

## Proposals for MIT Investments in the 2021 MIT Climate Action Plan

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### Executive Summary

Investments are a crucial part of MIT's climate action goals. Although joining Climate Action 100+ and establishing the MIT Climate and Sustainability Consortium are first steps in improving high-emissions industries, MIT must lead by example. Just as MIT's own research encourages climate financial disclosure, Environmental, Social and Governance (ESG) criteria, and annual reporting from companies, we recommend that the MIT Corporation incorporates its own socially responsible investing principles: Transparency and Public Commitments, Climate and ESG-Oriented Portfolios, and a Framework for Accountability and Community Input. Additionally, we recommend that MIT takes specific actions aligned with the majority student opinion and divest from the fossil fuel industry. Through these steps, MIT should ensure that its investments are consistent with its goals for climate action while also establishing itself as a leader among its peers.

### Introduction

To begin this report, we would first like to commend the MIT Investment Management Company (MITIMCo) for joining Climate Action 100+ (CA100+).<sup>1</sup> After five years of ambiguous action, joining CA100+ has the potential to be an encouraging first step as MIT explores addressing climate change through its investments. While this may be a positive start, it should be the first of many more decisions to ensure that MIT's investments are aligned with its other climate action efforts.

The Epstein scandal<sup>2</sup> and Saudi Arabia controversy<sup>3</sup> revealed weaknesses in MIT's policies on external donations and financial relationships, leading to the Outside Engagements Report<sup>4</sup> that outlines how donations and research partnerships should be evaluated. Just as the MIT

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<sup>1</sup> "New year, new MITIMCo: MIT's chance to lead in socially ... - The Tech." 18 Feb. 2021, <https://thetech.com/2021/02/18/socially-responsible-investing-op-ed>. Accessed 18 Feb. 2021.

<sup>2</sup> Hsu, Tiffany, et al. "Jeffrey Epstein Gave \$850,000 to M.I.T., and Administrators Knew." *The New York Times*, 10 Jan. 2020. *NYTimes.com*, <https://www.nytimes.com/2020/01/10/business/mit-jeffrey-epstein-joi-ito.html>.

<sup>3</sup> "Report Reassesses MIT's Relationship with Saudi Arabia." *MIT News | Massachusetts Institute of Technology*, 6 Dec. 2018, <https://news.mit.edu/2018/provost-report-assesses-mit-relationships-saudi-arabian-entities-1206>.

<sup>4</sup> *Final Report from Ad Hoc Faculty Committee on Guidelines for Outside Engagements*. Massachusetts Institute of Technology, 15 Dec. 2020, [https://facultygovernance.mit.edu/sites/default/files/2020-12\\_Final\\_Report\\_of\\_the\\_Ad\\_Hoc\\_Faculty\\_Committee\\_on\\_Guidelines\\_for\\_Outside\\_Engagements.pdf](https://facultygovernance.mit.edu/sites/default/files/2020-12_Final_Report_of_the_Ad_Hoc_Faculty_Committee_on_Guidelines_for_Outside_Engagements.pdf).

community encourages these new policies on donations, students want a focus placed on investments; the Undergraduate Association Sustainability Survey shows that information on MIT's investments is the most searched-for topic among respondents.<sup>5</sup>

Sustainable investing and high returns are not competing forces. If we fail to account for financial risk from externalities, such as climate change, our investments will suffer long-term. This, along with the clear ties between Environmental, Social, and Governance (ESG) principles and stronger financial performance, is an overwhelming case to integrate ESG criteria. Research from more than 2000 studies show that ESG has a positive impact on equity returns and that corporations and investors that incorporate ESG criteria are less likely to go bankrupt.<sup>6</sup> Another contention is that other schools' endowments are well ahead of us: 11 of our peer research institutions (Harvard, Stanford, Yale, the University of California, Oxford, Northwestern, Cambridge, Columbia, Brown, Cornell, Dartmouth) all have explicit ESG investing principles and standing committees on shareholder responsibility that operate in the best interest of both the endowment and society. In an article<sup>7</sup> for his *Forbes* column, tenured Oxford and Harvard Business School professor and MIT alumnus Robert Eccles concludes that tech schools lag behind their liberal arts peers in this regard. Joining CA100+ affirms that MIT is reshaping itself; this MIT is beginning to resemble the MIT that is a global leader of innovation, research, and technology addressing climate change. MIT is perhaps ready to do what Eccles calls for: to be the first tech school to break a tradition of inertia and establish a permanent framework for ESG investing.

Based on its current investment principles<sup>8</sup>, which are purely focused on generating returns, MITIMCo searches for partners with “motivations beyond money,” claiming to engage only with investors of “the highest standards of ethical behavior and strong reputations of fair dealings with others.” In accord with these statements, MIT must align its *value*-based investing with *values*-based commitments, following the footsteps of the modern investment community in accounting for climate risk and ensuring optimal returns. We can create sustainable returns for stakeholders while contributing to a sustainable society if we adhere to the priorities and actions that follow.

