flexible to react to changing priorities in the future.

*there will likely be issues in the future  
that we need flexibility to approach*

*↳ key in oclis search*

## TF Methodology

- Reviewed and analyzed reports from peer institutions and independent analyses to frame the debate from all sides.
- Met with or spoke to select peer institutions and consultants.
- Analyzed potential financial impact on the endowment; 5 scenarios.
- Debated 5 investment options ranging from the status quo to blanket divestment.

## Linkage to Barnard's Mission

- **Focus on climate deniers (broadly defined).**
  - History of fossil fuel companies denying or thwarting climate science.
  - Targeting scientists, funding bogus research, spreading disinformation.
  - All while knowing the impacts of climate change.
- **Linking divestment to Barnard's mission was compelling.**
  - Our mission fosters academic freedom and integrity and supports evidence-based decision-making.
  - Climate deniers are an affront to this mission.
  - Climate change disproportionately impacts women around the world.
- **Barnard will be the first US institution to pursue this approach.**
  - Barnard as an independent, innovative institution

Companies  
muddying the  
waters on "scientific  
consensus"  
↳ denying + questioning  
↳ affront to our  
mission as  
Schools have  
detached their  
missions  
differently  
- writing  
the book  
Takes to women around  
speaks to our nature as an  
innovative institution

## Divestment Impact

- **Blanket divestment is not likely to have an impact on the financial bottom line of fossil fuel companies.**
- **Symbolic act is important but we can have an impact.**
  - Judging companies on a continuum of behavior could incentivize poor performers to do better; create demand signals that could impact a company's bottom line.
  - Our approach is nuanced, not a blanket statement against an entire industry.
  - The more institutions that take action, more pressure will be brought to bear on governments and companies to act.
- **If Barnard acts as a "good global citizen" to combat climate change, it must do so with all of its available tools and leveraging power, including investments.**

maybe this  
could have  
an impact

## Financial Impact

- Schools that calculated adverse financial impacts did not divest.**
  - Swarthmore, Williams
- Institutions concerned that fossil fuel investments are risky or who did not predict adverse impacts were favorable to divestment.**
  - New School, Pitzer, Rockefeller Brothers
- We analyzed 5 scenarios to determine whether divestment will have an impact on the endowment.**

Scenario	Ten-year Returns as of 6/30/16
Status Quo — Total Assets	6.8%
S&P 500 Ex-Energy Index	7.7%
S&P 500 Index	7.4%
MSCI ACWI Index	4.8%
Status Quo — Global Equity Only	5.5%

Several schools looked at their financial projections and stopped there

some schools pointed the exact value of impact that divestment would have on their endowment

another method that schools did was assume that divesting would require the school to invest passively and lose access to active managers

## Financial Impact

- Impossible to predict the financial impact of fossil fuel divestment on the endowment.**
- Historical performance is not a good predictor of future returns.**

Scenario	Projected Market Value at 6/30/26	Projected Average Annual Endowment Spending	Projected Average Annual change in spending vs Status Quo	Projected Cumulative Change in Spending vs. Status Quo
Status Quo — Total Assets	\$491.0	\$17.8	\$ -	\$ -
S&P 500 Ex-Energy Index	\$531.0	\$18.5	+.6	\$6.0
S&P 500 Index	\$517.0	\$18.3	+.4	\$4.0
MSCI ACWI Index	\$414.0	\$16.6	-1.8	(\$18.5)
Status Quo — Global Equity Only	\$439.0	\$17.0	-1.2	(\$12.2)

## Social Impact

- Institutions of higher education have not been consistent in how they have reacted to social issues. (Sudan)
  - Divestment from South Africa, tobacco, private prisons
  - Reluctance to divest from fossil fuels

OCIO model is different than it was in the 1980s
- Climate change is a threshold issue that warrants discussion of divestment.
- ESG principles becoming more prevalent in investing.

we would be the first 7 sisters college to divest

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## Barnard History

Issue	Timing	Action
Vietnam War	1969	Presidential statement
South African apartheid	1985	Formal divestment; Board resolution
Tobacco	1998	Informal divestment; Board's Investment Committee non-binding statement
Monitoring Women Investment Managers	2006	Reporting requirement
Transgender admissions policy	2015	Board resolution

for divestment, there is a threshold  
there will be others we need to deal with this as they come

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## How to define a climate denier?

