

Dalhousie University Board Investment Committee

Report to the Board of Governors

November 25, 2014

**The Proposal to Divest Dalhousie's holdings in 'carbon-holding' companies**

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## **Executive Summary: The Investment Committee Report on Fossil Fuel Divestment**

Over the past several months, Dalhousie University's Investment Committee (IC) has considered the merits of fossil fuel divestment, that is, of eliminating or limiting its holdings in publicly-traded companies that are large carbon producers. The IC has also reviewed a proposal from Divest Dal that the university divest any holdings in 200 publicly-traded energy and coal companies which are judged to hold substantial carbon assets and are therefore said to be major contributors to global climate change.

IC members thoroughly investigated and researched the issue of fossil fuel divestment in preparing this final report to Dalhousie's University's Board of Governors. In addition, the IC met three times with the Divest Dal group, which has produced thoughtful reports in support of divestment. Like Divest Dal, Dalhousie does recognize the need for the nations of the world to address the issues surrounding climate change, and to reduce the emissions which contribute to it.

As this report shows, the IC also recognizes that Dalhousie has a continuing role to play in addressing climate change issues, as it does now through its sustainability initiatives. The committee has therefore decided to step up its efforts to work with fund managers who respect environmental, social and governance (ESG) investment principles, and to investigate options for donors who want assurances that their endowments will be invested outside the fossil fuel sector.

However, the IC strongly recommends that Dalhousie not divest any of its current holdings in the 200 large "carbon companies" identified by Divest Dal. The Investment Committee is of the opinion that fossil fuel divestment will not be an effective method to impact climate change. Divestment is not expected to influence the operations of major fossil fuel companies nor change consumer behavior in relation to the use of fossil fuels. The Investment Committee believes that engagement with the companies on its behalf and by other like-minded investors will have greater influence and chance for success.

Our full reasons for reaching this determination are fully outlined in this report. Here are three key factors, from the IC's perspective:

1. Dalhousie's mission focuses on teaching and learning excellence, research and innovation, and enabling our students, staff and faculty to connect with and serve local, national and global communities. The University fulfils that mission by acting independently, by welcoming diverse views, and by being open to new ideas and initiatives. In that spirit we considered the proposal of Divest Dal, and in the same spirit Dalhousie listens to opposing views and is open to pursuing other options.

One such option, which the IC endorses, is to continue working with a company like Total S.A., one of the five largest integrated petroleum companies in the world. Total, which Dalhousie holds indirectly in its endowment, is a public advocate of action to curb climate change. Total is developing carbon capture technologies and alternative energy sources. In Nova Scotia, Total and the Gates Foundation provide major funding on research to develop reliable storage for renewable energy. This

collaborative research project involves a partnership which brings together LightSail Energy, Watts Wind Energy, Innovacorp, and Dalhousie University.

The IC believes this kind of collaborative work is vital, and consistent both with Divest Dal's primary goal of reducing carbon emissions and with Dalhousie's mission focus on research and innovation. It is not consistent, however, with a divestment strategy which the IC believes might exclude the university from this kind of progressive research project.

2. IC members fully endorse the view that the fiduciary duty of the Board is to generate optimal, risk-adjusted returns from a diverse portfolio of investments. Divestment would restrict the diversity of fund holdings. In fact, 10 percent of global and 25 percent of Canadian securities would be excluded. As a result of divestment, the University would lose significant benefits including lower transaction fees, diversity of investment, and access to global managers and investment through pooled funds which hold approximately 80 percent of Dalhousie's investments. In the committee's view, Dalhousie must not sacrifice the three chief benefits of being shareholders in large pooled investment funds: cost-effectiveness, access to professional fund management at the highest level; and portfolio diversification.
3. The IC agrees with a view that has been expressed by Divest Dal itself – namely, that divestment would have little or no impact on climate change, despite the charged symbolism a divestment decision would carry, and the impact of such a decision on Dal's reputation. Our relatively small investments will not impact the capital structure or resources of the companies in question, and any shares that the Dalhousie endowment sells will be purchased by another investor.

In citing those arguments, the IC would also like to stress that Dalhousie's goals align with those of Divest Dal, starting with reductions in GHG emissions. The committee simply doesn't believe that divestment will advance the goal of reduced carbon usage. Dalhousie itself is advancing that goal, however, through its Sustainability Initiatives – that is, through actions that are tangible.