We call on MIT to incorporate three new *socially responsible* investing principles:

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<sup>5</sup> Undergraduate Association Committee on Sustainability. *Sustainability Survey Data Report.Pdf*. Massachusetts Institute of Technology, 2021,

[https://drive.google.com/file/d/1sRMQL-w5Kybn4bcHKOBqU1xJ5rcdVlby/view?usp=embed\\_facebook](https://drive.google.com/file/d/1sRMQL-w5Kybn4bcHKOBqU1xJ5rcdVlby/view?usp=embed_facebook).

<sup>6</sup> Friede, Gunnar, et al. “ESG and Financial Performance: Aggregated Evidence from More than 2000 Empirical Studies.” *Journal of Sustainable Finance & Investment*, vol. 5, no. 4, Taylor & Francis, Oct. 2015, pp. 210–33, doi:10.1080/20430795.2015.1118917.

<sup>7</sup> Eccles, Robert G. “The Curious Case Of Engineering Schools And Sustainable Investing: MIT Is Not Alone.” *Forbes*, 10 Jan. 2021,

<https://www.forbes.com/sites/bobeccles/2021/01/10/the-curious-case-of-engineering-schools-and-sustainable-investing-mit-is-not-alone/>. Accessed 16 Feb. 2021.

<sup>8</sup> *Investment Principles – MITIMCo*. <https://mitimco.org/investment-principles/>. Accessed 16 Feb. 2021.

- 1) **Transparency and Public Commitments**
- 2) **Climate and ESG-Oriented Portfolio Goals**
- 3) **A Framework for Accountability and Community Input**

With each principle, we suggest actionable items for progress and accountability. While these steps are relevant to addressing the climate crisis from a financial standpoint, we underline that they are a comprehensive decision-making framework to address *all* future ethical, environmental, and humanitarian issues that may arise, and having these policies in place would have resulted in a more streamlined response to past crises in Sudan and South Africa.

**Implementation of these steps is independent of questions such as divestment vs. engagement and would not necessarily make large-scale action more frequent; we simply present a framework to make decisions on, but not limited to, those issues more efficiently and transparently.**

Furthermore, the next portion of the Student Climate Action Plan recommendations builds off student opinion and asks for MIT **to publicly divest from the fossil fuel industry**. This is an ask consistent with widespread undergraduate student positions on the topic, as seen in the UA Sustainability Survey, and is also consistent to be incorporated along with the three principles presented here.

Given the urgency of climate change and the need for MIT to adhere to sustainable principles in all facets of its operation, MIT needs to take more aggressive approaches to sustainability in its investments. **This starts by listening to its students—we urge MIT to incorporate the three priorities outlined below and commit to actions asked for by large portions of the student population, including fossil fuel divestment.**

## Three Principles

### Principle #1: Transparency and Public Commitments

While the MIT administration admirably pushes initiatives to research climate scenario analysis,<sup>9</sup> strengthen corporate financial disclosure,<sup>10</sup> and encourage transparency from companies, the endowment heeds little of our own research. As mentioned above, MITIMCo recently joined the CA100+ network, and a December 2020 conversation between Seth Alexander and the Climate Action Advisory Committee<sup>11</sup> revealed that less than 1% of our endowment is invested in fossil

<sup>9</sup> "MIT Scenarios for Assessing Climate-Related ... - MIT Global Change." 31 Dec. 2019, <https://globalchange.mit.edu/publication/17392>. Accessed 19 Feb. 2021.

<sup>10</sup> "MIT report provides guidance on climate-related financial disclosures." <https://news.mit.edu/2019/climate-financial-disclosures-1106>. Accessed 19 Feb. 2021.

<sup>11</sup> "Climate Action Advisory Committee | MIT Climate Portal." <https://climate.mit.edu/climate-action-advisory-committee>. Accessed 19 Feb. 2021.

fuel assets—but neither of these decisions have been publicly communicated. Our endeavor to shift the business models and reporting practices of high-emissions industries is commendable, but without statements to back actions, the steps MIT takes in the privacy of board meetings set a poor example for the very companies we hope to better. **In accord with our own advice to others and MIT standards for conduct,<sup>12</sup> our decisions require disclosure.**

Currently, neither our decision to join CA100+ nor the approximate percentage of our fossil fuel holdings have been clearly communicated to the MIT community, such as through a community-wide email or press release like those announcing the Suri and Fisher reports.<sup>13</sup> If MIT were to take a lead investor role in CA100+, create an ESG investing framework, establish a standing committee on investor responsibility, or decide to divest from fossil fuel assets or a different industry in the future, we expect that these decisions will be publicly communicated through MIT News press releases and permanently recorded on the endowment website. In addition, we call for MIT to complete annual reporting on the sustainability of its investments, following standards such as those presented by the United Nations Principles for Responsible Investment (PRI)<sup>14</sup> network.

