

# Carleton College

One North College Street  
Northfield, Minnesota 55057

February 2, 2015

Dear Mr. Weitz and members of the Investment Committee,

Please find enclosed the 2015 Report to the Trustees from the Committee on Responsible Investment at Carleton (CRIC). CRIC has continued its primary role of actively reviewing shareholder resolutions as well as gathering information on the views of the Carleton community concerning issues related to investment. The proxy voting process has been aided by a proxy voting pre-approval policy that was approved during the February 2012 Trustees' meeting. The majority of this report will discuss shareholder resolutions on issues not covered under the policy. Additionally, we have included a section this year on the movement by Carleton students, alumni, and faculty to encourage total divestment from fossil fuel companies.

## **Proxy Voting Policy**

In February 2012, the Investment Committee of the Board of Trustees granted CRIC permission to operate under a proxy voting pre-approval policy. The policy allows for CRIC to make its recommendations on shareholder resolutions in a more efficient and streamlined manner. The policy is stated as follows:

For all resolutions and issues that appear on a PROXY VOTING LIST approved by the Investment Committee, the College will vote YES, assuming that CRIC has done due diligence to determine that there are no extenuating circumstances.

The proxy-voting list currently includes the following six resolution types, approved by the Board of Trustees:

- (1) Greenhouse Gas Emission Reduction Goals
- (2) Hydraulic Fracturing (Toxic Chemicals)
- (3) Executive Compensation (Say on Pay)
- (4) Political Contributions
- (5) Separate Chair and CEO
- (6) Equal Employment Opportunity

The proxy voting pre-approval policy facilitates Carleton's shareholder participation on resolution types that have been approved by the Board of Trustees as being in line with the College's core values and interests.

---

## 2015 Resolutions Not Covered by Proxy Voting Policy

Shareholders of companies in which Carleton is invested filed several resolutions not covered by the proxy voting pre-approval policy. CRIC is recommending that the Trustees approve a vote of “yes” on each of the the following eleven resolutions:

- (1) Report on Tobacco Health Risk Communications (Altria)
- (2) Report on Climate Change (Anadarko Petroleum)
- (3) Report on Climate Change (Consol Energy)
- (4) Report on Climate Change (Devon Energy)
- (5) Report on Climate Change (Dominion Resources)
- (6) Report on Climate Change (Noble Energy)
- (7) Report on Energy Efficiency/Renewable Programs (Dominion Resources)
- (8) Report on Coal Ash Risks (Dominion Resources)
- (9) Report on Packaging (Mondelez International)
- (10) Report on Supplier Pesticide Use (PepsiCo)
- (11) Report on Palm Oil Supply Chain (Target)

## Divestment

As detailed in §5 of this report, CRIC would also like to make two recommendations to the Board of Trustees concerning the issue of divestment from fossil fuels. First, we would ask the Board to approve the commissioning of an independent study on the potential effects of divestment from fossil fuels on Carleton’s endowment (both with respect to divestment from relevant direct holdings only, as well as with respect to divestment from both direct holdings and commingled funds). Second, we would like to recommend the creation of a task force (or committee) drawing from students, faculty, staff, alumni, and trustees, to consider the issue of divestment in the light of the results of the study mentioned in our first recommendation, and to make concrete recommendations to the Board of Trustees on the issue of divestment from fossil fuel holdings.

## Summary

We appreciate this opportunity to report to the Investment Committee on our activities, and to make recommendations. We hope that the board accepts our recommendations on the shareholder resolutions (detailed in §4 of the report) that are not covered under the pre-approval policy, and also on the issue of divestment from fossil fuels. Please let us know if you require any additional information. Thank you for your time and your consideration.

### COMMITTEE MEMBERS

Graeme Harten (Co-Chair, '15)	David Tompkins (Co-Chair, Fac.)	Jason Decker (Faculty)
Emily McAdam (Staff)	Melissa Thomas (Staff)	Fred Rogers (Ex Officio)
Max Esslinger ('16)	Anil Methipara ('16)	Vicky Wu ('17)
Jenna Greene ('17)		

# REPORT TO THE TRUSTEES

CARLETON RESPONSIBLE INVESTMENT COMMITTEE (CRIC)

February 2, 2015

## Contents

<a href="#">1 Proxy Voting Pre-Approval Policy</a>	<a href="#">1</a>
<a href="#">2 Report on 2014 Resolution Voting</a>	<a href="#">1</a>
<a href="#">3 2015 Resolutions Falling Under the Pre-Approval Policy</a>	<a href="#">3</a>
<a href="#">4 2015 Resolutions Not Falling Under the Pre-Approval Policy</a>	<a href="#">4</a>
<a href="#">5 The Issue of Divestment from Fossil Fuel Holdings</a>	<a href="#">8</a>
<a href="#">6 Other CRIC Activities</a>	<a href="#">11</a>
<a href="#">7 Conclusion</a>	<a href="#">12</a>