- Union of Concerned Scientists (UCS) Climate Accountability Scorecard (Oct 2016)

- UCS evaluated 8 companies on the extent to which they:

- Renounce misinformation on climate science and policy;
- Plan for a world free from carbon pollution;
- Support fair and effective climate policies; and
- Fully disclose risks to their operations from climate change.

- Working group can evaluate the UCS criteria in detail and propose modifications that suits our needs.

team topic

Tailor to our needs  
using an OCIO

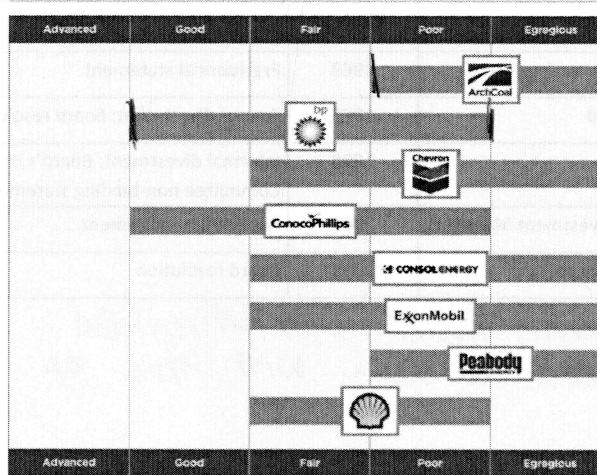
this is a starting point / not take it wholesale

// Student involvement

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## An Illustrative Approach: UCS Climate Accountability Scorecard

FIGURE 1. Company Area-Level Scores Ranged from Good to Egregious



← these are ranges

this graphic does not represent where the scores come from.

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Do we think an "egregious" score of disclosure should be weighted equally with an "egregious" score on public denial? 6  
↳ I think raw score?

## How to use the criteria?

- Judge companies on a continuum of behavior.
- Based on each company's score we could:
  - Designate companies to "bins" according to their score.
  - For example, we could:
    - Divest from companies with the lowest scores
    - Put companies on a watch list with middling scores
    - Maintain investments with companies with good scores
- Could incentivize poor performers to do better relative to their competitors.
- Could give consumers direction, impacting the demand side.

this is one way,  
but as we analyze  
the companies we are  
invested in and better understand  
their behavior we can come to conclusions  
about how to address types of denial

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## Divestment implementation issues

- Implementing a divestment strategy focused on climate deniers is challenging.
- Need to determine who will vet companies based on agreed-upon criteria.
  - May need to hire a third-party.
  - Working with UCS is also an option we are exploring.
- Need to evaluate whether prospective OCIOs can implement this approach and, if so, work with them on implementation.

this is why  
we need oversight committee  
to inform the board  
so for us to work  
in all FT companies  
we don't need to vet every FT  
company in the world

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## Sustainability

- The Task Force undertook a comprehensive carbon footprint project for the College, to use as a starting point for the process of campus-wide engagement.
- Robust climate action plan necessary to reduce Barnard's carbon footprint to includes:
  - A clear mission and values statement;
  - A climate action plan with clear, measurable goals;
  - Campus-wide engagement to set goals; and
  - Personnel and resources, to include assignment of a Sustainability Officer or Dean to lead the process.
- Lessons learned from other schools that goals and targets will not be met without buy-in from the community, change in culture and behaviors at all levels of the institution.

airports: understanding at a granular level where our carbon comes from (101s)

if Delta is better than United - encourage/subsidize "good factors"

we are one of the first

## Conclusion

- The Task Force was a model of collaboration and collegiality.
- Members came with differing viewpoints but let data, analysis and debate guide them towards a consensus.
- Climate change is an issue that we are obligated to address.
- Our recommendations represent a comprehensive and nuanced approach to deal with this issue.