A common argument against completing annual reporting and making public statements about our important financial decisions is that these communications may compromise our returns. We clarify that we do not expect MIT to release detailed information on its portfolio past the information required by the PRI or other ESG standards boards, which thousands of companies and investors are required to complete. We understand that more than 80% of the endowment funds are managed by external partners, and that MITIMCo controls mostly commercial real estate assets. However, we believe that completing annual ESG reporting is a valuable exercise for informing stakeholders of where we stand and better understanding our own investments, given the externally-managed nature of our holdings. Furthermore, 11 of our peer universities, four of which have larger endowments than MIT,<sup>15</sup> all have publicly stated ESG principles or standing committees on statements on their websites and still maintain high returns.<sup>16</sup> There is also extensive literature on why such an argument is based on false thinking: Harvard Business School professors George Serafeim and Robert Eccles found that corporations following publicly stated ESG principles outperformed a control group of similar corporations.<sup>17</sup> **Thus, the MIT**

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<sup>12</sup> "Responsible and Ethical Conduct at MIT: Home." <http://conduct.mit.edu/>. Accessed 19 Feb. 2021.

<sup>13</sup> "Final Suri and Fisher reports, and next steps | MIT Organization Chart." [https://orgchart.mit.edu/node/6/letters\\_to\\_community/final-suri-and-fisher-reports-and-next-steps](https://orgchart.mit.edu/node/6/letters_to_community/final-suri-and-fisher-reports-and-next-steps). Accessed 19 Feb. 2021.

<sup>14</sup> "PRI | Home." <https://www.unpri.org/>. Accessed 19 Feb. 2021.

<sup>15</sup> "College and university endowments post worst returns in five years." 19 Feb. 2021, <https://www.insidehighered.com/news/2021/02/19/college-and-university-endowments-post-worst-returns-five-years>. Accessed 19 Feb. 2021.

<sup>16</sup> Eccles, Robert G. "The Curious Case Of Engineering Schools And Sustainable Investing: MIT Is Not Alone."

<sup>17</sup> Eccles, Robert G., et al. "The Impact of Corporate Sustainability on Organizational Processes and Performance." *Management Science*, vol. 60, no. 11, Nov. 2014, pp. 2835–57. DOI.org (Crossref), doi:10.1287/mnsc.2014.1984.

**endowment should improve its transparency around important decisions and ensure that its commitments are publicly stated.**

## **Principle #2: Climate and ESG-Oriented Purpose and Portfolio Goals**

MITIMCo understanding and expressing its purpose will not only unify MITIMCo and the MIT community but also provide a framework for consistent decision-making and sustainable long-term financial returns. **MITIMCo should release an annual, one-to-two page statement of purpose<sup>18</sup> that clearly describes climate and ESG goals, commitment to important stakeholders, and interactions with the MIT community.** In addition, the statement of purpose will identify issues of materiality and climate risk and how to best report on them.

Given that MIT’s stated community purpose is to “work wisely, creatively, and effectively for the betterment of humankind,”<sup>19</sup> the statement of purpose should help the board formulate strategies that oversee the fulfillment of this mission of “service to the nation and the world.” Though the MIT endowment is non-profit and does not have fiduciary responsibilities to shareholders like corporations do, it still seeks high returns to support the activities of the Institute and the partners it works with. Thus, MIT should identify key stakeholders most critical to long-term sustainability and value creation, as well as articulate a clear connection between the endowment’s responsibility to generate profits and its purpose to support MIT in improving society. This will ensure that the goals of the endowment are well-aligned with the values and vision it supports at the Institute.

A strength of the statement of purpose is that it grounds the Corporation in values instead of the management individuals at any point in time, so that the Corporation can seek and produce long-term value even as leadership or structure changes. Though many institutes have mission or vision statements, these are not signed by the board of trustees. A truly effective statement should have the approval and commitment of the highest authority of the institution—in this case, the 73 members of the MIT Corporation board of trustees.

The statement of purpose should specify a time frame in which it reevaluates its strategy and capital allocation based on current research and the interests of the stakeholders it serves. We suggest that MIT create a five-year horizon for evaluating value creation and sustainability, aligning with the updates to MIT’s Climate Action Plan. This time horizon should be clearly disclosed in each statement of purpose and the process of re-evaluation outlined.

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<sup>18</sup> Eccles, Robert G. “The Statement Of Purpose And What You Need To Do.” *Forbes*, 23 Aug. 2019, <https://www.forbes.com/sites/bobeccles/2019/08/23/the-statement-of-purpose-and-what-you-need-to-do/>.

<sup>19</sup> “MIT Facts 2020: Mission.” *MIT Facts*, <https://web.mit.edu/facts/mission.html>. Accessed 16 Feb. 2021.