## 1 Proxy Voting Pre-Approval Policy

Three years ago, the Investment Committee of the Board of Trustees granted CRIC the freedom to operate under a proxy voting pre-approval policy on a trial basis. The policy has allowed the committee to be more effective in its handling of corporate resolutions. It is stated as follows:

For all resolutions and issues that appear on a PROXY VOTING LIST approved by the Investment Committee, the College will vote YES, assuming that CRIC has done due diligence to determine that there are no extenuating circumstances.

The proxy voting list looks to align Carleton's values with its investments, currently encompassing the following categories of resolutions:

### PROXY VOTING LIST

- (1) **Greenhouse Gas Emission Reduction Goals:** Resolutions requiring disclosure of GHG emissions and on resolutions requiring reasonable action to reduce GHG emissions.
- (2) **Hydraulic Fracturing (Toxic Chemicals):** Resolutions requesting disclosure to stockholders of information about the risks and impacts of hydraulic fracturing and policy options for dealing with any potential risks and impact.
- (3) **Executive Compensation (Say on Pay):** Resolutions requesting an advisory vote on executive compensation.
- (4) **Political Contributions:** Resolutions requesting reporting on political contributions.
- (5) **Separate Chair & CEO:** Resolutions requesting that the Board adopt a policy requiring the Chair of the Board of Directors to be an independent member of the Board.
- (6) **Equal Employment Opportunity:** Resolutions requesting the adoption and reporting of anti-discriminatory policies based on race, gender, gender identity, sexual orientation, and national origin.

The pre-approval policy allows CRIC to recommend votes on certain types of resolutions to the investment office with the expressed permission of the Board of Trustees. This removes the repetitive step of having to regain approval on the same types of resolutions every year, saving both CRIC and the Board of Trustees time. Furthermore, it allows Carleton to vote on policy-approved resolutions that arise between January and shareholder meetings occurring later in the Spring.

The Proxy Pre-Approval Voting List is not static. The criterion to add a new category to the list is that the Investment Committee of the Board of Trustees approves resolutions falling into the new category at two board meetings (e.g., Report on Packaging was approved last year and is up for approval again this year; if approved, it would be added to the pre-approval list). We hope the Board of Trustees will continue to allow CRIC to streamline its resolution recommendations through the Pre-Approval policy.

## 2 Report on 2014 Resolution Voting

### 2.1 2014 Resolutions Falling Under the Pre-Approval Policy

In 2014, CRIC used the proxy voting pre-approval policy to request that the Investment Office vote on a number of resolutions. The resolutions are listed below, along with any information that CRIC has been able to gather on the outcome of the resolution.

**2014 RESOLUTIONS COVERED UNDER THE PRE-APPROVAL POLICY**

Company	Ticker	Votes
<b>Greenhouse Gases</b>		
Consol Energy	CNX	17.9% in favor
Devon	DVN	20.5% in favor
ONEOK	OKE	30.7% in favor
<b>Political Contributions</b>		
Altria Group	MO	6.4% in favor
Devon Energy Corp	DVN	27.3% in favor
Google Inc.	GOOG	8.6% in favor
Morgan Stanley	MS	16.8% in favor
Raytheon	RTN	33.2% in favor
Walmart Stores, Inc.	WMT	11.6% in favor

**2.2 2014 Resolutions Not Falling Under the Proxy Voting Pre-Approved Policy**

At the February 2014 meeting of the Board of Trustees, CRIC asked the Investment Committee to approve CRIC's recommendations for voting on a number of resolutions that fell outside the Proxy Voting Pre-Approved Policy. The following table shows the results of the voting on these additional resolutions:

**2014 RESOLUTIONS NOT COVERED UNDER THE PRE-APPROVAL POLICY**

Company	Ticker	Resolution	Votes
Nabors Inc.	NBR	Board Diversity	Withdrawn. Mercy Investment withdrew after the company changed its governance guidelines and added language specifically including race and in board diversity criteria it seeks. Nabors also agreed to continued dialogue.
Con-Way Inc.	CNW	Human Trafficking	Withdrawn. The proponents withdrew after the company agreed to develop trainings and partnerships to address the issue and to work with its suppliers.
Altria Group Inc.	MO	Educate on Health of Tobacco	3.72% in favor

