

Fr. Stephen Sundborg, SJ
President
Seattle University

December, 2016

Dear Fr. Steve,

We, the members of the President's Committee for Sustainability, are writing to add our support to requests by faculty and students that Seattle University divest its holdings of investments in fossil fuel companies. We strongly encourage you to make an announcement early in the new year, one that charges the Socially Responsible Investment (SRI) Committee to develop a plan and a three to five-year timeline for divestment from fossil fuels by September 1, 2017. Understanding the effects of climate change on the most vulnerable populations, the behavior of and obfuscation by fossil fuel companies, and a moral imperative best described in '*Laudato Si*' compel us to join others on campus and ask that Seattle University DARE TO DIVEST.

While not a panacea, we believe divestment from fossil fuel stocks perfectly aligns with our mission. As you know, Pope Francis reminds us in '*Laudato Si*' to consider the common good and to be good stewards of the planet for future generations. Evidence of poor stewardship abounds—a quick review of stories from the past 30 days includes continued depletion of ice sheets in the arctic and Antarctic, retreat of glaciers, intensity of weather-related disasters, bleaching of coral reefs, accelerating extinction rate of species, rising global temperatures in air and water, and increasing ocean water levels. We know the poorest and most vulnerable people on the planet are the first to experience these effects.

In this debate, issues of fiduciary responsibility are most cited as reasons against divestment. It is fair to say that current and future students, faculty and staff, and donors all desire a healthy and prosperous Seattle University. Managing our endowment well and being responsible with donations and gifts are requisite to SU continuing its mission.

Divesting from fossil fuel stocks would increase transaction costs as funds are moved to sustainable and socially responsible investments (SRI). Disentangling indirect investments is not a simple task and, therefore, will take time and cost money. And while none of us can predict the future, studies that evaluate the risk-adjusted returns generated from SRI funds compared to the market overall are mixed (and yes, those paid for by the petroleum industry suggest SRI funds underperform). Divesting from returns generated by energy sources that power much of the world's commerce will reduce a portfolio's level of diversification, which can increase risk or lower returns. Some also state that being an investor affords the opportunity to influence the actions of fossil fuel companies through activism.

There is, however, a large and growing body of evidence that points to improved fiduciary outcomes. In 2015, *The Guardian* published a story stating that MCSI, a firm which runs global indices used by over 6,000 pension and hedge funds, found that "investors who divested from fossil fuel companies would have earned an average return of 13% a year since 2010, compared to the 11.8%-a-year return earned by conventional investors." That same year, Morgan Stanley's Institute for Sustainable Investing published a report from their study that asked if "sustainable investments underperform, or have higher risk than their traditional counterparts. We set out to explore whether this view is accurate." They noted that in 2014, \$1

of every \$6 of US assets was invested sustainably (the 2012 ratio was \$1 to \$9). From their key findings:

Investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments. This is both on an absolute and a risk-adjusted basis, across asset classes and over time, based on our review of US-based Mutual Funds and separately managed Accounts (SMAs). Sustainable equity Mutual Funds had equal or higher median returns and equal or lower volatility than traditional funds for 64% of the periods examined.

While some institutions wring their hands over the decision, the Rockefeller Brothers Fund announced in 2014 it was divesting from fossil fuels. Lost, perhaps, in the divestment story of a fund built on oil money was their reasoning: it was a moral decision. Fund President Stephen Heintz stated, "It became increasingly uncomfortable to be fighting global warming on the one hand [through our charitable grants] and then investing in businesses that cause global warming." They acknowledge that it takes time (they are planning on three years) and that others should prepare for a journey. Starting with about 7% exposure to fossil fuels, they were able to reduce that to 4% after one year (and have redirected the money towards new energy investment). Their communications also address the risk of 'stranded assets' of oil and gas companies and the economic factor that oil may never move above \$50/barrel, keeping returns for investors in fossil fuels far below other industries in the S&P 500.

A 2015 investigative report from the Union of Concerned Scientists (UCS) called the 'Climate Deception Dossiers' revealed "a range of deceptive tactics deployed by the fossil fuel industry. These include forged letters to Congress, secret funding of a supposedly independent scientist, the creation of fake grassroots organizations, multiple efforts to deliberately manufacture uncertainty about climate science, and more." The UCS issued a 2016 report scoring eight leading fossil fuel companies in areas such as 'failing to renounce disinformation on climate science and policy' (two egregious, five poor, one fair) and 'fully disclosing climate risks to investors' (four poor and four fair). Earning returns from companies that continually obfuscate the truth for the benefit of investors is inconsistent with the university's commitment to justice.

As a Jesuit Catholic institution, Seattle University has an opportunity to lead others and be the first Jesuit institution to divest. With only six percent of our endowment being currently invested in funds with fossil fuels, our financial future is not significantly dependent on these investments; rather they are merely holding us back from setting an example for other Jesuit Institutions. As the current national political climate threatens to roll-back years of climate progress, it is more important than ever before that institutions and individuals take the lead. At SU, we are working to reduce carbon emissions for which we are responsible. Importantly, we know that undergraduates are increasingly using 'sustainability' as a selection criterion. By daring to divest now, Seattle University has the chance to receive national publicity and the likelihood of increased applications and enrollment over the long-term, further offsetting potential SRI fund 'penalties.' Acting now on climate change, we will be supporting our mission that addresses leadership, justice, and the world.

Respectfully,

Select Members of the President's Committee for Sustainability

Samantha Griffin (Co-Chair)
Gregory Magnan (Co-Chair)
Sara Campbell
Yolanda Cieters
Jeffrey David
Eric Elliott
Christie Eppler
Eric Guerra
Jessica Imanaka
Jorge Laborico
J. Wesley Lauer
Lauren Lawson
James McCarty
Michelle Pelletier
Mike Thee
Phillip Thompson
Eli Voigt
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