Beyond the creation of a five-year horizon, the goals included in each revision of the statement of purpose should be aggressive and aligned with MIT's role in shifting the world to more sustainable operations. Each annual or biannual statement of purpose will list updates and provide changes to respective goals, and these updates should ensure that MIT is doing everything in its power to drive sustainable and climate-positive investing. This may incorporate a net-zero portfolio goal by 2050 or earlier, similar to ones that Harvard, Stanford, Yale and Cambridge have committed to.

At the UA Council Meeting on February 18th, 2021, Diane Greene said that the Corporation is considering a carbon-neutral portfolio commitment, but expressed uncertainty because current members of the Corporation would not be present in 2050, and they are unsure about their ability to follow through. The point of a commitment is to dedicate an organization to a cause, even if not all the steps are clarified yet. We are certain that the many other endowments, funds, companies, and investors who have taken this decision have not done so lightly—if they can reach this conclusion, we hope MIT will consider it as well. Thus, we encourage, but do not prescribe, the Corporation to incorporate a carbon-neutral portfolio commitment in its statement of purpose.

### **Principle #3: A Framework for Accountability and Community Input**

We propose two methods to establish a framework for accountability and community input. The first is a Standing Committee on Investor Responsibility (SCIR), added as a sixth standing committee<sup>20</sup> to the MIT Corporation's existing decision-making structure. The SCIR would follow a similar structure to existing committees at our peer schools and was previously proposed by the UA and GSC in 2007.<sup>21</sup> MIT refused at the time because they believed the temporary Advisory Committee on Shareholder Responsibility (ACSR) and Corporation Joint Advisory Committee (CJAC) fulfilled these responsibilities. However, the ACSR has not convened since 2008, and the CJAC's role is not to discuss responsible investing issues. The SCIR would solely address responsible investing issues, with at least two undergraduate, graduate, and alumni representatives, and at least one faculty representative from every department of MIT. We suggest that the SCIR meet at least bimonthly, with more frequent meetings called when addressing urgent issues. Meeting minutes and a written record of recommendations or decisions made by the SCIR should be available to the MIT community through Kerberos access.

As a body with decision-making power, like the other Corporation committees, the SCIR should:

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<sup>20</sup> *Committees | The MIT Corporation*. <https://corporation.mit.edu/committees>. Accessed 16 Feb. 2021.

<sup>21</sup> Undergraduate Association, and Graduate Student Council. *39 U.A.S. 5.3 - 54gsc.7.5: Establishing Responsible Investing Principles at MIT*. Massachusetts Institute of Technology, 2008, [http://web.mit.edu/gsc/www/meetings/legislation/2007-08/54gsc.7.5\\_dec.pdf](http://web.mit.edu/gsc/www/meetings/legislation/2007-08/54gsc.7.5_dec.pdf).

- Draft and revise MITIMCo's statement of purpose as mentioned in Priority #2, setting clear guidelines for sustainable investing and establishing a framework for effective management, reporting, and accountability.
- Create a framework and standards for engaging with external partners, if one does not already exist, and release this framework publicly.
- Update the endowment's websites to reflect our statement of purpose, socially responsible investing principles, ESG framework, and any organizations we are signatories to, such as CA100+.
- Account for factors such as long-term financial interests, results of stress testing, materiality, and uncertainty through the lens of ESG principles.
- Make timely decisions on all urgent ethical, environmental, and humanitarian issues, such as responding to the financial impacts of the climate crisis or the question of divestment vs. engagement, with documentation leading to these decisions and ultimate recommendations released on the endowment website.
- Ensure that all important decisions are communicated to the MIT community and the public.

We do not expect that the establishment of the SCIR will make large-scale action any more frequent. Rather, the next time MITIMCo and the Corporation consider any urgent environmental or humanitarian issue, including the question of divestment vs. engagement, the decision-making process will be more systematic and transparent. By drafting the statement of purpose, completing annual reporting and revision, and planning five-year horizons for the statement of purpose, the SCIR will ensure that MITIMCo is held accountable to its ambitious, but necessary goals.

An alternative structure to the SCIR proposed above is to create two separate, hierarchical committees: one within the MIT administration, including student, faculty, and alumni representation and having power to make recommendations by consensus, and a second decision-making body within the Corporation that takes input from the recommendation-making committee to reach a final stance on ESG investing issues. This structure would likely not be as effective as the SCIR, but is a next-best alternative to the single committee organization.

Second, to gather broader input on investments, MIT should make a form available online for community members to submit feedback and proposals ahead of SCIR meetings. These proposals can be submitted anonymously by individuals or organizations, and both the submission content and the SCIR's response must be made available through Kerberos access online. In addition, submitters of non-anonymous feedback should be invited to the next SCIR meeting to briefly present and discuss their proposal or input. We also hope MIT will implement a biannual community town hall on ESG investing with MITIMCo and Corporation members present. With a governance structure and community feedback mechanism in place, this



permanent framework for accountability ensures that voices at MIT are heard in the case of climate issues and beyond.