Coca-Cola Company	KO	Establish Board Committee on Human Rights	Omitted. The company successfully challenged the proposal at the SEC, arguing that previous similar proposals in 2009 and 2013 did not receive the necessary support for resubmission (Rule 14a-8(i)(12)). The SEC agreed.
PepsiCo Inc.	PEP	Report on Land Rights	The proponents withdrew after what they termed productive dialogue with the company.
Mondelez	MDLZ	Post-Consumer Product Manufacturing Recycling	28.43% in favor
Safeway (merged with Albertson's)	SWY	Post-Consumer Product Manufacturing Recycling	12.4% in favor

### 2.3 Conclusion

At the February 2014 BOT Meeting, the Investment Committee approved the Proxy Voting Pre-Approval Policy to continue in 2014 and beyond. In brief, this policy allows the CRIC to be more effective in promoting values that the College has already endorsed.

## 3 2015 Resolutions Falling Under the Pre-Approval Policy

As part of its regular activities, CRIC has been tracking shareholder resolutions for the 2014 season and has determined that the following resolutions fall under the Proxy Voting Pre-Approval Policy:

2015 RESOLUTIONS FALLING UNDER THE PRE-APPROVAL POLICY			
Company	Ticker	Resolution	Pre-Approval Category
3M Company	MMM	Adopt GHG Reduction Targets	Greenhouse Gas Emissions Reduction Goals
Amazon.com Inc	AMZN	Publish Sustainability Report	Greenhouse Gas Emissions Reduction Goals
Discovery Communications Inc.	DISCA	Adopt Board Diversity Policy	Equal Employment Opportunity
Dominion Resources Inc	D	Report on Methane Emissions and Reduction Targets	Greenhouse Gas Emissions Reduction Goals

Dominion Resources Inc	D	Adopt GHG Reduction Targets	Greenhouse Gas Emissions Reduction Goals
Goldman Sachs Group Inc	GS	Report on Lobbying	Political Contributions
Google Inc	GOOGL	Review/Report on Political Spending	Political Contributions
Google Inc	GOOGL	Report on Lobbying	Political Contributions
HD Supply Holdings Inc	HDS	Adopt GHG reduction targets	Greenhouse Gas Emissions Reduction Goals
Occidental Petroleum Corporation	OXY	Report on Methane Emissions and Reduction Targets	Greenhouse Gas Emissions Reduction Goals
TJX Companies Inc	TJX	Report on Pay Disparity	Executive Compensation
Wal-mart Stores Inc	WMT	Report on Pay Disparity	Executive Compensation
Wal-mart Stores Inc	WMT	Adopt GHG Reduction Targets	Greenhouse Gas Emissions Reduction Goals
Wells Fargo & Co	WFC	Report on lobbying	Political Contributions

CRIC intends to ask the Investment Office to vote ‘yes’ on these items. Full text of the resolutions is available upon request.

## 4 2015 Resolutions Not Falling Under the Pre-Approval Policy

While the resolutions discussed below do not fall under the pre-approval policy, CRIC feels that they reflect values that are broadly shared by members of the Carleton community.

### 4.1 Report on Tobacco Health Risk Communications – Altria Group Inc.

*Carleton holds 33,00 shares worth \$1,625,910 as of 12/31/14*

Altria, the parent company of Philip Morris USA, is both one of the world’s largest tobacco companies and one of Carleton’s largest public equity holdings. Yet, in spite of Altria’s core business, Philip Morris USA and other Altria companies publish information informing tobacco users of the risks of smoking and provide market-appropriate smoking cessation materials to users. In the United States, partly as a result of these efforts and other tobacco control programs, smoking rates have declined among all demographic groups except two: the poor and the less well-educated.

The New York Department of Health has shown that, in general, “the decline in smoking has not occurred among the poor.”<sup>1</sup> Among those with household incomes less than \$15,000 a year, the smoking rate has not changed in the past 10 years, a period during which tobacco use significantly declined among all other groups with a higher educational attainment. Those with less than a high school education now smoke at a rate three times higher than that of college graduates.<sup>2</sup>

The “Report on Tobacco Health Risk Communications” resolution asks that the Board of Directors of Altria initiates efforts within six months of the annual meeting to prepare appropriate materials, similar to those that have been helpful in decreasing youth smoking, informing poor and less well-educated tobacco users of the health consequences of smoking Altria products. A report on the preparation of these

<sup>1</sup>[http://www.health.ny.gov/prevention/tobacco\\_control/docs/who\\_is\\_quitting\\_in\\_ny.pdf](http://www.health.ny.gov/prevention/tobacco_control/docs/who_is_quitting_in_ny.pdf).