During the past five years, Dalhousie has invested more than \$45 million in 39 initiatives, in addition to new green building construction, to reduce its carbon footprint. Dalhousie's overall GHG emissions have been reduced by 20 percent against its 2009/10 baseline. This is, quite literally, leadership in action.

The IC is also recommending two more initiatives as a result of its collaboration with Divest Dal. As referenced above, the IC also recommends that it be mandated to investigate ways to allow new donors to direct their endowments to non-fossil-fuel investments, and commit to openness and transparency with regard to our investments. The IC would henceforth report annually on all holdings in publicly-traded companies.

In addition, we will press fund managers to respect ESG principles, which will continue to be a cornerstone of the IC's investment approach. ESG principles are based on those set out in the United Nations Principles for Responsible Investing (UNPRI):

1. *Incorporate ESG issues into investment analysis and decision-making processes.*
2. *Be active owners and incorporate ESG issues into our ownership policies and practices.*
3. *Seek appropriate disclosure on ESG issues by the entities in which we invest.*
4. *Promote acceptance and implementation of the principles within the investment industry.*
5. *Work together to enhance effectiveness in implementing the Principles.*
6. *Report on activities and progress towards implementing the Principles.*

Today, 10 of Dalhousie's investment managers accounting for 39 percent of Dalhousie investments have developed ESG policies and procedures. Eight of those ten are UPPRI signatories. An additional 8 managers representing 49 percent of investments are in formal or informal stages of developing and adopting ESG policies. Only 12% of assets (invested primarily in hedge funds and real estate) are with managers that have no ESG policies.

In brief, the IC will continue to encourage fund managers to adopt ESG principles, while the university as a whole identifies additional sustainability initiatives that have a positive impact on climate change. The IC recommends this two-track approach and cannot endorse a divestment strategy which would have little impact on climate change.

## **Divestment – A History in Brief**

### ***Divestment as a tool of social change***

Economic levers, including divestment, have been credited with changing the course of history. The most striking and often cited example is the end of apartheid rule in South Africa. Beginning in the 1960s, organizations and nations applied economic pressure to the South African regime by divesting themselves of economic interests and investments. Colleges and universities were part of this movement, particularly after large numbers of North American students took to the streets to protest the 1976 Soweto Massacre. By the late 1980s, 167 educational institutions – including Dalhousie in 1986 - had divested holdings in three companies with links to the South African regime.

By the time apartheid ended with multiracial elections in 1994, South Africa had endured virtual economic isolation as a result of the divestment movement and of international trade actions at the state level. Certainly, the decision of several major nations, particularly the U.S., to impose sanctions on the apartheid regime had a telling effect. The United Kingdom did maintain economic relations with the apartheid regime and worked behind the scenes for change throughout this period. However, Nelson Mandela and others have said the divestment campaign was vital to apartheid's demise.

Divest Dal also credits divestment efforts for changes in tobacco laws. They note American states, municipalities and universities have restricted or divested investment in tobacco. Certainly the widespread attention paid to the public health impact of smoking did result in social policy change which has had a lasting impact.

At the same time, contrary evidence suggests that divestment has limited impact on corporate performance. In 2008, Fabozzi, Ma and Oliphant produced a report on six industries that have long been subject to divestment and ethical exclusionary screens - the alcohol, tobacco, gambling, adult entertainment, weapons and biotech sectors. The study found that this portfolio of stocks generally outperformed the broad world market by more than 11 percent annually. This suggests that the effectiveness of divestment is inconclusive.

In addition, a recent study by Oxford's Smith School of Enterprise and the Environment concluded that divestment is likely to have limited impact on fossil fuel company profits, equity pricing and debt financing, but would damage corporate reputations and affect the social license to operate.

### ***The Divestment Movement in North America***

Divest Dal says there are currently 300 active divestment campaigns at North American universities, and to date 13 colleges and universities have agreed to divest. Divest Dal also says that its proposal offers Dalhousie an opportunity to take the world stage as a sustainability leader - as the first university in Canada to take this action.

