evergreen

November 6, 2024

To: Geoduck Student Union, Faculty Agenda Committee, Executive Leadership Team
From: The Investment Policy Disappearing Task Force
Re: Update on work by the Investment Policy Disappearing Task Force

Memorandum of Understanding and Charge.

On April 30, 2024, The Evergreen State College and the Evergreen Gaza Solidarity Encampment came to an agreement, memorialized in the Memorandum of Understanding, to establish four committees. Among these was the Investment Policy Disappearing Task Force. Quoting from the Memorandum, President Carmichael charged the Task Force to propose:

> …revisions to investment policies, including new proposed language on socially responsible investments/divestments. The task force will develop a definition of socially responsible investing. The DTF will address divestment from companies that profit from gross human rights violations and/or the occupation of Palestinian territories.

The Task Force was charged to include in its work plan:

1. Research
    a. Identify readings and other educational resources needed to become familiar with institutional investing and socially responsible investing.
    b. Gather information from college staff on current college and foundation investments and investment policies.
    c. Examine investment policies from other institutions.
2. Modeling
    a. To the extent possible, estimate the impact of proposed changes in investment policies on investment returns and scholarship budgets.
3. Consultation
    a. Before finalizing recommendations, seek input from members of the Evergreen community.
    b. Provide quarterly progress reports to the Geoduck Student Union, the Faculty Agenda Committee, and the Executive Leadership Team
4. Recommendations
    a. Deliver recommendations to the President by the end of Fall Quarter 2024. The President will respond in Winter Quarter 2025. The President's response will include a clear statement of the process for final decisions that would allow for implementation to begin in Spring 2025 and be completed by Spring 2026.

Process and Timeline:

The DTF met for an organizational meeting on Wednesday, June 5, during evaluation week of spring quarter. At that meeting, we agreed to meet every other week through the summer. We also surfaced clarifying questions regarding our charge to be forwarded to President Carmichael.

> *Clarification of Charge*: In correspondence between President Carmichael and the co-chairs, conveyed to the full Task Force, we understood that our recommendations are to be directed both to the Board of Trustees of the College and to the Board of Governors of the Evergreen Foundation, but that the Board of Trustees may at their discretion consult with or delegate to President Carmichael the task of responding to our recommendations. . We also understood that our recommendations to changes to the College's Investment Policy could range from "no change" to complete revision, but that in any case, our recommendations will need to rely on a full report that details careful considerations of a full range of options as well as recognition of the circumstances that gave rise to the Task Force.

At our first working meeting, on July 1, we came to two decisions about our work:

1. *Working Agreements*. We established a set of working agreements, highlights of which include:
    a. We will publish our meeting notes on the College's website;
    b. We will provide quarterly reports on our work to the Geoduck Student Union, the Agenda Committee, and the Executive Leadership Team;
    c. We will organize multiple avenues for members of the Evergreen community to provide input and feedback on our work;
    d. We will maintain confidentiality of the details of our deliberations within the Task Force;
    e. We will endeavor to reach decisions by means of a consensus process but should consensus be unobtainable after good faith efforts, we will reach decisions by majority vote.
2. *Subcommittees*. We created three subcommittees to address different aspects of our work:
    a. Socially responsible investing subcommittee: To research different definitions and screens that fall under the general heading and share findings with the Task Force.
    b. College and Foundation finances subcommittee: To gather information about the disposition of funds owned by both the College and the Evergreen Foundation and share findings with the Task Force.
    c. Investment policies at other institutions: To research the investment policies at a range of institutions of higher education that are comparable with Evergreen.

Research.

The bulk of our efforts in the summer was dedicated to the first element of our work plan, research. Our subcommittees did this work and reported to the full Task Force on their results, as summarized below.

Socially Responsible Investing.

The subcommittee on socially responsible investing shared their preliminary findings with the full Task Force over the course of two meetings, on August 12 and 26. Below is a summary of the subcommittee's findings:

- Socially responsible investing (SRI) encompasses a diverse range of principles and practices, but generally seeks to integrate personal or organizational values and commitment to environmental, social, and governance (ESG) goals into the investment process. Three primary principles of the modern SRI movement are screening, ESG integration, and corporate engagement.
    - **Negative screening** excludes particular industries and/or companies from an investment portfolio based on a set of criteria determined by the asset owner. Conversely, **positive screening** prioritizes investment in, or limits investment exclusively to, companies that meet certain desirable criteria.
    - **ESG integration**, or simply "ESG," refers to the consideration and incorporation of environmental, social, and governance factors into the investment process.
    - **Corporate engagement** involves shareholders leveraging their position to attempt to change a company's practices. Tactics might include proxy voting, filing shareholder resolutions, dialoguing with management, or divesting as part of collective action.
- SRI and ESG integration are generally consistent with the legal obligations of fiduciary duty. Modern portfolio theory, which is the standard in the US, establishes that fiduciaries are not legally obligated to obtain the greatest possible returns on each investment. Rather, fiduciaries have a duty to implement an overall investment strategy that is rational and appropriate to the fund. While fiduciaries themselves are not permitted to make investment decisions solely in the interest of their own personal views, SRI and ESG considerations may be integrated to express the views of the beneficiaries of a fund on issues beyond financial return. Some degree of ESG integration may in fact be obligatory, as there is a credible body of evidence showing that ESG factors play a role in the proper analysis of an investment's value; not integrating ESG could therefore lead to investments being incorrectly valued.
- An ESG framework alone, as it is commonly utilized in the mainstream financial world, is not sufficient to address issues of human rights and sovereign rights in investment. A socially responsible investment strategy must integrate respect for the UN Guiding Principles on Business and Human Rights, a framework unanimously endorsed by the UN Human Rights Council in 2011 that outlines the duty of both states and corporations to protect human rights, and the critical importance of human rights due diligence in fulfilling that duty.
    - Other internationally recognized norms/frameworks that should be integrated into an SRI framework include (but are not necessarily limited to) the International Bill of Human Rights, the UN Global Compact, the Kyoto Protocol, International Labour Organization standards, and the OECD Guidelines for Multinational Enterprises.

- There are several financial, legal, and reputational risks associated with neglecting social responsibility (including respect for human rights, sovereign rights, and international law) in an institution's investment policy.

- The UN Guiding Principles state that if an enterprise has a relationship with an entity responsible for adverse human rights impacts, and does not have the leverage to prevent or mitigate said impacts, it should consider ending the relationship.

● Evergreen's mission statement states that the College "supports and benefits from local and global commitment to social justice, diversity, environmental stewardship, and service in the public interest." These values can shape guiding principles for SRI by the College and its Foundation, to consider ESG screens on their investments. Evergreen's ethical principles do not stop at the boundaries of the College or of the United States. The "list of criteria for socially responsible investing" issued by Evergreen's Investment Committee in 2012 focused on "human rights [and] treatment of local populations," advocating for "diversity and women in the workforce, environmental issues, labor rights, workplace practices, product safety, [and] indigenous people's rights," and excluding companies involved in "tobacco, weapons, alcohol, [and] nuclear." Tobacco is part of Evergreen's current investment screen.

● Evergreen's SRI guiding principles could prohibit investment in companies or financial institutions whose activities facilitate or profit from gross violations of human rights, the occupation of foreign territory, degradation of the environment or climate, extreme violations of public health and safety or labor standards, discrimination based on ethnic, national, racial, religious, or sexual and gender identities, or violations of Indigenous self-determination. Evergreen would divest of firms involved in tobacco, alcohol, military weapons manufacturing, domestic gun manufacturing, private prisons, and fossil fuel or nuclear development, and encourage investments guided by ESG policies, such as human rights, workplace diversity, clean energy, and ecological regeneration.

● Gross violations of human rights and/or the illegal occupation of foreign territory are defined under international law, as determined by United Nations bodies including the Security Council, General Assembly, Human Rights Council, International Court of Justice, and International Criminal Court. Gross violations of human rights include (but are not limited to) the collective punishment of civilian populations, violent persecution based on ethnic, national, racial, religious, or sexual and gender identities, and the forced removal (or "cleansing") of civilians with such identities.

● Evergreen divested from apartheid South Africa based on a Board of Trustees vote in January 1985, which was in effect until apartheid ended in 1994. Evergreen's current policy prohibits direct investment in companies doing business in Sudan due to the military government's "sponsorship of genocidal actions and human rights violations in Darfur." The illegal occupation of foreign territory may include human rights violations, but also precludes sovereign rights and the free exercise of national self-determination by an occupied population. From this perspective, examination of the occupation of the West Bank is as pertinent as the on-going war in Gaza.