<sup>2</sup>Ibid.

materials and the planned method of distribution should be made available to requesting shareholders, at an appropriate cost, within one year of the 2014 annual meeting.

### CRIC's Position

Considering the size of Altria's various subsidiaries, and therefore their significant contribution to the global public health problems wrought by the tobacco industry, CRIC feels that Altria should be more proactive in educating current and potential smokers about the health risks associated with smoking. As is already the case with young people, poor and less well-educated tobacco users ought to be given access to market-appropriate cessation materials concerning the health consequences of smoking Altria's products. This resolution is related to issues of demonstrated importance to the Carleton community. Carleton's own campus handbook emphasizes the college's concerns for the health of tobacco users, as well as for non-smokers who might be exposed to second-hand smoke. Therefore, CRIC recommends that Carleton vote in favor of the "Report on Tobacco Health Risk Communications" shareholder resolution.

#### **4.2 Report on Climate Change (Anadarko Petroleum, Consol Energy, Devon Energy, Dominion Resources, Noble Energy);**

**Report on Coal Ash Risk (Dominion Resources);**

**Report on Energy Efficiency/Renewable Programs (Dominion Resources);**

**Report on Methane Emissions and Reduction Targets (Dominion Resources)**

*Carleton holds 4,300 shares of Anadarko, worth \$354,750 as of 12/31/14*

*Carleton owns 11,510 shares of Consol, worth \$389,153 as of 12/31/14*

*Carleton owns 7,580 shares of Devon Energy, worth \$463,972 as of 12/31/14*

*Carleton owns 10,530 shares of Dominion, worth \$809,757 as of 12/31/14*

*Carleton owns 20,084 shares of Noble, worth \$952,584 as of 12/31/14*

Anadarko Petroleum, Consol Energy, Devon Energy, Dominion Resources, and Noble Energy are all large oil, natural gas, or utilities companies that are leaders in their respective fields. Given that their products contribute to global climate change, they each have an important role to play as action against climate change continues to heat up across the United States (and beyond). While there is already broad consensus on the reality of global warming, many researchers now warn that a 2-degree increase in average temperature will move the world past the safety threshold and lead to irreversible consequences. The products sold by these companies have had a dramatic impact on the environment, and the companies themselves ought to be both contributing to the solution and also considering the short-term and long-term financial and operational risks of their practices.

### CRIC's Position

The Board of Trustees has already created a policy that allows CRIC to automatically vote yes on any resolution involving greenhouse gas emission reduction goals. Resolutions that concern publishing emission totals or asking companies to efficiently reduce emission amounts are important issues that Carleton, a leader in the collegiate sustainability movement, has already taken a stance on. The current series of resolutions asks companies to continue these types of actions, but also to consider the long- and short-term financial and operational risks associated with their products and practices. If companies are willing to engage in activities detrimental to our environment and globe, the economic repercussions of these actions should be taken into account as well.



As Carleton continues its tradition of encouraging sustainability, it seems only appropriate that we ask companies to join us in this movement. By curbing not just greenhouse gas emissions but all environmental concerns concerning fossil fuels, we can continue this fight against climate change. Considering Anadarko Petroleum, Consol Energy, Devon Energy, Dominion Resources, and Noble Energy's positions as leading oil, gas, and utilities firms, we feel that it is reasonable to ask them to do more than simply reduce greenhouse gas emissions. Assessing the risks associated with their business model would show that these large corporations are aware of the problem of global warming, and taking the next important steps toward doing their part to address the problem while also protecting their investors. Some climate researchers warn that the 2-degree threshold is not a line that can be crossed; once it is reached, permanent damage will take place. Each of the reports called for in the current series of resolutions could improve the company's image to the American public, help cast a brighter light on an important issue, and also encourage the company to consider the financial and operational risks involved in their practices. Furthermore, these reports would all be produced "at reasonable cost" and thus, would not serve as a financial burden to the corporations.

For the aforementioned reasons, CRIC recommends that we vote in favor of each of these shareholder resolutions.

#### **4.3 Report on Packaging – Mondelez International, Inc.**

*Carleton owns 32,200 shares worth \$1,169,665 as of 12/31/14*

Mondelez International uses a significant amount of non-recyclable brand product packaging. For instance, their Oreo and Chips Ahoy brands are packaged in non-recyclable plastic despite the relative ease with which these materials could be replaced with recyclable fiber or recyclable plastic packaging. Indeed, Mondelez already sees itself as being "...committed to reducing the environmental impact of our activities, preventing pollution and promoting the sustainability of the natural resources upon which we depend..." Mondelez's factories have sent 40 percent less waste to landfills between 2005 and 2010 but those factories still produce products with packaging that will end up there.