IC research identified active divestment campaigns at the University of Toronto; UBC; McGill; Simon Fraser; Trent and the University of Victoria. While no Canadian schools have divested assets, some are inclined to modify investment policies to extend influence to social and environmental factors. UBC, for example has committed to incorporate environmental, social and governance (ESG) factors in its investment policy. Members of the Dalhousie Board of Governors will recall that a year ago, following very detailed investigation, Dalhousie adopted ESG practices in its investment policies and has been actively promoting these practices with fund managers. (ESG incorporates objective assessment of environmental, social and governance risk and opportunities in evaluating the merits of investments. ESG also advocates shareholder engagement and encourages sustainable value creation.)

A number of American colleges are pursuing active shareholder engagement, an approach the Dalhousie IC also favours. Yale, Harvard and the University of California group of schools have rejected divestment. Harvard President Drew Faust was unambiguous in a statement reflecting the need to address climate change, while rejecting divestment:

“... we hold our endowment funds in trust to advance (the university academic) mission, which is the university's distinct way of serving society. The funds in the endowment have been given to us by generous benefactors over many years to advance academic aims, not to serve other purposes, however worthy. As such, we maintain a strong presumption against divesting investment assets for reasons unrelated to the endowment's financial strength and its ability to advance our academic goals.”

At the other end of the spectrum, Stanford announced it would divest holdings in companies whose primary business is mining coal for energy generation. Stanford's divestment criteria were applied – theoretically – to Dalhousie's portfolio, and would not result in removal of any holdings.

## **The Investment Committee's Review Process**

The IC received the initial Divest Dal proposal early this year, and has since been reviewing and discussing issues pertaining to divestment. The summary below provides a brief overview of the recent divestment conversation for Dalhousie University:

- In February 2014, Dalhousie University received a proposal from Divest Dal to divest any investments that the University may have in certain fossil fuel companies. (A summary of their presentation's key points was included in the report to the Board of Governors dated June 2014).
- Divest Dal proposed that Dalhousie freeze and subsequently eliminate investment in any public company that appears on a list of 100 coal companies and 100 oil and gas companies that are reported to have the largest carbon reserves.
- The Board of Governors asked the Investment Committee (IC) of the Board to consider the proposal as part of its ongoing mandate and to report back in fall 2014.
- The IC met with Divest Dal in February, July, and November (2014) to discuss the principles, merits and effectiveness of divesting any investments in those companies with the largest carbon reserves that the University may have in order to reduce the impact on global climate change.
- The IC, in preparation for the July 2014 Divest Dal meeting, invited the group's input with a list of questions.
- The IC presented the Board with an interim report on its review in October, 2014.
- This is the committee's final report and recommendation.

In all, three meetings were held with Divest Dal to discuss the principles, merits and effectiveness of divesting the University's interests in any of the 200 companies. We have found Divest Dal to be a perceptive, serious and committed group, deserving of the full attention and respect of the University. Divest Dal came from the Halifax Environmental Justice Collective (HFX EJC), a working group of the Nova Scotia Public Interest Research Group (NSPIRG). The proponent is part of a wider movement focused on this issue through organizations such as 350.org.

Divest Dal is specifically proposing that the University freeze and subsequently eliminate any investment in any publicly-traded company that appears on a list of 100 coal companies and 100 oil and gas companies that are reported to have the largest carbon reserves. From Divest Dal's perspective, these reserves represent the greatest adverse contribution to climate change.

Although the IC recommends that the Board of Governors reject divestment, it agrees that greenhouse gas (GHG), particularly carbon, emissions are a primary source of a great environmental risk to the world: climate change.

The committee would also stress that its research and deliberations have confirmed that the climate changes issues facing world leaders are dauntingly complex, given the underlying challenge of reducing global dependence on fossil fuels while meeting the world's energy needs. Simple solutions are vexingly elusive.

***Committee's work related to this proposal:***

In addition, the IC investigated the logistical challenges presented by the proposal and the subsequent costs and diminished access to investment strategies that would follow its adoption. Dalhousie's participation with other institutions in pooled funds gives the university access to managers and global investment opportunities that would not be available otherwise. In addition, transaction costs are spread across the investment pool, significantly reducing Dalhousie's costs. Adoption of the proposal would require Dalhousie to sever investments from these pools and, in effect, dismantle its current investment structure.