● Evergreen's standing policy on Sudan could be extended to firms doing business in other countries that are subject to action by international legal bodies (on violations of human and/or sovereign rights) and global divestment campaigns. These criteria could currently include firms enabling the military government of Myanmar (formerly Burma) to make the country a "human rights abyss," facilitating or profiting from China's mass detention of members of the Uyghur ethnic-religious minority, facilitating or profiting from Israel's illegal occupation of Palestinian territories (West Bank, East Jerusalem, and Gaza) and gross violations of human rights throughout Israel and the occupied territories, or doing business with Russia, due to its gross human rights violations within illegally occupied territories in Ukraine.

● The socially responsible criteria section of the Investment Committee exists on paper, but that Committee has not met in recent years. Pursuant to the current College Endowment Investment and Spending policy, "consistent with college values," Evergreen's Investment Committee will "select investment options that meet the college's criteria for socially responsible investment," using "guiding principles." The College's "set of socially responsible criteria shall be reviewed and updated every three years by an expanded committee with membership including at least two faculty and two students in addition to membership of the standing committee."

● An expanded Investment Committee (with at least two faculty and two students) could be tasked to meet annually, beginning in spring 2025, and be empowered to consider proposals to prohibit investments in companies or financial institutions that it determines violate the new set of SRI guiding principles. In keeping with Evergreen's values, the Committee would consider future requests by civil society in persecuted or occupied countries for divestment from firms that become the subject of actions by international legal bodies and global campaigns. The Committee would exercise transparency in its examinations of College finances, account for shifts in the College's financial situation, and undergo a public review process for changing or rescinding implemented policy.

College and Foundation Finances.
The subcommittee on College and Evergreen Foundation finances presented their findings to the full Task Force on July 15. Below is a summary of their findings:

- The Task Force was charged to address the investments of both The Evergreen State College (The College), and The Evergreen State College Foundation (the Foundation). The College and the Foundation are two separate legal entities. The College is a state agency; thus the disposition of its funds is constrained by laws and regulations governing public agencies. The Foundation, by contrast, is a private non-profit organization classified by the Internal Revenue Service as a 501(c)3, and so the disposition of its funds is constrained by different laws and regulations that on the whole allow a greater range of uses than do the laws and regulations governing College funds. The relationship between the College and the Foundation is governed by a five-year agreement between the two entities.

- The College invests its funds with two entities:
    - State Funds (which include state appropriations, tuition, government grants, and other funds) are placed in the Local Government Investment Pool, which is managed by the Washington State Treasurer's Office and is invested in compliance with RCW 39.59.040 and the College Investment Policy (https://www.evergreen.edu/policies/collegeinvestment);
    - Endowed Funds (from donations by private donors and matched by state funds) are invested with Pacific Financial Management Services, which manages the College's funds as governed by the
        - College Investment Policy (https://www.evergreen.edu/policies/collegeinvestment);
        - College Endowment Investment and Spending Policy (https://www.evergreen.edu/policies/collegeendowmentinvestmentandspending)
- The Evergreen Foundation invests its funds with two entities:
    - Endowed Funds (derived from donations to support student scholarships and grants to faculty) are deposited with the University of Washington in their Combined Endowment Fund. The University of Washington manages this fund according to the Combined Endowment Fund's investment policy (link: https://www.uwinco.uw.edu/files/2024/07/cef-invst-policy.pdf);
    - Unrestricted Funds (discretionary funds, derived from unrestricted donations and investment earnings derived from them) are managed for the Foundation by Morgan Stanley according to the Foundation's Investment and Spending policy (https://www.evergreen.edu/policies/collegeendowmentinvestmentandspending).

Policies at Other Institutions.

The subcommittee on investment policies at other institutions shared their findings with the full Task Force on July 29. In Washington, our four-year public higher education institutions do not have investment policies in common. The subcommittee reviewed the policies of Evergreen's peer institutions to assess where our policies stand in relation.

- The University of Washington maintains a Consolidated Endowment Fund currently estimated at $4.9 billion. **The Evergreen State College Foundation has $21.5 million invested in that fund, the bulk of our investment resources.** The fund is considered by endowment experts to be low cost and high yielding, producing more investment returns than Evergreen would earn if it was investing on its own. Investment returns go to support Evergreen student scholarships and the student emergency fund.

    Over many decades, UW regents have made decisions to divest from tobacco companies, companies profiting from wars in Sudan and Darfur, and most recently from fossil fuels. UW maintains an Advisory Committee on Socially Responsible Investing, which convenes when the Board of Regents receives requests to divest that meet certain criteria. The Board Governance committee reviews requests for divestment, and if they meet the criteria, refers the requests to the committee, which convenes as needed.

