FOSSIL FUEL ITEM AS AMENDED AND APPROVED
BY THE BOARD OF TRUSTEES
January 29, 2016

PROPOSED STANDARD AND PROCESS FOR REVIEW OF DIVESTMENT REQUESTS: Voted, upon recommendation of the Executive Committee, that the Board of Trustees adopt guidelines that will assist the President and the Board in making divestment decisions regarding social responsibility, and campus groups in advancing divestment recommendations. The guidelines are set forth below and are entitled "Standard and Process for Board of Trustees Consideration of Divestment Recommendations."

“Standard and Process for Board of Trustees Consideration of Divestment Recommendations”

The following guidelines are designed to assist the President and the Board in making decisions regarding social responsibility. The standard and process set forth below shall supersede any previously adopted administrative protocols or procedures on this subject.

I. Standard to Guide Divestment Consideration

Divestment should be considered only when a company’s actions or inactions are “morally reprehensible” (i.e., deserving of condemnation because of the injurious impact that the actions or inactions of a company are found to have on consumers, employees, or other persons, or which perpetuate social harms to individuals by the deprivation of health, safety, basic freedom, or human rights. Morally reprehensible activities include apartheid, genocide, human trafficking, slavery, and systemic cruelty to children, including violations of child labor laws).

In addition, divestment should only be considered when:

- The divestment will likely have a meaningful impact toward correcting the specified harm, and will not result in disproportionate offsetting negative societal consequences; or
- The company in question contributes to harm so grave that it would be inconsistent with the goals and principles of the University.

❖ NOTE: Many activities that cause social harm do not descend to the level of being morally reprehensible; they are legal, often widely practiced, and in most cases pursued by members of the Cornell Community. Moreover, other avenues besides divestiture may be more effective. Universities best serve their educational mission by research, teaching, and outreach on key policy issues, including heightened educational initiatives; and appropriate professional and scholarly consultation by faculty and students with regulatory agencies, corporations, or other bodies.

II. Process for Review of Divestment Recommendations

A. In the event that the Board considers divestment based on social responsibility, irrespective of a constituent governance body resolution, the procedure is as follows:
1. The Executive Committee, with input from the Investment Committee and the President, deliberates on whether the criteria for divestment are met, then makes a recommendation to the full Board of Trustees.

2. The full Board of Trustees considers the resolution, then votes on whether to divest. This decision is final.

B. In the event that a constituent governance group(s) passes a relevant resolution proposing divestment, the recommended procedure is as follows:

1. The resolution is submitted to the President, with statement of position and reasoning. The reasoning must clearly document the nature and magnitude of the policies or practices of the company or companies that are asserted to cause a substantial harm.

2. The process will proceed only:
   a. if the President agrees with the resolution; or
   b. if the resolution is supported and passed by the Employee, Graduate and Professional Student, Undergraduate Student, and University Assemblies, and the Faculty Senate governance groups or their successor bodies (with or without the President’s agreement).

3. If the resolution proceeds, it is submitted to the Executive and Investment committees of the Board of Trustees, with statement of position and reasoning. Notice of the submission is given to the full Board.

4. The Executive Committee, with input from the Investment Committee and the President, deliberates on whether the criteria for divestment are met, then makes a recommendation to the full Board of Trustees.

5. The full Board of Trustees considers the resolution, then votes on whether to divest. This decision is final.

RECOMMENDED COURSE OF ACTION IN RESPONSE TO FACULTY, STAFF, AND STUDENT SHARED GOVERNANCE GROUPS’ REQUEST THAT THE UNIVERSITY DIVEST FROM FOSSIL FUEL ENERGY INVESTMENTS: Cornell’s five shared governance groups recommend that the University divest from the top 100 fossil fuel companies’ energy-related investments in its Long Term Investments (LTI). This recommendation reflects the deep wish on the part of many members of the Cornell community that the University exercise prudent environmental stewardship.

Voted, upon recommendation of the Executive Committee, the Board of Trustees adopted the following resolution:

WHEREAS, Cornell University, consistent with its mission, is committed to providing a fair and unbiased forum for scholarship, research and teaching, rather than institutional advocacy; and

WHEREAS, the Board of Trustees declared in its 1971 Investment Policy Statement that “the fundamental objective of Cornell University's investment policy is to strengthen Cornell's financial ability to fulfill its basic function as an educational institution” and that “responsibility for accepting, preserving and managing the funds entrusted to Cornell rests by law with its Board of Trustees”; and
WHEREAS, the Board further stated in its 1971 Investment Policy Statement that it welcomed points of view relating to investment matters from members of the University community which will be given thorough consideration by those charged with the responsibility for financial decisions; and

WHEREAS, there has been only one occasion when the University decided to totally divest certain investments: in 2006, when the University divested from certain companies doing business in Sudan because of that country’s illegal and morally reprehensible engagement in genocide; and

WHEREAS, in order to guide the President and the Board in making divestment decisions regarding social responsibility, and campus groups in advancing divestment recommendations, the Board of Trustees adopted at its January 2016 meeting guidelines entitled “Standard and Process for Board of Trustees Consideration of Divestment Recommendations” and

WHEREAS, Cornell’s five constituent governance groups have jointly recommended that the University divest from the top 100 fossil fuel companies’ energy-related investments in its Long Term Investments pool (LTI), such recommendation reflecting the deep wish on the part of many members of the Cornell community that the University exercise prudent environmental stewardship; and

WHEREAS, Cornell University and every member of the Cornell community has some direct or indirect connection with energy companies, including: gifts from energy companies and from alumni who work for them; enhanced endowment payouts due to investments in energy companies; University units seeking these companies’ advice on sustainability, scientists working with them in research, and students seeking jobs with them; and

WHEREAS, Cornell University, recognizing the urgent need for action to protect the environment, has taken a leading role and continues to take proactive steps toward that end, including, among other very noteworthy endeavors: engineering and employing Lake Source Cooling; changing the University’s primary fuel source from coal to natural gas; installing a solar farm; raising construction standards resulting in 17 LEED awards; and purchasing power from a wind farm; and

WHEREAS, the Board’s Investment Committee has long sought to be mindful of the issues surrounding sustainability and climate involving the LTI, having carefully considered portfolio managers for the LTI who participate in investments related to renewable energy, technological advances in the area of climate change and remediation, and appropriate husbanding of natural resources; and

WHEREAS, in applying the divestment standard of “morally reprehensible” as defined in the "Standard and Process for Board of Trustees Consideration of Divestment Recommendations”, energy companies with activities related to oil and natural gas do not meet this divestment standard because: the activities specified in the constituent governance groups’ shared resolution are legal, widely practiced, and pursued by members of the Cornell Community, and are practiced by an entire industry, rather than solely a specific company. Moreover, divestiture will not likely have a positive impact toward correcting the perceived harm, and divestiture may have unacceptable negative consequences on the endowment;

NOW, THEREFORE, BE IT RESOLVED that in accordance with the process set forth in the "Standard and Process for Board of Trustees Consideration of
Divestment Recommendations”, the Board of Trustees has determined that the University will refrain, at this time, from divestment from any fossil fuel energy investments; and

BE IT FURTHER RESOLVED that the University’s Chief Investment Officer is instructed to continue to actively seek investment managers with alternative energy investment strategies that meet the return and risk parameters as defined by the Investment Policy; and

BE IT FINALLY RESOLVED that the Board of Trustees expresses its deep appreciation to the five constituent governance groups for their thoughtful advice on this important environmental issue.