The committee considered the impact of the proposal on the University Community including students; alumni; funding partners, both government and industry; research partners and granting agencies; and on future, present and past donors. By definition, a university is a free market in ideas, and the attitudes of Dalhousie's stakeholders can be expected to cover a wide spectrum of opinion on the issue of divestment.

We do know this much, however, Dalhousie has heard directly from students, faculty, donors and alumni who would strongly oppose divestment. In addition, Dalhousie continues to educate students who want to work in resource-extraction industries and attend the university to be educated as geologists or earth scientists. It is important to note that the curriculum of these faculties also reflect environment values, with a focus on minimizing environmental impacts of activities such as petroleum exploration. This raises key questions the Board should consider, "Should the university educate students to work in resource industries in which it would no longer invest?" "Would doing so be consistent and ethical?"

At the same time, Divest Dal does represent a cohort that is arguably much wider than its direct membership. Dalhousie's internal research also shows the student body includes a cohort of students, an idealistic group that wants to succeed while making positive contributions to their communities and their country. It is difficult to measure the likely impact of divestment on this cohort or other groups, but it would likely enhance Dalhousie's reputation with some stakeholders, including some members of the university community.

In the IC's considered opinion, resource industries would be less likely to support the university directly, or to sponsor independent research, if divestment were to go forward. We know that Divest Dal holds a contrary opinion on this issue; we respectfully but firmly disagree. The IC and the Board must also consider the impact of divestiture on the attitudes and actions of the wider university community. Would a new class of investment stakeholders be created - individuals, organizations and foundations that would support the universities because of divestiture?

It is difficult to assess the attitude of our primary financial supporter – government – to divestment. The Government of Nova Scotia certainly supports responsible offshore oil and gas exploration, for instance, but it is taking a much more cautious approach to exploration activity on land. The federal government has actively promoted Canada as an energy superpower, and at the same time strives to demonstrate to the international community that it is taking a responsible approach to GHG emissions and climate change. Certainly, the IC and the university administration would have to better understand the government perspectives before it took any steps toward divestment.



In our view, Dalhousie’s reputation among all stakeholders will depend as much on how it acts as it does on an investment strategy based on sound ESG principles. The university is rightly proud of the fact that it has created a College of Sustainability to educate students who will be tomorrow’s leaders in building a more sustainable society. In addition, Dal is taking a leadership role today through its Office of Sustainability, with its mandate of ensuring the university operates as a steward of the environment in its day-to-day operations.

Finally, the IC should add that it researched and debated the efficacy of divestment relative to GHG emissions and climate change. We reviewed the 200 companies targeted by 350.org and Divest Dal and quantified the extent of the University’s interests in those companies. The members of the committee are confident the review has been thorough and fair, and that our conclusions and recommendation will withstand scrutiny based on the same standards.

This report is to inform the Dalhousie University Board of Governors as to the findings of the IC’s review of all matters we found relevant to the proposal, for the further consideration of the Board. In addition, this report provides the IC’s recommendation, arrived at after completion of its research, consultations and deliberations.

### **The Divest Dal Case and IC Response**

As stated the Divest Dal proposal is compelling, thoughtful and thought-provoking. In this section, the IC summarizes some of the arguments made by Divest Dal and provides its responses to those arguments.

1. **Unanimity on Climate Change:** Given virtual unanimity in the scientific community that GHGs are the cause of climate change, a rapid shift to low and no carbon energy sources is imminent. Proven carbon reserves far exceed limits required to contain global warming to two degrees Celsius, considered the maximum increase allowable while maintaining a habitable earth climate.

The 200 companies on the list hold enough carbon to surpass the two-degree C budget. An effective global response to the climate change crisis will render those companies’ reserves “stranded assets.” This is generally called the “carbon bubble.” As a result, Dalhousie and other investors with holdings in those companies are at financial risk. The proponents note that coal and energy stocks, over the past five years, are underperforming prime market indicators.

