



Below is our response to the Public Interest Investment Advisory Committee's (PIIAC) September 2017 recommendations to the Board of Trustees.

PIIAC was reconvened in 2014 to review proposals from any member of the University community with serious social concerns related to separately invested endowment funds. In late 2015, PIIAC received a [proposal](#) from the student group Refuel Our Future, which called on the University to divest its endowment from fossil fuel companies. After analyzing the request, PIIAC submitted [four recommendations](#) to the Board for consideration this September, and, in keeping with the University's process for other significant matters, the Hopkins community had an opportunity to provide feedback on these recommendations.

The Refuel Our Future Proposal, the PIIAC Report, and community feedback were shared with Trustees on a subcommittee of the Committee on Investments. Trustees on this subcommittee were impressed by the passion and commitment of the students, faculty, and staff with whom they met and whose words they read on this topic. After concluding their deliberations, the subcommittee presented its preliminary response to the full Board.

As President Daniels recently reiterated, in his joint statement with other university presidents reaffirming commitment to the American Campuses Act on Climate Pledge: "the consequences of climate change are accelerating" and "the imperative of a low carbon future is increasingly urgent." With this top of mind, the Board reviewed the PIIAC report and its recommendations with an eye to determining the most effective University strategies for achieving meaningful progress in reducing carbon, and the practical implications of implementation of divestment as one part of its approach.

Of course Johns Hopkins' commitment to carbon reduction, and to sustainability more broadly, is not new. The University issued a [Climate Change Implementation Plan](#), endorsed by President Daniels, in early 2010, to follow through on recommendations laid out in a 2009 [Task Force Report on Climate Change](#). We have since acted on a number of fronts to carry out the Plan's aims: constructing innovative and responsibly designed LEED buildings; increasing energy efficiency and conservation through infrastructure projects and building automation efforts; integrating renewables through multiple rooftop and garage canopy solar installations; supporting our student-led initiatives to make Hopkins a greener community; and undertaking leading research on environment and energy policy.

In considering whether to divest from thermal coal and other fossil fuels, the Board was mindful that this would be only the third time Johns Hopkins has ever taken steps to divest. The first time was to respond to apartheid policies in South Africa, which the Board recognized "violate[d] standards of human decency and justice and represent[ed] social evil^[9]." The second time was to respond to the well-documented health risks created by tobacco and those companies manufacturing tobacco products, in keeping with the university's strong institutional commitment to public health, which dates to its founding. These actions were rare, once-in-a-generation moments for Johns Hopkins – one where it reckoned with a true social evil and one where it faced down a public health scourge. These were also moments where the University weighed its primary fiduciary duty – to manage its endowment in ways that ensured the best return on investment for its community members – against the social harm from investments in particular areas.

Throughout our deliberations on this matter, the Board sought to balance the call for divestment with the endowment's principal purpose – to provide much-needed funding to support the tripartite mission of Johns

^[9] from 1986 BOT Statement Regarding Divestment

Hopkins University: *to educate, to foster independent and original research, and to bring the benefits of discovery to the world. As the PILAC report indicates, while the impact of divestment would be largely symbolic, we have an opportunity to make a statement by our actions to support the health and well-being of populations and the planet.*

Our conclusion is that the environmental and health dangers posed by the production and consumption of thermal coal warrant a response by the University, not only with respect to its role in combatting climate change, as part of its commitment to sustainability and reduced direct environmental impact, but also through the implementation of the endowment investment mandate in the form of divestment from certain assets. The Board of Trustees voted that a specific action plan and set of criteria shall be devised by which the university endowment will divest of its thermal coal held in separately managed accounts over a period of time appropriate to manage the fiduciary responsibility of the endowment, and to implement steps to prevent future investment in companies that meet these criteria. Furthermore, the endowment shall make no future investments in commingled fund structures of public or private companies of which a substantial amount of the investment capital is directed towards thermal coal.

Thermal coal, for the production of electricity, contributes more to the production of greenhouse gases per unit of electricity than other fossil fuels, has direct outsized health impact on the workforce and communities around its production, and poses significant risk to the pollution of our global water supply.^[10] This source of energy most clearly imposes health and environmental harm on society, and most clearly conflict with the values of the University community that far outweighs the positive impact that these inexpensive sources of energy provide, primarily in the form of power supply to improve standards of living for the populations of developing nations.^[11] The Board of Trustees strongly believes that this public and explicit stance will help propel the weight of public opinion toward accelerating the transition away from coal as a source of electric power around the globe.

As technological advances are applied to the production and consumption of fossil fuels, the Board of Trustees will review the relevance and impact of the divestment mandate it has issued.^[12]

By divesting from thermal coal, the Board will be upholding the first two of PIIAC's recommendations with a subset of the companies: those which derive greater than 35% of their revenues from the production of thermal coal (used for the generation of electricity). Likewise, the third recommendation also will be accepted, but limited to thermal coal companies. We will not invest in illiquid partnerships that have as a material (again, greater than 35%^[13]) and ongoing (holding period of greater than one year) part of their investment strategy ownership of companies whose primary business activity is the production of thermal coal. The Board found, however, that PIIAC's fourth recommendation is beyond the scope of its charter, and compromises the Trustee's fiduciary duty to manage its financial assets.^[14]

^[10] <https://www.eia.gov/tools/faqs/faq.php?id=77&t=11>

^[11] <http://www.sciencedirect.com/science/article/pii/S1040619017301379>

^[12] As an example of a new technology designed to reduce greenhouse gas emissions at Houston fossil fuel plants, see, <http://www.sciencemag.org/news/2017/05/goodbye-smokestacks-startup-invents-zero-emission-fossil-fuel-power>

^[13] Note: The 35% threshold selected in line with the threshold set by peer institutions electing similar divestiture mandates.

^[14] If Hopkins were to implement this recommendation, it would eliminate a significant majority of managers in which the University invests currently and would invest with in the future, not because those managers invest in fossil fuels, but because those managers are unable to accept various prohibitions from their investors.

The Board acknowledges that the action of divestment alone is not enough – rather, we must redouble our efforts to address the issue of climate change through our operations, curriculum and research. While Hopkins stays the course to reduce our carbon emissions, the PIIAC report provides an important opportunity for us to investigate and update our current goals and strategies, utilizing all we have learned in the years since a Task Force first convened.

This includes evaluating current commitments based on a deeper understanding of greenhouse gas emissions accounting and mitigation, and setting revised reductions targets acknowledging the roles that changes to the University’s physical footprint and the region’s electrical grid will continue to play. It also requires additional investment in other high opportunity areas, including further mechanical and lighting upgrades, continued optimization of central plants and refining the role of renewables. These and other environmental initiatives at the University – to reduce and divert waste, to procure food and other goods and services more ethically, locally and sustainably, to drive greener development through experiential learning and research, and to inform policy in Baltimore and beyond – should be formally integrated within a holistic sustainability strategy for the University that guides us beyond 2025. We firmly believe that Johns Hopkins University needs to continue to be a leader in cross-disciplinary approaches to addressing global environmental change and its related public health implications.

On behalf of the entire Board of Trustees, we thank PIIAC for their time and dedication to reviewing the Refuel Our Future proposal. We also would like to recognize the members of the Johns Hopkins University community who added their feedback into this important discussion.

Committee on Investments