



August 8, 2014

Members of the Oregon State University Community:

Last year, a thoughtful group of faculty and students formed an organization called OSU Divest with the objective of encouraging the OSU Foundation (the Foundation) to remove fossil fuel investments from its portfolio. OSU Divest believes that the Foundation's divestment from fossil fuels would send a strong signal to financial markets and policymakers. Over the course of the last year there has been a healthy debate about this issue.

The Foundation, a nonprofit organization that is independent from the university, exists to provide financial support to OSU through private donations. In the 2013-2014 academic year, the Foundation distributed \$50 million to OSU to support student scholarships and fellowships, faculty positions, research, and campus operations. We recently announced that the current fundraising campaign surpassed \$1 billion in private donations to support the OSU mission. In an era of public disinvestment in higher education, this support is critical to ensuring that OSU remains a world-class research institution.

While the Foundation is a separate, private entity governed by an independent Board of Trustees, we share the values that are critical to any university community: the open exchange of ideas through thoughtful dialogue, tolerance for differing opinions, and leadership through meaningful action. Part of living these values at the Foundation is recognizing the growing interest in our investment policies and making sure that we are accessible to community stakeholders. With that in mind, the Foundation Board of Trustees adopted a transparent and equitable process for stakeholders to bring their concerns directly to the Foundation. A newly-formed Advisory Committee for Public Input on Investments, consisting of Foundation staff and current and former board members, was created to meet with community stakeholders, listen to their arguments, and make recommendations to the Executive Committee of our Board of Trustees. We value the input of those in the community whom we serve and believe this new process will advance the goal of thoughtful dialogue on campus, whether it be about fossil fuel divestment or other issues that may arise.

On April 18, this new Advisory Committee met with the leadership of OSU Divest to hear their arguments in favor of fossil fuel divestment. They also met with students and faculty who opposed divestment. After having the discussion and then conducting additional due diligence on our investment portfolio, the Advisory Committee recommended to the Executive Committee that the Board not divest the Foundation's fossil fuel holdings at this time. The Executive Committee, after

its own additional deliberation, concurred with the Advisory Committee. There are two primary reasons for the decision.

First and foremost is divestment's impact on the Foundation's portfolio and our ability to provide financial support to the university. While we have no direct investments in the 200 fossil fuel companies identified by OSU Divest, we do have indirect holdings in these and other companies that are connected to the development or distribution of fossil fuels. These holdings represent only about 6% of the Foundation's \$670 million total assets, which is consistent with an investment strategy designed to spread risk across multiple sectors. We believe that categorically removing this sector would violate prudent investing rules that characterize best practices in asset allocation. OSU Divest made clear that divestment is a *moral* issue to them, not a financial one. But as fiduciary for the private gifts we receive, we have a legal obligation to show that divestment would not negatively impact our capacity to support the university financially.

Second, but as important, is the issue of whether OSU Divest's recommendation would advance the cause of combatting climate change. On this question, we are not convinced that the divestment strategy will produce tangible benefits. Indeed, OSU Divest acknowledged that it would be more symbolic than substantive. We are then left with a clear question: Do we pursue a symbolic gesture that will reduce our capacity to fund university priorities, or do we maintain our existing investment strategy that is providing record levels of support for a university deeply involved in the goals of controlling carbon output, developing alternative sources of energy, and training skilled and thoughtful leaders who will shape policy and corporate responsibility in the coming decades?

OSU is at the forefront in the research and development of technologies designed to improve the deployment of solar, wind, and wave energy. We are an unquestioned global leader in the development of small-scale nuclear, which is one technology with the potential to begin replacing the 40% of the world's energy generated by coal. Our chemistry, materials science, and electrical engineering departments are developing ever more compact storage for fuel cell application, which is critical to commercializing alternative fuels vehicles. We offer dozens of sustainability-focused classes on campus and are achieving an equivalent rating of LEED® Silver or higher on campus construction. In short, our university's actions dictate clearly our real and meaningful commitment to reducing carbon emissions. We believe that supporting this leadership financially is the best way for the Foundation to contribute to the goal of carbon reduction.

While we have decided against fossil fuel divestment at this point, we will monitor the issue going forward as the debate will certainly continue. On behalf of the Foundation, I would like to thank the members of OSU Divest for their strong commitment to combatting climate change. It is an important discussion on campus, and there are many ways students, faculty, and administrative leadership are contributing – both locally and globally.

Sincerely,

Ruth A. Beyer, '77
Chair, OSU Foundation Board of Trustees