## Summary of Proposed Socially Responsible Investing Framework

We propose a comprehensive framework for decision-making according to ESG principles and the values of transparency and sustainability. We call for MIT to establish socially responsible investing principles, a climate and ESG-oriented statement of purpose, and a set of standards for engaging with external investing partners, as well as prioritize transparency and accountability in all decisions. The SCIR, representing the interests of the entire MIT community, should be the decision-making body implementing, enforcing, and revising these goals. It should also take input from non-committee members through an online proposal and feedback form and biannual town hall.

Following in the steps of the modern investment community, this framework will unify MIT's climate action with our financial decisions, bring purpose to our investing, and optimize returns, ensuring that our long-term investments are both financially and environmentally sustainable. By taking these steps, we join the ranks of our peer institutions and establish ourselves as a model to the companies we are engaging with through CA100+ and the MIT Climate and Sustainability Consortium.<sup>22</sup> MIT can choose to be a leader in pushing for a better endowment and better world.

## Fossil Fuel Divestment

In 2015, Fossil Free MIT's campaign for divestment contributed to the creation of the MIT Climate Action Plan.<sup>23</sup> The administration chose a vague form of "engagement" on the grounds that only with research and collaboration will MIT be able to help this sector move forward on climate and that public divestment will serve to only politicize MIT and disrupt important research.

Five years later, it's clear that this form of engagement has been far from successful in moving the industry forward. MIT choosing to divest would allow the school to join an increasingly successful movement in promoting change and pressuring an entire industry to be more aggressive regarding climate action.

Students in recent surveys demonstrate high levels of support for divestment (see section on support below), implying the need for MIT to take more aggressive action on climate with respect to its investments.

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<sup>22</sup> "MIT Climate & Sustainability Consortium " <https://impactclimate.mit.edu/>. Accessed 19 Feb. 2021.

<sup>23</sup> Reif, L. Rafael, et al. *A Plan for Action on Climate Change*. Massachusetts Institute of Technology, 21 Oct. 2015, p. 25. <https://sustainability.mit.edu/resource/mit-plan-action-climate-change>.



The ask for public fossil fuel divestment is consistent with the priorities above—a commitment to transparency, an alignment with MIT values and morals, and the inclusion of the opinions of large portions of the MIT community and holding our investments accountable.

## What is Fossil Fuel Divestment

Fossil fuel divestment<sup>24</sup> is the process of removing investments, including stocks, bonds and other financial instruments, connected to companies involved with extracting fossil fuels. It is a method of climate action intended to exert pressure on companies that actively discourage decarbonizing, particularly through disinformation, greenwashing, and anti-climate lobbying. Typically, the divestment of fossil fuel companies is accompanied by a reinvestment into clean energy or communities most affected by climate change. Divestment has been used historically in outrage against the apartheid in South Africa and the tobacco industry, but the largest divestment movement to date has been that of fossil fuels with twelve hundred institutions, fifty-eight thousand individuals, and fourteen trillion dollars in assets divested to date.<sup>25</sup>

## Why Fossil Fuel Divestment

### *Unsustainable Operation*

As a whole, the fossil fuel industry has continued to operate unsustainably with much of the sector not engaging in an aggressive enough energy transition that would limit global warming to below 2°C as per the Paris Climate Agreement.<sup>26</sup> Although domestically coal is no longer a viable energy source, many companies that MIT theoretically would invest in (large oil and energy companies) still rely on oil and gas as their primary energy products with limited incentive to transition to renewables and other forms of clean energy. Given that climate change is considered a national security problem<sup>27</sup> in the United States and elsewhere in the world, remaining invested in an industry that contributes to the existential threat goes against MIT values of progress and innovation.<sup>28</sup>

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<sup>24</sup> “What Is Fossil Fuel Divestment?” *Fossil Free: Divestment*, <https://gofossilfree.org/divestment/what-is-fossil-fuel-divestment/>. Accessed 16 Feb. 2021.

<sup>25</sup> “Divestment Commitments.” *Fossil Free: Divestment*, <https://gofossilfree.org/divestment/commitments/>. Accessed 16 Feb. 2021.

<sup>26</sup> Parties to the UNFCCC. *The Paris Agreement*. UNFCCC, 2015, [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf).

<sup>27</sup> *The National Security Implications of Climate Change*. The Office of the President of the United States, May 2015, [https://obamawhitehouse.archives.gov/sites/default/files/docs/National\\_Security\\_Implications\\_of\\_Changing\\_Climate\\_Final\\_051915.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/National_Security_Implications_of_Changing_Climate_Final_051915.pdf).

<sup>28</sup> *About MIT* | MIT - Massachusetts Institute of Technology. <https://www.mit.edu/about/>. Accessed 16 Feb. 2021.