This resolution asks the company to file a report to assess the environmental impacts of continuing to use non-recyclable brand packaging.

#### **CRIC's Position**

Non-recyclable plastic packaging contributes to a serious problem. Consumer packaging accounts for 20 percent of landfill waste, according to a report by researchers at Duke University.<sup>3</sup> The Carleton community deeply cares about the environment. According to Carleton College's Climate Action Plan, "Carleton College is a recognized leader of higher education sustainability initiatives as evidenced by the College's Environmental Statement of Principles, Carbon Neutrality Value Statement, environmental studies major, two commercial-sized wind turbine projects, investments in central plant efficiency, and numerous ongoing campus sustainability initiatives." Carleton College has even committed to becoming Carbon neutral by 2050.

For the aforementioned reasons, CRIC recommends that the College continue to act on its environmental values by voting for this resolution.

<sup>3</sup>[http://center.sustainability.duke.edu/sites/default/files/documents/us\\_waste.pdf](http://center.sustainability.duke.edu/sites/default/files/documents/us_waste.pdf).

**4.4 Report on Supplier Pesticide Use — PepsiCo***Carleton owns 13,400 shares worth \$1,267,104 as of 12/31/14*

Bees play a key role in agricultural production and enhance the beauty of our world through the pollination of fruits, vegetables, nuts, and flowers. The disruption of their natural habitats, particularly through the widespread overuse of pesticides—especially neonicotinoids (or neonics), have pushed honey bees to a tipping point, leading to the disappearance of many honey bee colonies. This honey bee crisis is broadly termed Colony Collapse Disorder.<sup>4</sup>

This resolution asks of PepsiCo that: “by September 1, 2015, the Board publish a report, at reasonable expense and omitting proprietary information, that discusses the Company’s options for policies, above and beyond legal compliance, to minimize impacts of neonics in its supply chain.”

**CRIC’s Position**

CRIC believes that this resolution aligns with the College’s stated positions and actions with respect to sustainability. Given bees’ crucial role in the food chain, CRIC views their protection as important to the functioning of a healthy and sustainable world. Public awareness of the threat to bees has been growing over recent years, especially with the massive honey bee die-offs starting in 2007. In our neck of the woods, Minnesotans have been exposed to a multi-part high-profile series in the Minneapolis Star Tribune, “Bees at the brink.”<sup>5</sup>

Given PepsiCo’s major role and high visibility in the food industry, we feel it is reasonable to ask the company to consider ways to protect bees. Such a report would improve the company’s public image as a responsible steward of the environment. The report would be produced “at reasonable expense” and thus would not pose an unnecessary burden on the company. Thus, for the aforementioned reasons, CRIC recommends that the College vote “yes” on this resolution.

**4.5 Report on Palm Oil Supply Chain — Target***Carleton owns 8,980 shares worth \$681,672 as of 12/31/14*

Production of palm oil—the most widely used vegetable oil in the world—has become a leading driver of tropical deforestation, contributing significantly to climate change and conflicts with local communities. Furthermore, the production of palm oil has also been associated with issues of forced and child labor in countries such as Malaysia, Indonesia and Sierra Leone. Target currently uses palm oil or its derivatives in private label brands such as Archer Farms, Market Pantry, and a host of other products.<sup>6</sup>

This resolution asks the corporation to produce an annual report, beginning on November 30th, 2015 (at reasonable cost and omitting proprietary information), providing key performance indicators demonstrating the extent to which the company is addressing issues of deforestation and human rights related to its palm oil supply chain for its private label products.

<sup>4</sup>For more information, please see the University of Minnesota’s Bee Lab webpage at [beesquad.umn.edu](http://beesquad.umn.edu).

<sup>5</sup><http://www.startribune.com/bees>

<sup>6</sup><http://www.ceres.org/investor-network/resolutions/target-palm-oil-sourcing-report>.

## CRIC's position

There are ways in which palm oils can be produced responsibly. Target ought to implement policies and procedures in order to monitor supply and production of palm oils with an eye toward preventing both human rights violations and significant deforestation. The Carleton community has always deeply cared about the environment and issues related to human rights. This resolution aligns with Carleton community's values, and we feel Carleton should voice its position on this matter by voting "yes" on this resolution.

## 5 The Issue of Divestment from Fossil-Fuel Holdings

In its report last year, CRIC addressed the issue of divestment from the fossil-fuel holdings in the Carleton endowment. Since then, there has been a great deal of activity and discussion among the members of the Carleton community, and CRIC would like to inform the Investment Committee of these developments. Furthermore, the members of CRIC believe that engaging with the issue of divestment from fossil-fuel companies falls under the clause in its charter that calls on CRIC to "consider action related to...the ethical nature of particular stocks." As CRIC has sought to learn more about this issue this year, it has become increasingly troubled by both the business model and specific activity of fossil-fuel companies.