***IC Response:** The “carbon bubble” risk is real, but not imminent. The Divest Dal position underestimates the continuing and substantial reliance on carbon-based fuels. The transition to new energy technologies will not occur overnight. In addition, the divestment position appears to assume that once the endowment invests in a company, it holds that investment in perpetuity. Dalhousie’s securities are held a relatively short time. The endowment’s turnover exceeds 35 percent annually – which equates to an average three-year hold.*

*The endowment’s professional managers assess and evaluate the merits of each holding continuously. Among the risks managers assess are emerging developments, including “stranded asset” risk, the impact of potential carbon pricing regimes, costs of environmental protection and climate change regulation. Many of the 200 listed companies are making efforts to advance*

*alternatives. The professional investment manager's job is to assess each company's prospects and intrinsic value relative to its market price. Reliance on the professional judgment of a diverse group of carefully selected and monitored investment experts is seen by the IC as a better defence against "carbon bubble" risk than blanket exclusions.*

- 2. Perspective on Fossil Fuel Industries:** Divest Dal draws similarities between anti-apartheid and fossil fuel divestment campaigns. In both cases, universities and colleges were targeted because, unlike corporations, they are accountable to broad constituencies, notably students. "Intermediate" organizations like colleges and universities are able to reach broad audiences and impact distant corporations and states.

The success of a divestment campaign depends on a contagion effect, whereby action spreads with "amplified momentum" as one school imitates another. Citing authorities, Divest Dal concedes that divestment alone will not fix the problem, but as part of a broader strategy, will influence others and become effective.

**IC Response:** *The anti-apartheid and fossil fuel comparison is strained. Apartheid was an abhorrent injustice. The 200 companies targeted for divestment are publicly-traded corporations involved in the supply of a product most of the world consumes daily.*

*Dalhousie readily accepts its accountability and responsibility to many diverse constituencies, notably students in 12 faculties, including engineering and other disciplines which may see graduates assume positions in the companies on the list. This raises the question: "Should a university educate students to work in industries in which it will not invest on moral grounds?" "Would doing so be ethical?"*

*Divestment may be part of a broader strategy, but it is the only part Dalhousie has been asked to consider. The IC and Divest Dal agree that the University's divestment will have little or no impact on climate change. Our relatively small investments will not impact the companies.*

- 3. Intergenerational Equity:** Divest Dal says fiduciary duty extends to future students and intergenerational equity; that universities have a mandate to consider broad social, environmental and ethical factors as opposed to a focus on profit.

**IC Response:** *Dalhousie recognizes its duty to future students, intergenerational equity and consistently considers broad social, environmental and ethical factors in its decisions. Nothing underlines this commitment more than Dalhousie's overall efforts in support of environmental sustainability and commitment to address climate change. In 2007-08, Dalhousie launched Canada's first College of Sustainability, bringing distinguished thinkers and problem-solvers together in a new way to examine and take action on today's most urgent global issues.*

*That same year, the University opened its Office of Sustainability, which works to incorporate sustainability concepts and criteria into policy and planning, building and retrofit projects, and*

*operations. The Dalhousie Student Union also opened its own Sustainability Office to help create a culture of sustainable practices within the DSU's operations and across the University. The three organizations collaborate through the President's Advisory Council on Sustainability.*

*Through mutual understanding and a shared sense of ownership, Dalhousie has managed to build an approach to sustainability that's unique among North American universities. The University has launched innovative new programs, won several awards and recognitions and, together with its partners, invested more than \$45 million over the past five years to improve sustainability in campus operations, resulting in substantial action and positive outcomes. Through this work, Dalhousie has demonstrated its commitment to environmental sustainability and to reducing our own dependence on and use of fossil fuels to meet our energy needs.*

4. **Shareholder Engagement:** Divest Dal maintains that shareholder resolutions are not effective as instruments of change in the fossil fuel sector, because companies' business plans revolve around burning more carbon. Shareholder resolutions that limit company profits are often disallowed by the Securities Exchange Commission. For these reasons, Divest Dal says shareholder engagement will not be effective.

