The State of Committees on Investor Responsibility in Higher Education

Background:
Launched in 2010, the Association for the Advancement of Sustainability in Higher Education (AASHE) has assembled publicly available sustainability reports based on self-reported data for 376 academic institutions.1 Posted in the Sustainability Tracking Assessment & Ratings System (STARS) database, these reports enable universities to track their progress towards their sustainability goals and earn public recognition through Bronze, Silver, Gold or Platinum ratings that are published annually in the Sustainable Campus Index. To determine the prevalence and practices of Committees on Investor Responsibility (CIRs) in higher education, we analyzed this database.

STARS requires universities to have multi-stakeholder endowment fund advisory committees that meet on a regular basis in order to earn 2 of the points in the “Investment and Finance” category. Of the 376 rated institutions in the database, 73 universities and 3 public university systems2 have a CIR. There are also at least six universities that do not report in STARS with committees.3 In addition, 146 (38.8%) earned some points in the “sustainable investment” category. This means that they identified sustainable investing as a priority through either positive investment or a sustainable investment policy statement. By contrast, 54 (74.0%) of the 73 institutions with CIRs earned points in the same category.4

Committee Members:
Over half of the committees have between 7 and 11 members (median: 9), and most have a mix of faculty, students, staff, and alumni. About 83% of the committees have student representation (median: 2, average: 2.2), 82% have faculty representation, 69% have staff representation, and 36% have alumni representation. In addition, 55 (72.3%) of the 76 universities have a finance professional present during committee sessions.

Committee Objectives:
Nearly all committees advise the institution’s Board of Trustees or investment committee on the ethical implications of the endowment’s holdings and potential sustainable investment opportunities. While most are set up to analyze investment/divestment proposals from members of the university community and provide recommendations to the board, many also research shareholder resolutions for companies in the endowment’s portfolio.

1 Note: This count includes individual public university campuses and therefore counts each school in a state system that reports.
2 University of California, University of Massachusetts, and University of Minnesota. While they have 10, 6, and 5 campuses, respectively, the systems each have only one committee and thus count once in the data.
3 See attached spreadsheet for full list of schools, including 6 not listed in STARS database.
4 Note: Five universities (counted in the 54) earned points in the “sustainable investment” category by only publishing a sustainable investment policy statement and not disclosing any sustainable investment holdings. Those institutions may or may not have sustainable investment holdings; they just chose not to disclose them.
Twenty-five (32.9%) out of 76 of the STARS rated institutions with committees, and 12 universities without committees engage in proxy voting. The average endowment size for institutions engaged in proxy-voting is about $3.4 billion (median: $761 million), and 50% of proxy voting institutions manage between $321 million and $3.6 billion. In comparison, schools that do not engage in proxy voting have an average size of $1 billion (median: $299 million). This shows that while schools engaged in proxy voting tend to have larger endowments, institutions with more moderate endowments also participate in shareholder engagement.

**Endowment Investment Disclosure:**

Approximately 35% of institutions with and 12% of institutions without a CIR provide a snapshot of their endowment holdings to the public. While the snapshots differ by how much of the endowment holdings they disclose, they reveal that universities weighing the benefits of SRI are also moving towards investment transparency.

**Committee Success:**

While most institutions with CIRs use positive or negative ESG filters, the degree to which they pursue positive investment has room for growth. On average, institutions with a CIR have 6.8% (median: 1%) of their endowment in what STARS considers socially responsible holdings. While this average is higher than that attributed to institutions without CIRs, the low median shows that many institutions are still weighing the benefits of seriously implementing their sustainable investment policies.

Institutions that best realize their sustainable investment policies are often those in which the student body and the administration agree that aligning the endowment's investments with the institution's values is important. The dialogue supported by committees on investor responsibility can help build the consensus required between university stakeholders for investment committees to implement SRI strategies. While institutions can build that consensus differently, creating a CIR is a reliable way to evaluate new approaches towards lowering long-term portfolio risk, maintaining returns and creating identifiable social goods.

**Notable Committees:**

1) Harvard’s Advisory Committee on Shareholder Responsibility researches shareholder resolutions and advises the Harvard Corporation committee on proxy voting. It votes on about 50 resolutions per year and publishes an extensive annual report that details how they voted on each resolution, why they voted that way, and whether the investment committee implemented their recommendation. The committee relies on information

---

5 The full list of institutions that engage in proxy voting is included in the attached spreadsheet.

6 These institutions include: California State University, Los Angeles, Eastern Mennonite University, Indiana State University, Loyola University Chicago, The Ohio State University, Universite Laval, University of Colorado, University of Ottawa, University of Washington, Seattle, University of Wisconsin, and Wartburg College.