### 5.1 Recent activity in the campus community on the divestment issue

There has been a significant upsurge in pro-divestment activity on campus over the past months. A student organization, the Climate Justice Coalition, has garnered over 500 student signatures for a petition calling on the college to divest. In November, the Carleton Student Association Senate voted 23-0 on a resolution to divest. Several faculty members initiated a letter, signed by over 70 of their colleagues, that calls for divestment from direct holdings and a study to examine the feasibility of divestment from commingled funds. There is an active alumni organization, Divest Carleton, which has collected 300 signatures in support of divestment.<sup>7</sup> CRIC, in its capacity as a facilitator of dialogue on issues relating to the endowment, organized a fall Town Hall on divestment that attracted roughly 60 people, the great majority pro-divestment.

To briefly summarize the arguments these groups make in favor of divestment: it is ethically problematic to profit from serious damage to the earth, and divestment, as a strategy, can have a powerful impact in limiting this damage by encouraging fossil-fuel companies to revise their business model. Climate change presents a major threat to the future of the planet, and the scientific consensus agrees that the burning of fossil fuels is the main factor behind this. A number of analyses have shown that only a quarter to a fifth of existing fossil fuel reserves are burnable if global warming is not to exceed the 2 degrees Celsius level agreed as the limit by the world's nations. Fossil-fuel companies nonetheless continue to engage in extraction, including using increasingly dirty technologies like deepwater drilling, fracking, tar sands recovery, and coal from mountaintop removal. And in addition to this problematic business model, these companies disproportionately fund politicians who deny climate change.<sup>8</sup>

<sup>7</sup>For more on Divest Carleton, please see <http://www.divestcarleton.wordpress.com/>.

<sup>8</sup>With respect to the current, 114th Congress: "The 38 climate deniers in the Senate have taken \$27,845,946 in donations from the coal, oil and gas industries, while the 62 Senators who haven't denied the science have taken \$11,339,967 in career contributions, according to the CAP Action analysis. On average, Senate deniers took \$732,788 from fossil fuel interests while other Senators took \$182,902. On the House side, the 131 climate science deniers have taken \$35,702,245 in fossil fuel industry contributions while the remaining voting members who haven't denied the science have only taken \$24,268,787 in career contributions. On

One of Carleton's core values is that of sustainability, as evidenced by its "Environmental Statement of Principles" and the Climate Action Plan, and thus considering a policy of divestment is arguably in keeping with its principles.<sup>9</sup> At present, there are divestment movements on hundreds of college campuses, and 19 schools have divested to some extent.<sup>10</sup>

## 5.2 Carleton's History of Divestment: A Policy of "Selective Divestment" over Apartheid

From the late 1970s through the early 1990s, a similar divestment dialogue took place on the issue of the apartheid in South Africa, and resulted in a policy commonly referred to as "selective divestment." Many in the Carleton community questioned why the College would continue to hold and profit from investments in a country acting in a manner so contrary to Carleton's values of justice and equality. Campus-wide debate took place in 1977-1978, initiated by students and in cooperation with the Office of the President. A petition with 1200 signatures from members of the college community presented the Trustees with demands for a moratorium on investment in companies involved with South Africa and called for further study of the issue. Many called for the College to divest from companies doing business in South Africa as a means to force an end to apartheid, and conducted a sit-in at the May 1978 Trustees meeting.<sup>11</sup> In response, the Board of Trustees formed a South Africa Study Group, made up of one professor and three students, who engaged in extensive study of the issue and recommended selective divestment from companies doing business in South Africa.<sup>12</sup> The Board of Trustees largely accepted their recommendations, agreeing to divest from companies that did not meet the Sullivan Principles, which demanded equal treatment of employees regardless of their race.<sup>13</sup> The endowment also divested from any corporation that had "significant sales to the South African police or military authorities," even if these companies satisfied the Sullivan Principles,<sup>14</sup> and from companies whose primary business was in South Africa.<sup>15</sup> This all led to the divestment of nearly \$20 million in government bonds and equities of financial institutions involved directly with the regime, including big names like Wells Fargo.<sup>16</sup> (The value of the endowment in June 1990 was about \$175 million.)