***The IC Response:*** *The IC must challenge the premise, given a number of the carbon-holding companies on the list are actively engaged in development of alternative, non-fossil fuel energy sources. In addition, a number of the companies on the list have large holdings in coal, but burning it is not a major component of their business. The list makes no distinction between thermal and metallurgical coal. In other cases, companies in the energy sector have devoted resources to explore and develop alternative technologies to reduce carbon emissions. In other words, these companies can, and in many cases are, part of the solution to greenhouse gas emissions.*

*Dalhousie's endowment, for example, has holdings in Total S.A., a petroleum company, and public advocate of action to curb climate change. Total is developing carbon capture technologies and alternative energy sources. In Nova Scotia, Total provides funding to research and develop reliable storage for renewable energy, in collaborative with LightSail Energy, Watts Wind Energy, Innovacorp, and Dalhousie University. It would be inconsistent for Dalhousie to disassociate itself from Total by divestment, while benefitting from its research funding.*

*The IC believes shareholder engagement can and does motivate change. Shareholders own the companies, and the real ability to influence decisions is in the boardroom not the news. Finally, our committee cannot stress too much that while Dalhousie can only divest its "carbon" holdings once, it can advocate for positive change year-after-year-after-year as an engaged shareholder.*

5. **The Direct Impact of Divestment:** About \$20.3 million of Dalhousie's \$486 million endowment – or 4.3 percent - is invested in companies on the list of 200. Divest Dal makes the point the financial impact would be small, but the social impact – the symbolism – would be significant.

*IC Response: Approximately 80 percent of Dalhousie's endowment is invested in pooled funds. In order for Dalhousie to divest and exclude the 200 companies from future investment, the University would need to separate from the pool. The complexity of this challenge cannot be understated: Dalhousie's overall investment approach consists of 26 separate investment strategies*

*Dalhousie, its donors, its students and researchers, benefit from the University's participation in the pool funds in a number of ways. The two most significant are transaction costs and portfolio diversification. Transactions costs are greatly reduced because they are spread across the pool. The IC estimates that annual transaction costs would increase by \$1.2 million were Dalhousie to segregate its investments from the pool. The pooled funds provide access to international managers and investment opportunities Dalhousie could not access on its own. Those managers enforce minimal thresholds of investment that are beyond Dalhousie's financial reach. Divestment would, in effect, disqualify 10 percent of global and 25 percent of the Canadian public equities. Divestment would directly and negatively affect Dalhousie's financial position.*

6. **Benefits of Divestment:** Climate change and other environmental considerations are exerting increasing influence in the marketplace, and that trend will increase and accelerate, according to Divest Dal. The proponents argue that the first U.S. schools to divest are reaping benefits. Organizations at the fore of the divestment campaign will benefit greatly as more people are influenced by, or base their market decisions, on environmental considerations. Divest Dal predicts that the divestment movement will be seen as one of the turning points of the 21<sup>st</sup> Century and Dalhousie has an opportunity to be in the vanguard of that change.

*IC Response: Consumers are more conscious of and influenced by environmental and social responsibility. Dalhousie can stand by its record as an educational and research leader in environmental and social responsibility and sustainability.*

7. **The Indirect Impact of Divestment:** Divest Dal emphasizes that the impact of divestment will be greater across the University's community of influence than on Dalhousie. A decision to divest "would set a precedent for challenging environmentally damaging activity."

*IC Response: As noted, the negative financial impact on Dalhousie would be significant. In addition, divestment could be precedent-setting for the Board of Governors, and invite pressure to impose boycotts on other legitimate activities and investments.*

*Dalhousie, its students and faculty must be free to promote open discussion and engage in novel research. An official position on a political, social or economic issue can place limits on open and free discussion and research activity. Divestment would constrain free discussion, and (as previously discussed) risk excluding Dalhousie from partnership in useful research projects like that being funded by Total S.A.*

8. **The Leadership Question:** The proponent says Dalhousie, and other institutions can influence wider public policy by taking a lead in opposing carbon emissions.

*IC Response: Dalhousie, and other institutions, should focus on research to find practical and realistic alternatives to carbon-based energy, and educate those who will be dealing with environmental problems. The university's role in public policy lies in analysing it; identifying flaws and proposing alternatives; finding answers to pressing questions through research; and educating an engaged population. The University cherishes its ability to make positive change in the world, but believes that opportunity comes through education and research.*

9. **Impact on Research:** Divest Dal says divestment will have little or no impact on Dalhousie's research capacity or freedom.

