

CETYS University 55th Anniversary
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It is an honor to be here to celebrate CETYS 55th anniversary. I bring special greetings to you, President Leon, and colleagues from Dr. Les Wong, president of San Francisco State University.

This conference theme focusing on the role of innovation in international higher education is a timely topic with the breadth and magnitude of challenges we face both nationally and globally, ranging from environmental degradation to economic inequality. The 21st Century University is best positioned to address these major issues through research, teaching and public service, but it will require bold thinking, creativity and innovation.

Innovation and Social Responsibility

I have focused my comments today on innovation and social responsibility within the context of San Francisco State University and the SF State Foundation's commitment to aligning its core values of social justice and environmental sustainability with socially responsible investing.¹

In June 2013, the San Francisco State Foundation took a bold step by becoming the first public university in the United States to establish a five-year timeframe to divest its \$70 million foundation endowment portfolio from public companies with significant production or use of fossil fuels. This was a major policy decision that required extensive consultation with the board of directors, university's academic leadership, donors, and, of course, our students.

Like many other comprehensive institutions, San Francisco State University, a publicly assisted state institution of 30,000 students, is still recovering from the impacts of the great recession and diminishing state support. In order to build greater private support to augment its resource base, San Francisco State University established its philanthropic foundation in 2008 and its 32 member board of directors has been effective stewards of managing the university's endowment and increasing philanthropic support.

The historic policy decision by the board to divest from fossil fuel investments began with a phone call in the fall of 2012 from a newly-formed student organization asking for information about the foundation and how its investment policy aligned with the institutional values of social justice. Although our foundation has always had a student director on the board, the question from the students asking about the foundation and its investment policy certainly captured our attention.

¹ The mission of San Francisco State University is to create and maintain an environment for learning that promotes respect for and appreciation of scholarship, freedom, human diversity, and the cultural mosaic of the City of San Francisco and the Bay Area; to promote excellence in instruction and intellectual accomplishment; and to provide broadly accessible higher education for residents of the region and state, as well as the nation and world.

President Wong cleared his calendar to meet with the students to learn more about their inquiry. At that first meeting, the students were well prepared and had done their homework. The opening statement from the students was, “We do not want our money invested in fossil fuel companies!” At that moment we knew that we were about to move into new and uncharted territory for the foundation and our students. Our response to their question was, “First, understand that this is not your money.” With that response, we were off on a fascinating educational rollercoaster ride with our students and foundation directors. We agreed that we would continue to meet and that we would also bring their request to our foundation executive committee and full board.

Over the course of 12 weeks, we continued to meet with the student organization to learn more about their views on climate change and the impact of fossil fuels on the environment. We also explained the role and responsibilities of the foundation directors, the concept of what a fiduciary relationship means and explained that the source of the funds were third party funds invested by alumni and friends to support scholarships, faculty and other worthy initiatives. The process was instructive for the students as well as the foundation board’s executive committee. We committed that we would bring the students’ request forward to the foundation’s executive committee.

Following the meeting with the students, President Wong asked the foundation’s executive committee to establish an Ad-hoc Committee on Fossil Fuels, independent of the executive and investment committees, to study and provide him and the full board with a report regarding its recommendations on how to proceed. The committee charge was three-fold:

- to review and assess the foundation’s current investment policy,
- to draft proposed modifications to the social investment section of the investment and policy statement that will address our investments in companies involved in fossil-fuel production or use, and
- to develop a specific mechanism to implement this strategy and to determine if our portfolio could be 100% free of fossil fuel companies by 2019, and if not, what level of fossil-fuel investment would we deem tolerable².

The process we established and the active engagement with our students and foundation board have been constructive and informative both for our students and the board. Our objective is to be responsive to our students’ concerns about the environment while balancing the foundation board’s fiduciary responsibility to ensure that we maintain sound investment policies and oversight pursuant to the standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

² A few of the many questions the committee reviewed included the definition of what is a fossil-fuel, what defines a fossil fuel company, what degrees of fossil-fuel dependence might affect a company inclusion on a list of fossil-fuel companies.

The fossil-free divestment student campaign continue to grow nationally and internationally by students concerned about the environment and the impact on climate change globally. The campaign resonates among students and faculty for many reasons, but the leadership and boards of universities must remain cognizant that divestment is a socially motivated activity. Our students are justifiably concerned about the impact that fossil fuels have on the environment and sustainability; on the other hand, foundation board members, while they might share students' environmental concerns, have the added fiduciary responsibility to invest endowment funds to maximize the return on investments and to meet commitments to the institution's donors who have entrusted their philanthropic support in building the university's future.

SF State has taken additional bold actions in the last year, including:

- Established a methodology to measure the carbon footprint of our \$70 million dollar portfolio.³
- In June of this year, we established a green fund with \$5 million to create a fund for donors that want to have their philanthropy invested in companies that are 100% fossil fuel free.
- Provided ongoing board education on this topic for the board of directors.
- The foundation board is monitoring the progress of the five-year timeline to fully divest from fossil fuels.

I will leave you with some of the key lessons learned by San Francisco State and its foundation over the last three years regarding the issue.

- Open and retain respectful dialogue with students: (They will be our alumni soon.) When the students or their respective organizations approach your president or university, be open to meeting with them to listen to their views or positions. Too often, the university president, administration or board leadership refuses to even meet on the issue. Communication and information is a better alternative as opposed to dismissing students' views and/or concerns.
- Review Current Investment Policies: If your institution has not already been engaged by student organizers, there is a high probability that you will be in the near future.
- Periodically, review and update your policy and be proactive and transparent regarding your board's investments.
- Be open and responsive to your stakeholders about your investment policies.

³ A carbon footprint is defined as "the total amount of greenhouse gases that are emitted into the atmosphere each year by a person, family, building, organization, or company." (United States Environmental Protection Agency, 2013) This includes, but is not limited to, gases such as carbon dioxide, methane, and nitrous oxide. There are various global standards for measuring the carbon footprint of a company. Among these, the Greenhouse Gas (GHG) Protocol is the most widely used. This project considered emissions reported to the Carbon Disclosure Project (CDP) as well as the GHG Protocol.

- Schedule a board study session to review and determine if your foundation's investment policies reflect the values and teachings of the institution and the values you want your graduates to embody when they graduate from their alma mater.

In closing, we are faced with unprecedented challenges, both nationally and globally. Universities have special standing and a long tradition of addressing the most pressing social, economic and environmental issues through research, teaching and public service. The forces of disruption and change will require bold thinking to enable us to envision and build a sustainable future.

Thank you.