Campus-wide debate continued in the 1980s as apartheid became ever more repressive, with many calls for a more rigorous policy on divestment. A College Council task force consisting of trustees, faculty, staff, alumni, and students was established in 1985 to investigate the matter further and resolved against total divestment. In its majority opinion, this body concluded total divestment would have "financial risks which are difficult to justify in that the continued financial health of the college is itself a moral good."<sup>17</sup> In February 1987, the CSA voted 14-2 for total divestment, and the College Council followed suit with a 10-7 vote in April. A second task force, made up of two faculty, two students, a trustee, a staff member and an alum, was set up that spring and recommended enhanced selective divestment. The Board of Trustees

---

average, House deniers took \$272,536 from coal, oil and gas interests while other members took \$80,095." (<http://thinkprogress.org/climate/2015/01/08/3608427/climate-denier-caucus-114th-congress/>)

<sup>9</sup><https://apps.carleton.edu/campus/facilities/sustainability/>.

<sup>10</sup><http://gofossilfree.org/commitments/>

<sup>11</sup>"Report of the South Africa Study Group to the Board of Trustees," August 23, 1978, p. 3.

<sup>12</sup>Dick Mertens, "Study Group Submits Report to Trustees." *Carletonian*, September 25, 1978, pp. 9,12.

<sup>13</sup>The Sullivan Principles were created in 1977 by Reverend Doctor Leon Sullivan, a member of the General Motors board of directors. He would expand upon these Principles in the early 1980s.

<sup>14</sup>Stephen R. Lewis, Jr., "Lewis Explicates South African Investment Policy." *Carletonian*, May 12, 1989, p. 5.

<sup>15</sup>From the Board of Trustees October 7, 1978 minutes approving the "Carleton College Board of Trustees Policy on Implementing Ethical Investment Practices Concerning Companies Doing Business in South Africa."

<sup>16</sup>"Reatha Clark King to Head Carleton Effort to Help Educate Black South Africans." Carleton College press release, October 31, 1989.

<sup>17</sup>Laurie Haworth, "CRI Reacts to Task Force Report." *Carletonian*, January 10, 1986, p. 12.

declined to embrace total divestment in its May 1987 meeting, but did agree to divest from a larger number of companies—those that did not attain the highest standards under the Sullivan Principles—and thereby extended the policy of selective divestment. The Board also set up a Board subcommittee, the South African Related Investments Committee, to examine the issue further.<sup>18</sup> Protest and debate continued the following fall, with the noted demonstration of 25 students and six faculty and staff members, who blocked the Trustees' entry to their meeting at the library in October and demanded to read a prepared statement in favor of total divestment.<sup>19</sup>

Events in the late 1970s, and then again in the second half of the 1980s, bear striking parallels to the events of today. These include:

- the exceptional and ethically problematic nature of apartheid and the threat of climate change
- widespread discussion and sustained activism of broad segments of the campus community
- appeals to the college administration and Board of Trustees to consider a policy of divestment

### 5.3 CRIC Recommendations

In light of the growing calls for divestment coming from the Carleton community, and in consideration of what CRIC views as the ethically problematic nature of fossil-fuel companies' business practices as outlined above, we recommend the following:

- (1) The commissioning of an independent study on the potential effects of divestment on Carleton's endowment, both with respect to divestment from direct holdings only, as well as divestment from direct holdings *and* commingled funds. There is conflicting evidence about the effect of divestment on a typical portfolio, and we would like to see this examined with respect to Carleton's endowment.<sup>20</sup> (As of December 2014, \$4.73M of our \$157M of direct holdings was invested in fossil-fuel companies.)
- (2) The forming of a task force or committee drawn from students, faculty, staff, alumni, and trustees to examine the divestment issue more broadly and also to make recommendations based on

<sup>18</sup>Stephen R. Lewis, "Divestment Policy is Still Open for Discussion." *Carletonian*, October 30, 1987, p. 12.

<sup>19</sup>Doug Belden, "Protesters Block Trustee Meeting." *Carletonian*, October 30, 1987, p. 3.

