

December 6, 2013

Dear Adam, Alexander, Angelica, Anna, Brianne, Jocelyn, Lydia, Margaret, Quina, Rachel, Kirsten, Tim, Vesta, and Xander, and members of the Earlham community,

For over 18 months, the students and alumni of REInvestment have patiently engaged with the Socially Responsible Investment Advisory Committee (SRIAC) on the issue of coal and other fossil fuel divestment. You have asked Earlham to divest from coal and other fossil fuel companies to be more in keeping with Earlham's values, to invest in more sustainable companies, and to influence other institutions. Members of the committee are deeply grateful for this dialogue and the manner in which REInvestment has pursued the issue.

Earlham does not normally invest in securities of companies involved with tobacco, alcohol, gambling, or certain war-related companies. Because Earlham believes that certain behaviors are contrary to the desired order for which Friends have historically worked and witnessed, certain industries are defined to be outside the range of those in which Earlham desires to invest and derive profit.

While many in the Earlham community feel similarly about companies that profit from the ownership, extraction and burning of fossil fuels, many others think these activities are not inherently bad and that not all fossil fuel use is irresponsible. As a community, we lack unity on the issue.

Further, limiting the choices our investment managers may make is not without cost or risk. By eliminating specific companies or sectors from the range of investment options available, we also reduce our ability to diversify investments to hedge against risk. If our return on investment suffers, even by a small amount, we lose income to fund opportunities for current and future generations of students.

The dilemma that started our conversation remains: we all agree that the extraction and combustion of coal and other fossil fuels raise serious questions about how we care for the planet and its people. But we also continue to benefit from the energy generated by coal and other fossil fuels.

In the spirit of the Quaker Testimony of Integrity and our ongoing desire for consensus, we do not find it consistent at this time to recommend divestment of all coal or other fossil fuel related investments.

But that does not mean we are unconcerned or refuse to act at all.

SRIAC believes:

- We should continue and expand our community's work on sustainability<sup>1</sup> and on what we can do as a college to reduce our dependence on fossil fuels.
- When appropriate, we should recommend, in accordance with the SRI policy, that Earlham engage in shareholder action to encourage responsible and sustainable

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<sup>1</sup> Earlham College Comprehensive Sustainability Plan:

[http://issuu.com/sustainability\\_office/docs/comprehensive\\_sustainability\\_plan](http://issuu.com/sustainability_office/docs/comprehensive_sustainability_plan)

corporate behavior by coal and other fossil fuel-related companies in the Earlham portfolio of direct investments. (The SRI policy explicitly excludes mutual funds from SRIAC's purview. Earlham's SRI investment screens do not apply to mutual funds and limited partnership investments held by the Foundation.)

- For those fossil fuel companies unresponsive to shareholder action and whose business practices we judge to be irresponsible use of the environment (e.g, materially engaged in mountaintop removal mining practices), we must recommend divestment, in accordance with the SRI policy.

Many factors have brought us to these determinations:

- In our research we discovered that no company currently in our investment portfolio is materially engaged in the destructive process of mountaintop removal. Should that change, we will recommend shareholder action or divestment.
- No consensus has emerged in the wider Earlham community about whether Earlham's investments are a proper tool with which to address the overall concern. Earlham's mission is an academic one, not a political one. We are wary of stretching the boundaries of the guidelines of the SRI policy without further direction from the Board of Trustees. Going further on this issue at this time could stretch those boundaries.
- SRIAC is not able to direct funds from the endowment to be used for capital or operating projects. Withdrawing money from the endowment to invest in an on-campus sustainable energy initiative would need to generate the same kind of risk/return as keeping the money invested and is an action that falls under the purview of the Board of Trustees.

It should be noted that the SRIAC is a group that is intended to review, evaluate, consider, and make recommendations relating to investments by Earlham and the Foundation within the framework of pre-existing policy guidelines<sup>2</sup>. SRIAC is not a policy-making group, and its discussions and any recommendations should not be construed as the policy for Earlham College.

As we move forward under the SRI policy, we expect to give greater scrutiny to individual companies, in cooperation with REInvestment and other interested community members, to determine whether the extraction or use of fossil fuels by the company constitutes irresponsible use of the natural environment. In cases where we judge that shareholder advocacy or divestment is warranted, we will recommend appropriately. We hope that a sharp focus on divestment will not undermine continuing discovery on what we can do as a college to reduce our dependence on coal and other fossil fuels. We look forward to continued dialogue with REInvestment and the larger community.

Sincerely,

Ray Ontko,  
for the Socially Responsible Investment Advisory Committee

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<sup>2</sup> Earlham SRI Policy: <http://www.earlham.edu/policies-and-handbooks/general/socially-responsible-endowment-investments-policy-for-earlham-college-and-the-earlham-foundation/>