

Advisory Committee on Investment Responsibility (ACIR)

Forum Summary

October 21, 2019

The Advisory Committee on Investment Responsibility (ACIR) held their annual forum on Monday, October 21, 2019 from 4:00 p.m. to 5:00 p.m. in the Rubenstein Library, Holsti-Anderson Room. Committee members in attendance included Chair Lawrence Baxter, Saheel Chodavadia, and Richard Riddell (*ACIR advisor*). Also attending were Anil Madhok, COO, DUMAC, and Michele Wittman, staff support for the committee.

Chair Lawrence Baxter opened the forum with a brief welcome and introduction of all committee members in attendance. He continued with a brief explanation of the ACIR, its membership, purpose and scope of influence. Chair Baxter explained the goal of the forum is to provide an update on the fossil fuel issue that has been under consideration of the ACIR for the past year, and to provide information on the structure of the ACIR and the considered alternatives to that structure.

Before opening the floor to comments and questions, Chair Baxter provided background on the final report, “Duke University’s Contribution to Reducing Greenhouse Gasses: Toward A Climate-Responsible Investing Approach” and the memorandum, “Operations of the Advisory Committee on Investment Responsibility (ACIR)”, both of which were submitted to President Price in May 2019. The reports, supporting documents, and the response from President Price may be found on the [ACIR website](#).

Fossil Fuel Investments. The ACIR received the first request for divestment from fossil fuels in 2014. In the 2014 final report to the president by the chair, Jim Cox, the ACIR acknowledged the importance of the climate change issue and the final recommendation was not to divest but look at ways in which to invest in alternative energies. The issue was renewed in March of 2018 with a proposal for divestment from fossil fuels submitted to the ACIR by the Duke Climate Coalition. In a meeting held in October of 2018, it was proposed the ACIR recommend President Price create a formal, well-defined working group, the Fossil Fuel Subcommittee or FFI, in conjunction with DUMAC, with a specific mission to research and consider viable options to divestment (considering Duke’s complicated investment structure) with applicable measures to address fossil fuel/climate issues, and which would help Duke to keep the promise of being carbon neutral by 2024. The FFI would seek to create a report that might provide solid support for concrete action beyond just the symbolic. The FFI submitted the final report to the ACIR in April 2019 for approval and the final report, with recommendations from the ACIR, was submitted to President Price in May 2019. In August of 2019, President Price provided his response to the ACIR regarding the suggested recommendations.

Structure of ACIR. At the meeting held In April 2019, members of the ACIR discussed the structure and processes of the ACIR and how it functions within the decision-making process of Duke’s investment responsibility concerns. The existing structure of the ACIR had not been reviewed since its creation in 2004. Issues that fall under the purview of the ACIR have become much more complicated and often require extensive research and effort. The ACIR has morphed from being an advisor to the President into a deliberative body that generates expectations and finds itself in complex discussions of issues and concerns that really matter to the Duke community, but is unable to take action due to a lengthy reporting process and the systematic or system-wide nature of the concerns. Other peer institutions have also experienced similar changes in their structure to create a more streamline and direct path in consideration of investment responsibility concerns. In May of 2019, the ACIR sent to the president a memorandum stating these concerns with a suggested review of the policy and practices. President Price responded in August of 2019, and in agreement with the chair of the Board of Trustees, Jack Bovender, recommended the establishment of a working group to review the board’s policy on

socially responsible investing and prescribe changes that would better reflect the board's approach to the ethics of investing, and streamline the process of submitting proposals on socially responsible investing by the Duke community. The Board of Trustees approved the appointment of a working group on Socially Responsible Investing Policy and Process in September 2019.

Comments and Questions from forum attendees. Chair Baxter opened the floor and welcomed any comments or questions. The following bullets are a summary of the discussion.

Fossil Fuel Investments:

- A forum attendee asked about the amount of direct holdings that might be considered for divestment; the current holdings of direct investments are less than 1% of Duke's entire investment portfolio and would not be a viable option to consider in divesting. The impact would be minimal.
- Chair Baxter was asked to provide additional information on the carbon tax idea. He emphasized that this was, at most, a very tentative thought on the part of the ACIR and not a formal recommendation. This suggestion would need extensive research and consideration before adopting as it is a very complex issue. President Price is willing to consider a more advanced version of the recommendation in the future. The fossil fuel issue is a recurring concern and the ACIR continues to discover essential information on the subject.
- Additional information was requested by a forum attendee on the ESG fund; The ESG fund was created after the 2014 final report from the ACIR, however, it has not been a viable option for the typical Duke donor base. Working with Duke development, the ESG fund might be a more appealing option as an annual fund option for current students.

Structure of ACIR:

- On the topic of the ACIR structure review, a forum attendee questioned where public engagement would fit in to a new structure and also commented on the lack of advertising in requests for public input; the university will continue to seek out input from the Duke community even if a restructuring is approved.
- The restructure is under consideration as the board policy has not been reviewed since its creation in 2004. Issues have become more complicated; the process does not support the work of the ACIR to consider complicated issues.
- A forum attendee asked if there was one particular option being considered regarding the structure of the ACIR; No, but the working group will survey peer institutions to identify what other institutions are doing and how they deal with these issues (Stanford, Harvard, Yale, Northwestern and University of California)
- The question was asked if the ACIR would move to a more proactive rather than reactive structure; the topics the ACIR had been asked to consider are very complicated and take time; the structure is not set up currently to take on time consuming, research-heavy topics; an option could be to farm out larger issues but to be skillfully proactive on issues demands a high level of effort to achieve a positive desired result.

The forum adjourned at 5:00 p.m.

Submitted by Michele Wittman