7 The full list of institutions that provide snapshots is linked here.

8 See spreadsheet for full list of STARS-rated institutions and their percent invested in SRI. Link here.

9 This includes investment in “sustainable industries, companies selected for exemplary sustainability performance, sustainability investment funds, community development financial institutions, socially responsible mutual funds with positive screens, and green revolving loan funds.”
provided by the non-partisan Sustainable Investments Institute. In 2016, the Harvard Corporation committee took all but one of the 44 advisory committee’s recommendations. The Harvard Corporation abstained from that proxy vote due to lack of clear consensus. Harvard’s advisory committee effectively aligns the institution’s proxy voting with its mission and can serve as a model for institutions looking to fulfill their shareholder responsibilities.

2) Columbia’s committee advises the university trustees on the ethical and social implications of their investing. Because their agenda mainly consists of evaluating student proposals, they are both focused on and limited by proposals from the community. For example, in 2015, the committee rejected a student proposal for broad-based carbon divestment because it did not distinguish between the carbon producers that were lowering emissions and those that were not. The committee, however, recommended that future proposals use more specific screens, and in 2016 it approved a more targeted thermal coal production divestment proposal. In addition, the committee members recommended that the Trustees form a separate committee to formulate a university climate Plan of Action, create a “fossil free” investment vehicle for potential donors, and ask their investment managers to avoid companies that deny climate change. Columbia’s committee is effective because it’s transparent, thoroughly researches the implications of each student proposal, and often more effectively realizes student groups’ objectives by making its own specific recommendations.

3) The University of California system has one 16-member committee with 11 regents, 2 staff, 1 faculty and 1 student. Part of the Office of the Chief Investment Officer of the Regents (OCIO), the committee worked closely with university stakeholders for two years to create a comprehensive sustainable investment framework that reflected the values of the university community. Approved in 2015, the ESG framework aligned the community’s widely held beliefs regarding climate change, inequality, human rights, food and water security, diversity, ageing population, circular economy, and ethics and governance with its long-term risk assessment strategy. After the policy was adopted, the university engaged in more domestic and international sustainable investment partnerships and eventually became recognized by the Investment Disclosures Project as one of the top sustainable investment funds in the world. Even though the committee had only one student present, it was set up to listen to community stakeholders and design investment policy accordingly. This structure proved effective because the investment leaders were willing to innovate and fulfill the goals of their constituents without waiting for them to make proposals.

4) Pitzer College founded its 12-member committee on investor responsibility in 2014 and has since significantly changed how its $135 million endowment is invested. The chair of the investment committee, Don Gould, established the CIR after students proposed carbon divestment in 2013. The committee researched divestment and sustainable investment opportunities, and after six months it published a “Climate Action Model” recommending divestment and ESG investment integration. According to Gould, the recommendation was about “aligning action with values” as divestment would not negatively impact the endowment’s financial returns and sustainable investment could create long-term value. Starting in fall 2016, Mercer, a financial consultancy, began helping the university create an
ESG-focused, carbon-free commingled index fund with BlackRock. In 2017, the college announced the fund’s establishment and Pitzer’s role as the founding investor. Pitzer College’s timely and dynamic shift towards socially responsible investing shows that institutions with small endowments can still pursue SRI—they might just do so differently than Yale and Harvard.

5) Since its reorganization in 2012, Georgetown University’s 12-member committee on investor responsibility has created an SRI policy, pursued shareholder engagement, and evaluated two student proposals. In March 2017, the CIR evaluated a student proposal that called for divestment from “private prison companies and companies that sustain private prisons” and companies that “enable and profit from the violent Israeli occupation of Palestine.” The committee recommended against implementing both parts of the proposal because it considered divesting from companies that “sustain” or invest in private prisons too broad to have an impact and divesting from the Israeli-Palestine conflict immaterial towards ending hostilities. However, the evaluation highlighted the need for the university to establish a concrete set of values for its investments. Thus, in June 2017, the university published its “Socially Responsible Investing Policy” and updated the “Principles and Operating Guidelines” for the CIR. These documents outlined the role of the committee and the ethical criteria for evaluating university investments. When the committee examined a student proposal for tar sands divestment in 2018, it determined that such investment was “inconsistent with Georgetown’s [SRI] Policy because... [it] has ‘an extremely deleterious effect on the environment.’” The language used in this excerpt highlights a change from the first proposal, because instead of making their own ethical judgements, committee members simply compared the investment’s consequences to those permitted by the SRI policy statement. Georgetown’s committee’s development underscores the benefit of clearly defining an institution’s values in an SRI policy statement.

---

10 The fund tracks the MSCI ACWI Index and is diversified across both developed and emerging markets.
11 For more information about Pitzer College, see IEN’s case study on the institution.
12 Quotations taken from Georgetown “CISR Memo March 2 2017” publicly available on the university website.
13 The CIR did recommend avoiding direct holdings in private prison companies because those investments did not align with their Catholic and Jesuit value.