- In contrast to UW, Washington State University has no publicly available policy on divestment of any kind. The university's holdings are a traditional mix of equities, fixed income, real estate and other assets. They do not appear to screen for fossil fuels or subscribe to ESG investment strategies. They have no advisory committee.
- At the end of May 2024, Western Washington University signed an agreement with a student-led group to form an Advisory Committee on Socially Responsible Investing (ACSRI) and develop a socially responsible investment policy. The divestment policy is currently in development and the ACSRI committee is still being formed.
- Central Washington University has a Council on Investor Responsibility which consists of students, staff and faculty. As part of CWU's 2023-2024 Climate Action Plan, the Council is charged with developing ESG screens for university investments.
- Eastern Washington University has incorporated socially responsible investing into its investment policy. EWU's investment policy includes a specific goal of divesting from fossil fuels.

We also looked at out-of-state institutions like Reed College, Union Theological Seminary, Brown University, University of California – Berkeley, and Oregon State University. Common themes were a stated dedication to investment returns, and divestment processes (if they existed) that had a high threshold of criteria for divestments to be considered.

- Reed College divested from South Africa in the 1980s. Reed also does not invest in fossil fuels.
- Union Theological Seminary, a private Christian college connected to Columbia University, decided in May 2024 to divest from "companies substantially and intractably benefiting from the war in Palestine."
- Brown University has an advisory committee, Advisory Committee on University Resources Management (ACURM), similar to some other large universities across the country. They estimate that 25% of their endowments are being managed with an ESG lens, with an aspiration to do more. Brown has previously divested from Sudan, and tobacco.
    - Brown has had two high-profile votes on divestment from the conflict in Israel (2020 and 2024). In 2020, the committee recommended divestment, but that recommendation was denied by the president under the rationale that the recommendation did not articulate how financial divestment would address social harm. In 2024, the committee recommended against divestment by a vote of 8 to 2 with similar rationale, and that Brown's investments were "de minimis" in their size.
- University of California-Berkeley, like Brown, uses external financial managers for their endowments. Also like Brown, Berkeley has an "ESG Subcommittee", which evaluates whether company actions are "directly causing social injury" or are violating national/international laws. The subcommittee's guidelines include the threshold of "divestment will clearly diminish the social injury in question." Berkeley's subcommittee is distinct from other institutions in that the subcommittee has defined what "divestment" looks like, including: divestment of asset, divestment of derivatives, suspension of further investment, and discussion with fund managers when it comes to commingled funds.
- Oregon State University carries some similarities and some differences from other institutions based on both its structures, and history of calls for divestment. A call for divestment from fossil fuels during the

2013-2014 school year led to the creation of an Advisory Committee for Public Input on Investments through the Oregon State University Foundation. Like Western Washington University, Oregon State has recently established new task forces to examine questions of divestment. A Task Force on Responsible Investing, and a Task Force on Responsible Procurement, were created with work beginning in the fall quarter of 2024 and estimated recommendations for the Board of Trustees (Responsible Investing), and President (Responsible Procurement) by the end of the school year.

Public Outreach and Comment Planning.
The Task Force had ongoing discussions throughout the summer regarding processes for getting comments and feedback. Our goal is to develop a process that allows for all members of the Evergreen community – including students, faculty, staff, and administrators, past and present – to participate meaningfully. We have contemplated a number of different structures for gathering feedback. We have created an online form to collect feedback from the public at large, including both current and former members of the Evergreen community. This form is available on the Evergreen website, at https://forms.office.com/Pages/ResponsePage.aspx?id=98-tIm_ApkmPIFBxHEDdquvLkiXoOV5LrL3A7GkS-x9UNk1ESFZXWlEzN0ZFMEc2QkhINkhRQjBWWC4u.

Much of our effort has been directed towards in-person meetings of some kind. We have approached both the Agenda Committee and the Geoduck Student Union to discuss outreach to faculty and students, respectively. We have also begun efforts to provide opportunities for staff to provide feedback. The challenge is that staff members work in widely disparate areas and consequently have differing availability for participating in in-person meetings. Different members of the Task Force have taken up the responsibility of reaching out to different administrative divisions within the college.

We met with Advancement staff in late October, and we expect to be on the agenda for the Faculty Meeting on November 20. We are pursuing outreach to students in coordination with the Geoduck Student Union.