### *Climate Disinformation and Anti-Climate Lobbying*

Furthermore, remaining invested in the fossil fuel industry directly contradicts MIT's mission and values to advance science and promote fact-based innovation. Fossil fuel companies, as of 2019, have spent over \$1 billion since the Paris Agreement on “narrative capture and lobbying on climate.”<sup>29</sup>

In response to inquiries as to whether differences in individual corporate behavior merits nuance when approaching the question of divestment, MIT Divest's recent standards exercise<sup>30</sup> point out that such anti-democratic behavior is widespread in the fossil fuel industry. This document and other various articles and resources (see articles/resources section) point out, the fossil fuel industry has also engaged in practices that threaten democracy and mislead the public. From disinformation campaigns to greenwashing, the fossil fuel industry has continued to mislead the public into believing that fossil fuel companies are actively helping solve the issue when a very small percentage of capital expenditures are actually going towards viable clean energy solutions. As the Standards for Fossil Fuel Investment publication points out (as does work from the Union of Concerned Scientists<sup>31</sup> and Barnard College<sup>32</sup>), greenwashing in the form of misleading advertising and use of research partnerships (such as those at MIT<sup>33</sup>) continue to happen today.

In addition to the misleading outward-facing activities of these companies, many members of the industry engage in anti-climate lobbying in the United States to delay the energy transition in our national energy portfolio and prevent necessary environmental regulation. With respect to national politics, many fossil fuel companies took advantage of former President Trump's anti-climate administration to engage in anti-climate projects, such as the Keystone XL pipeline.<sup>34</sup> Even Dr. Maria Zuber has pointed out<sup>35</sup> that the national government in the last few years failed to become a leader on climate, as was expected in the first iteration of the Climate Action Plan. Given the connection between fossil fuel companies and the previous presidential administration's anti-climate agenda, MIT should commit to actions that express their

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<sup>29</sup> *Big Oil's Real Agenda on Climate Change*. InfluenceMap, Mar. 2019, <https://influencemap.org/report/How-Big-Oil-Continues-to-Oppose-the-Paris-Agreement-38212275958aa21196dae3b76220bdc>.

<sup>30</sup> “MIT Divest - Standards for Investments in the Fossil Fuel Industry.” *MIT Climate Portal*, 8 Feb. 2021, <https://climate.mit.edu/posts/mit-divest-standards-investments-fossil-fuel-industry>.

<sup>31</sup> “The Climate Accountability Scorecard | Union of Concerned Scientists.” *Union of Concerned Scientists*, 23 Oct. 2018, <https://www.ucsusa.org/resources/climate-accountability-scorecard-0>.

<sup>32</sup> *Climate Science List*. Barnard College, Dec. 2019, [https://barnard.edu/sites/default/files/inline-files/ClimateScienceList\\_12-2-19.pdf](https://barnard.edu/sites/default/files/inline-files/ClimateScienceList_12-2-19.pdf).

<sup>33</sup> Chen, Kristina. “EAPS Community Gathers at Teach-in to Discuss Shell Donations to Green Building.” *The Tech*, 26 Nov. 2019, <https://thetech.com/2019/11/26/eaps-teach-in>.

<sup>34</sup> Brown, Matthew. “Trump Administration Approves Keystone Pipeline on U.S. Land.” *PBS NewsHour*, 22 Jan. 2020, <https://www.pbs.org/newshour/nation/trump-administration-approves-keystone-pipeline-on-u-s-land>.

<sup>35</sup> Zuber, Maria T. *Response to “Request for Information to the MIT Administration Regarding the Institute's Relations to Fossil Fuel Companies.”* 16 May 2020. Zotero, [https://climate.mit.edu/sites/default/files/2020-05/MTZ%20MIT%20Divest%20memo%2005\\_16\\_2020.pdf](https://climate.mit.edu/sites/default/files/2020-05/MTZ%20MIT%20Divest%20memo%2005_16_2020.pdf).

disapproval of the industries' simultaneous pro-climate messaging to MIT and anti-climate messaging to the rest of the country and the world.

More information regarding the unsafe practices of fossil fuel companies can be found in the resources section below.

### ***The Strength of a Public Commitment***

Divestment needs to be a public commitment because only with a public statement can schools like MIT remove the social license for these companies to engage in unsustainable and anti-democratic activities. A public commitment also gives room for MIT to publicly sponsor and invest in green and cleaner companies and technologies. Divestment is not just a tool to address negative behavior—it is also a tool to publicly endorse positive ones.