<sup>20</sup>"A study by the Aperio Group estimated a trivial 0.0034% theoretical return penalty from full divestment and found that a 'full carbon divestment' portfolio outperformed the Russell 3000 benchmark in 73% of ten-year periods over a 22-year historical analysis. Another 22 year analysis by Advisor Partners found that the 'simulated performance of [a] full divestment portfolio was virtually indistinguishable from that of the S&P 500 index.' A shorter-term analysis by MSCI found that the portfolio formed by removing fossil fuels from the MSCI All Country World Index Investible Market Index (ACWI IMI) closely tracked the MSCI ACWI IMI, but that the active return differential over the entire time series was 1.2 percent in favor of the fossil free portfolio. Other studies by S&P Capital IQ and Impax Asset Management have found even more positive results. S&P Capital IQ found that over the past ten years, a \$1 billion endowment with no fossil fuel investments would have yielded \$119 million more than an endowment with typical fossil investments. Impax found that portfolios containing significant investment in renewables and efficiency and no investment in fossil fuels tend to perform better than a typical portfolio. All of these studies viewed in concert suggest that there is little risk to excluding fossil fuels from a well-managed portfolio." ("The Case for Fossil-Fuel Divestment at Stanford University", pp. 9-10. [http://www.fossilfreestanford.org/uploads/2/3/4/0/23400882/\\_the\\_case\\_for\\_fossil\\_fuel\\_divestment\\_at\\_stanford\\_university.pdf](http://www.fossilfreestanford.org/uploads/2/3/4/0/23400882/_the_case_for_fossil_fuel_divestment_at_stanford_university.pdf).)

As far as CRIC can tell, the studies that point to risks and financial losses focus on complete divestment including commingled funds, and furthermore make the seemingly problematic assumption that investments in commingled funds would be replaced by investments in passive index funds. See for example: <http://www.smith.edu/investments/fossil-fuels.php>, <http://president.tufts.edu/2014/02/statement-on-divestment-from-fossil-fuel-companies/>, <http://www.pomona.edu/news/2013/09/25-divestment-decision.aspx>, <http://www.bates.edu/president/2014/01/21/statement-on-climate-change-and-divestment/>.

the study described in recommendation #1. We would also ask this task force to look at how strategies like intentional investment would impact potential investment in or divestment from fossil-fuel companies.

Given the intensity of interest in this issue from these many and broad constituencies in the Carleton community, we would recommend that the independent study be commissioned and the task force be formed without delay. Although the timeline would admittedly be tight, we believe that the study could be completed and the task force could be ready to present some recommendations (or at least a progress report) to the Board of Trustees by the time of the May 2015 Trustees meeting.

## 6 Other CRIC Activities

During the fall term, CRIC held a highly attended joint town hall and divestment dialogue event on campus. CRIC hosts such meetings to inform the Carleton community about the endowment and the role CRIC plays in investment and shareholder decisions. As part of the town hall, Andy Christensen, Director of Private Markets at Carleton's Investment Office gave an overview of the endowment and the college's current holdings. CRIC members also talked about the college's proxy voting policy, the results of last year's community survey, and the new transparency resolution passed last year.

In addition to the normal town hall, CRIC facilitated a divestment dialogue. Due to the growing campus debate on divestment from fossil fuel companies, CRIC believed that it was in a privileged position to provide a space for a formal dialogue among members of the Carleton community, CRIC, and the administration. College Vice President and Treasurer Fred Rogers presented Carleton's current position on fossil fuel divestment as well as other colleges' position. Following this, a spokesperson from the Climate Justice Coalition, a pro-divestment student group, read a prepared statement providing reasons why Carleton should divest. This was followed by a panel Q&A session in which Fred Rogers and Andy Christensen responded to questions from the Carleton community, including students, faculty, and alumni. At the event, CRIC also solicited feedback from attendees concerning both its current activities and issues related to fossil fuel investments. Most participants surveyed afterwards rated the discussion as productive.

CRIC has further explored the divestment issue by actively reaching out to pro-divestment groups such as the Climate Justice Coalition and the alumni group, Divest Carleton, to learn more about their positions. During two of our meetings, these groups have come to speak with CRIC to present their moral and financial analysis of divestment and the various options available to the college. This allowed CRIC to both listen to their arguments and ask questions about their vision and goals.

Another way CRIC has engaged with the on-going campus dialogue is through publishing an article in the *Carletonian*. CRIC co-chair, Graeme Harten, wrote a piece in which he clarified the facts surrounding Carleton's approach to divestment with respect to Apartheid in South Africa in the 1970s and 80s. He also laid out the specific outcomes that emerged from these debates in the hope that this will help those involved in the current discussion to imagine productive ways of moving forward.

Finally, CRIC has recently switched subscriptions for its shareholder resolution database service from EthVest to the Sustainable Investment Institute (Si2). Si2 is a similar program to EthVest but provides much more in-depth analysis and information concerning individual proxies. This organization was founded by a Carleton alumna, Heidi Walsh, who CRIC has continued to communicate with during the current resolution period.



## 7 Conclusion

CRIC has had a productive year of engagement with Carleton's investments, the Carleton Community at large, and other organizations which advocate for ethical investment. We hope that the Investment Committee will approve the voting recommendations included in §4 of this report, as well as CRIC's recommendations for promoting further study and reflection on the issue of fossil fuel divestment, as outlined in §5 of the report.