*IC Response: Companies that develop and use fossil fuels have been involved in university research for decades. Most recently, many have put significant financial and technical resources behind research into new, clean energy technologies. These companies see the future and want to be in a position to bring clean energy to the commercial market.*

*Our economy, if not our society, remains tied to carbon-based fuels. Can and will an effort aimed only at the supply side change global warming? Is it fair? Isn't change also required on the demand side?*

10. **The Sustainability Argument:** Divest Dal says the University is operating in "bad faith" as a signatory and participant in a number of declarations and actions on sustainability, while holding investments that will remain profitable only if action on climate change is limited or delayed. Dalhousie has to take strong, far-reaching action – a stronger public stance – against climate change. The actions of the University to date are not enough.

*IC Response: Dalhousie's participation in a range of sustainability initiatives are good faith statements of the University's commitment to a sustainable future. The university will continue to seek out new ways to reduce carbon emissions in its own operations, consistent with sustainability policies and principles.*

## **Conclusion**

The dedicated and committed people who make up Divest Dal will, we trust, agree that Dalhousie is a place where all views can be heard and if they have merit, as Divest Dal's proposal does, they will receive due consideration. Divest Dal made us think. In the end, we agree with Divest Dal that issues of climate change must be addressed, but differ on the means of achieving progress.

As stated at the outset, Divest Dal and the IC also agree that divestment is symbolic. Symbolism is tied inexorably to reputation. In the long term, however, Dalhousie's reputation will depend not merely on symbolic gestures but also on actions. The university is proud of actions it has already taken – proud of the College of Sustainability, which educates students to be tomorrow's leaders in building a more sustainable society, proud of marine, oceans, materials, engineering, earth sciences and other researchers who are global leaders in seeking solutions to environmental issues.

Dalhousie's overall efforts to reduce its own environmental impact include \$45-million in investments, including biomass energy production at the Truro campus; energy savings (from fossil fuels) of more than \$3 million per year; conservation gains in the Life Science refit and aquatron modifications; fleet management to reduced fuel consumption; LED lighting to replace burned out bulbs; the campus bike centre; the campus master plan and more, all undertaken or planned for maximum energy savings and conservation. In addition, all new campus buildings meet LEED standards.

Dalhousie continues to take a leadership role through the Office of Sustainability and its mandate to ensure the University operates as a steward of the environment in its day-to-day operations.

### ***Dal's Duty to its Donors***

Despite the complexity of many issues discussed in this report, one thing is clear: The IC does have a clear fiduciary duty to generate optimal risk-adjusted returns from Dalhousie's investments. One of the methods to assure this outcome is diversification, another is the professional advice we contract. Portfolio holdings are constantly re-evaluated by our investment managers to mitigate risk and seek enhanced opportunities. The exclusion of any legitimate sector or holding could have a negative impact on the portfolio and might constitute negligence of duty. Just as importantly, Dalhousie will intensify its efforts to work with fund managers to assure ESG principles are adopted as an integral part of their practices.

Dalhousie also has a legal and moral obligation to the benefactors who have made more than 1,300 gifts to the University, valued at close to \$500-million. More than half of that money will support students through bursaries or scholarships. Dalhousie will continue to honor the directions of donors, but will not accept contributions that violate the University's own code of ethics, or tie spending to values that the university does not share and promote. Dalhousie recognizes that endowments are gifts to the future. As such they are invested to retain value and provide annual support - 50 percent of which is directed to students, about 30 percent to research and academic appointments and the remainder for general support of the University.

### ***The IC's Recommendations***

As stated at the outset and argued in this report, the Investment Committee is of the opinion that Dalhousie's divestment of fossil fuel holdings would not constitute an effective response to climate change. Again, the IC recommends that the Board reject the proposal that Dalhousie divest holdings in the 200 companies identified by Divest Dal. The committee also recommends two new initiatives as a result of its collaboration with its review of divestment in fossil fuel holdings. It recommends that the university investigate ways to allow donors to direct their endowments to environmentally sustainable investments, and it commits to greater openness and transparency with regard to Dalhousie's investments. In addition, we will continue to press fund managers to respect ESG investment principles.

At the same time, the IC hopes this report conveys our agreement with Divest Dal on many aspects of its position. In closing, the Investment Committee of the Board would also like to thank Divest Dal for its patience, its commitment and its interest in Dalhousie University. The University shares a common goal with Divest Dal, that being the reduction in GHG emissions in order to mitigate the threat imposed by ongoing climate change.