In fact, divestment isn't mutually exclusive from other forms of engagement (see Proposal on Private Sector Engagement). While divestment may publicly stigmatize companies engaging in bad behavior, it doesn't stigmatize to the point that MIT is prevented from engaging with the same companies in other forms. To that end, divestment and other forms of engagement should be viewed as separate courses of action with limited overlap. The 2015 Climate Action Plan assumed that the term "engagement" was an all-encompassing umbrella where a single policy needed to dictate all forms of interaction with a specific industry. We ask that the administration not look at this problem singularly and to see that each path of engagement should be considered in its right for its own purpose and for its own ability to impact climate action. The later report on Private Sector Engagement analyzes other forms of private sector engagement.

## **Why at MIT**

### ***MIT Leveraging its Influence and Creating Impact***

MIT is the perfect school to utilize divestment as a tool for climate action. Given MIT's historical role as a defender of science and truth in national and international communities, MIT has a unique opportunity to apply a significant amount of pressure on the energy sector to transition quicker and more effectively. MIT has a significant level of influence among peer universities, and a commitment to this action could inspire other institutions and schools to utilize divestment as a tool. Furthermore, MIT has strong connections to local, state, federal, and international governments. In addition to mounting pressure directly on fossil fuel companies, divestment at MIT has the ability to shift conversations in other circles as well.

Given a larger representation of MIT in the new presidential administration<sup>36</sup>, fossil fuel divestment at MIT would apply even more pressure to the industry to change and to operate

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<sup>36</sup> Bradt, Steve. "Biden Taps Eric Lander and Maria Zuber for Senior Science Posts." *MIT News | Massachusetts Institute of Technology*, 15 Jan. 2021, <https://news.mit.edu/2021/biden-taps-lander-zuber-science-posts-0115>.

more sustainably. Furthermore, the reinvestment towards cleaner energy allows MIT to highlight more than any other school to the government and the rest of the economy about the importance of investing in a green future. This is an opportunity that MIT cannot miss to move the conversation forward regarding climate within MIT and around the country and the world.

### *Minimal Impact on Finances*

A common concern is divestment's financial implications on an endowment's rate of return. To date, dozens of universities have divested from fossil fuels and studies show that this policy normally has little to no impact on endowment returns.<sup>37</sup> In fact, there is evidence that keeping investments in the fossil fuel industry would have a **negative** impact on returns. This is partly because the fossil fuel industry has significantly underperformed the rest of the market in the last two decades.<sup>38</sup>

Per conversations between MITIMCo and the Climate Action Advisory Council (CAAC), in the last decade MIT has decreased its exposure to oil and gas by over 80%, with less than 1% of the endowment invested in oil and gas. The conversation also suggested that investments in coal were practically zero. It is implied this decision has been made for financial reasons. More than the average endowment, divestment poses a very small financial risk to MIT as it follows an existing trend and affects a small percentage of MIT's portfolio.

### *Minimal Impact on Research*

Another common concern is how a public fossil fuel divestment would impact research. As noted above, engagement cannot be considered singularly. Divestment and research should be viewed as two different avenues with very little interaction with one another. In fact, given that various large research universities who have strong partnerships with this industry (including University of Cambridge<sup>39</sup> with its BP Institute<sup>40</sup>) have not publicly reported loss of research funding, it is expected that there would be a minimal effect at MIT. MIT Divest's polls with University of California system professors (the UC System divested in 2020<sup>41</sup>) and other schools' has suggested that there is no tangible connection between investments and research. In fact, off the record conversations with some members of the MIT faculty and staff have also indicated that public fossil fuel divestment would not affect research funding in the short or long term at MIT. As mentioned earlier, the later section of the Student Climate Action on Private

<sup>37</sup> Ryan, Christopher, and Christopher Marsicano. "Examining the Impact of Divestment from Fossil Fuels on University Endowments." *SSRN Electronic Journal*, 2019. *DOI.org (Crossref)*, doi:10.2139/ssrn.3501231.

<sup>38</sup> Sanzillo, Tom, and Kathy Hipple. *Divestment-Brief-February-2019.Pdf*. Institute for Energy Economics and Financial Analysis (IEEFA), Feb. 2019, <https://ieefa.org/wp-content/uploads/2019/02/Divestment-Brief-February-2019.pdf>.

<sup>39</sup> "Cambridge to Divest from Fossil Fuels with 'net Zero' Plan." *University of Cambridge*, 1 Oct. 2020, <https://www.cam.ac.uk/news/cambridge-to-divest-from-fossil-fuels-with-net-zero-plan>.

<sup>40</sup> "BP Institute for Multiphase Flow." BP Institute, <http://www.bpi.cam.ac.uk/>.

<sup>41</sup> Watanabe, Teresa. "UC Becomes Nation's Largest University to Divest Fully from Fossil Fuels." *Los Angeles Times*, 19 May 2020, <https://www.latimes.com/california/story/2020-05-19/uc-fossil-fuel-divest-climate-change>.

Sector Engagement explores how other forms of engagement, such as research funding, should be considered.

