

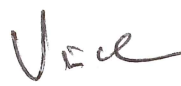
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August 19, 2019

TO: Lawrence Baxter, Chair, Advisory Committee on Investment Responsibility
(ACIR)

FROM: Vincent E. Price, President 

SUBJECT: Response to ACIR Documents from May 2019

Thank you and the members of ACIR for your thoughtful deliberations that led to the two documents you sent me in May, "Duke University's Contribution to Reducing Greenhouse Gasses: Toward a Climate-Responsible Investing Approach," and "Operations of the Advisory Committee on Investment Responsibility (ACIR)." I was pleased to have the opportunity to discuss these with you and Senior Vice President and Secretary of the Board Richard Riddell on August 16, 2019. I'm writing now to record the results of our conversation and my response to the proposals in the two documents.

With regard to the first document, there were five recommendations.

- "The Board of Trustees (BOT) should not require DUMAC to divest from fossil-fuel-related investments."
 - I accept this recommendation.
- "DUMAC, with the necessary approvals from the BOT, should further develop its proxy voting policies so as to use its investor voting power, where possible, to encourage companies to reduce their reliance on fossil fuels and the production of Greenhouse Gasses."
 - I accept this recommendation and will ensure that the university and DUMAC have a process in place to managing the voting of proxies.
- "Duke should consider seeking endowment funding for its Social Choice (ESG) Fund, established in 2014, and should consider the creation of a more focused 'Green' Fund that might attract contributions from potential donors who desire to support such specific purpose funds."
 - I accept this recommendation, although I should note that it isn't necessary to establish an endowment for donors to direct their contributions to the ESG fund. I will work with Development to ensure that we are making the option known to our donors. I will ask DUMAC to explore adding a second option for donors, namely a "green" fund.

- “Duke should consider supporting the student Duke Impact Investing Group (DIIG) in their endeavor to create a ‘green’ seeding fund for entrepreneurship.”
 - I accept this recommendation and have asked Executive Vice President Tallman Trask to provide \$100,000 (not \$1 million) in seed funding.

- “Duke should encourage an investigation into the feasibility of creating a carbon tax on selected investments in order to earmark those investment returns for allocation to ‘green’ initiatives undertaken or encouraged by Duke.”
 - In consulting with those at Duke who would administer such a tax, I’ve learned there’s a good deal of skepticism that this would be an effective and efficient means to signal Duke’s commitment to sustainability. Consequently, I’m not in support of this recommendation. However, if others, independent of the Office of the President and ACIR, wish to develop the idea further, I’m open to considering a more advanced version of the recommendation in the future.

The second document, “Operations of the Advisory Committee on Investment Responsibility (ACIR),” indicates an openness to changing the process for bringing forward socially responsible investment proposals, eliminating the ACIR and having proposals screened by an administrative office and then forwarded to a board-level committee for consideration.

I appreciate ACIR’s willingness to rethink our approach, and I agree that it would be worthwhile to conduct a review of our policy and practices. I’ve consulted with Jack Bovender, chair of the Duke University Board of Trustees, and have recommended that he establish a small working group to review the board’s policy on socially responsible investing and recommend modifications that would better reflect the board’s approach to the ethics of investing the university’s assets and improve the process for bringing forward a proposal on socially responsible investing by members of the Duke community. Once the working group has a recommendation, I will share it with the members of ACIR and seek their advice before bringing any proposal to the trustees.

Again, thank you for all the work that led to the two reports.

cc: Executive Vice President Tallman Trask
President and CEO, DUMAC Neal Triplett
Senior Vice President and Secretary of the Board Richard Riddell