



REED COLLEGE

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Board of Trustees

July 17, 2014

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Reed College Statement on Divestment

Dear Fossil Free Reed,

The members of Reed's board of trustees share the concerns raised by Fossil Free Reed. Like you, we think climate change poses quite possibly the biggest challenge in human history. In this context, we thank Fossil Free Reed for its thoughtful, reasoned, and articulate testimony in favor of divestiture from companies that significantly contribute to global warming. You have spurred a robust and far-ranging debate among the board-members and throughout the broader Reed community about how Reed should address this extraordinarily complex issue.

In weighing not just the concern, but also the particular course of action urged by Fossil Free Reed, the Board needed to take account of two other considerations for which we have particular responsibility. First, Reed's Investment Responsibility Policy, approved by the board on January 13, 1978, makes clear that the board's primary investment objective is fiduciary—to preserve and enhance the value of the endowment, so that it can support the academic mission of the college. Second, and no less significantly, the board has a responsibility to sustain Reed's intense commitment to academic freedom. To us this requires limiting the political role of the institution or the enlistment of the institution's name in political causes. Institutional neutrality, we believe, provides the best protection for freedom of inquiry and expression.

The investment policy gives great weight to these other considerations when it states that Reed should act on a proposed divestiture only "where the action taken reflects widely-held, perhaps almost universally held, social, or moral positions."

Balancing our social concern, our institutional financial concern, and our concern for keeping the college institutionally dissociated from particular political positions, the board did not agree that divestment of Reed's endowment from fossil-fuel investments meets the high standards of our policy. The balancing was not easy, it was intensely discussed, and the weighting of these variables was no doubt different for different members. Some think that divesting Reed's endowment from fossil-fuel investments would *not* have significant impact on actual CO2 emissions. Others stressed that in light of the college's continued use of fossil fuels, and similar reliance on fossil fuels by nearly all of the members of our community, to the degree such a gesture would purport to contribute to a solution, it would lack the integrity we all expect from the Reed community. Some were animated principally by concern that the requested action would have a significant negative impact on the endowment. They stressed that Reed's endowment is largely invested in funds whose strategies permit quick and



untrammeled decision-making by fund managers. To these members, divesting from funds with carbon exposure would mean dissociating from managers carefully selected for the likelihood of high performance. Finally, many were concerned that a decision for divestiture would open other discussions about other causes in ways that would ultimately divide the community and force it to make official decisions about matters of reasonable academic and political debate.

Fossil Free Reed additionally has requested more information on Reed's investment strategy and holdings. While we must, of course, abide by contractual commitments such as non-disclosure agreements with investment managers, we will nevertheless take steps to respond to your request, and to provide more information about the endowment to the Reed community.

We conclude by emphasizing our view, and perhaps yours, that fossil consumption is not exclusively, or even predominantly, an investment issue for a school as modestly funded but as intellectually creative as Reed. It stands to reason that Reed makes its greatest contribution to the world, and to the climate change issue, through the education of our students. As you know, Reed established environmental studies as an interdisciplinary major for those who seek broad training in environmental themes. Mitigating climate change will require advances in technology, governmental policy, and urban-planning. We believe that educating students to become leaders in these areas is the single most important role that the college can play in confronting climate change now and in the future.

Further, we believe that Reed can take concrete steps to reduce its own carbon footprint and to seek a broader solution to the problem of climate change. Reed endorsed this approach to climate change in its a Sustainability Mission, which was adopted in 2007:

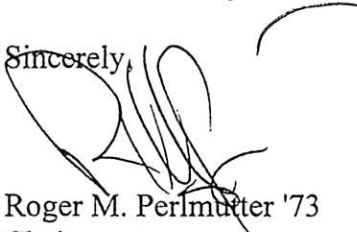
Reed College is committed to responsible stewardship of its campus environment and is aware that our actions and decisions impact our city, our region, and our planet. As an institution of higher learning, Reed is dedicated to investigating, understanding, and promoting awareness of its present and future impact on the natural world. Through broad community involvement and education, Reed strives to incorporate ideals of sustainability into the operations of the college and the daily lives of individuals on campus. Sustainability is commonly accepted to mean meeting the resource needs of the present without compromising the ability of future generations to meet their needs. All Reed efforts in support of sustainability will strive to maintain and develop the college in a responsible manner and to minimize the college's impact on the environment.

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Since approving the Sustainability Mission, Reed has taken a number of actions to decrease its dependency on fossil fuels, the most recent of which is a three-year, \$5.4 million investment in energy-saving facilities upgrades to reduce CO2 emissions by 2.65 million pounds per year. The Sustainability at Reed section on www.reed.edu provides more information on the sustainability measures that the college has implemented.

The board would like to reiterate its respect for Fossil Free Reed and commend you for the determination with which you have pursued a solution to this global issue. The board hopes that Fossil Free Reed will continue to seek ways to work with us on reducing Reed's carbon footprint. We are ready to discuss any and all such alternatives with you and other community members with similar concerns.

Sincerely,



Roger M. Perlmutter '73
Chairman
Reed College Board of Trustees