### ***MIT is Late to this Form of Action***

MIT is already somewhat “late to the game” with respect to divestment. MIT never joined the many institutions who divested from South African and Darfur during those mass divestment movements. MIT, as an institution, has been very adverse to the idea of public actions that make important statements. With that being said, many schools, government institutions, and other organizations have committed to divest from the fossil fuel industry. In the last year, the University of California system, Oxford<sup>42</sup>, Cambridge, University of Illinois<sup>43</sup>, Georgetown<sup>44</sup>, George Washington University<sup>45</sup>, Cornell<sup>46</sup>, American University<sup>47</sup>, Columbia<sup>48</sup>, Brown<sup>49</sup>, and USC.<sup>50</sup> have all committed to divesting from the fossil fuel industry and investing more in green and clean energy companies. These are not small schools—they are large institutions with significant weight and influence. MIT has the opportunity to join this movement, still ahead of peers like CalTech and Harvard, and apply the necessary pressure to the industry.

### **Opinions from the MIT Community**

There is strong support for divestment in many corners of MIT from students to faculty. Although the original push for fossil fuel divestment at MIT started in 2012 with the student group Fossil Free MIT, MIT Divest, a student activist group, revived recent pushes for complete fossil fuel divestment.

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<sup>42</sup> *Oxford University and Fossil Fuel Divestment* | University of Oxford. Apr. 2020, <https://www.ox.ac.uk/news-and-events/fossil-fuel-divestment>.

<sup>43</sup> Zigterman, Ben. “UI’s New Climate Action Plan Includes Divestment from Fossil Fuel.” *The News-Gazette*, 14 Oct. 2020, [https://www.news-gazette.com/news/local/university-illinois/uis-new-climate-action-plan-includes-divestment-from-fossil-fuel/article\\_a77e26fa-eae9-5559-9e8f-7fa667a5c8c4.html](https://www.news-gazette.com/news/local/university-illinois/uis-new-climate-action-plan-includes-divestment-from-fossil-fuel/article_a77e26fa-eae9-5559-9e8f-7fa667a5c8c4.html).

<sup>44</sup> “Georgetown Increases Commitment to Sustainability Through Impact Investments and Fossil Fuels Divestment.” *Georgetown University*, 6 Feb. 2020, <https://www.georgetown.edu/news/georgetown-increases-commitment-to-sustainability-through-impact-investments-and-fossil-fuels-divestment/>.

<sup>45</sup> “GW to Eliminate All Fossil Fuel Investments from Endowment.” *GWToday*, 29 June 2020, <https://gwtoday.gwu.edu/gw-eliminate-all-fossil-fuel-investments-endowment>.

<sup>46</sup> Stamm, Kathryn. “Cornell to Effectively Divest from Fossil Fuels, Trustees Vote.” *The Cornell Daily Sun*, 22 May 2020, <https://cornellsun.com/2020/05/22/cornell-to-divest-from-fossil-fuels-trustees-vote/>.

<sup>47</sup> “American University Eliminates All Public Fossil Fuel Investments from Its Endowment.” *American University*, 22 Apr. 2020, <https://www.american.edu/media/news/20200422-divestment.cfm>.

<sup>48</sup> “University Announcement on Fossil Fuel Investments.” *Columbia News*, 22 Jan. 2021, <https://news.columbia.edu/news/university-announcement-fossil-fuel-investments>.

<sup>49</sup> Whitford, Emma. “Brown University Divests From Fossil Fuels.” *Inside Higher Ed*, 5 Mar. 2020, <https://www.insidehighered.com/quicktakes/2020/03/05/brown-university-divests-fossil-fuels>.

<sup>50</sup> Whitford, Emma. “USC Will Divest from Fossil Fuels.” *Inside Higher Ed*, 18 Feb. 2021, <https://www.insidehighered.com/quicktakes/2021/02/18/usc-will-divest-fossil-fuels>.

Since 2018, MIT Divest has gathered over 1500 signatures from the MIT community in favor of divestment. In Fall 2020, UA Sustain conducted a broad survey of undergraduate opinions<sup>51</sup> on divestment. Out of 772 respondents, 82% of undergraduates support the position and only 6.5% oppose it.

MIT Divest, with guidance from MIT Institutional Research, also conducted a faculty survey<sup>52</sup> on divestment positions. Out of 285 responses, 255 claimed to have an opinion on fossil fuel divestment. Of these 255 respondents, 60.4% claimed to support divestment. Although it is difficult to extrapolate directly to the rest of the faculty, this still implies there is a sizable fraction of the faculty who support fossil fuel divestment.

No recent survey has been conducted on the graduate population. However, it is quite apparent that in multiple areas of the MIT community, there is strong support for the public divestiture of fossil fuels in MIT's endowment.

It is clear that the MIT community has seen a failure of the Institute to take climate action with its investment. Divestment from the fossil fuel industry is the important step the school needs to take to demonstrate a commitment to climate action.

## Additional Resources

### Resources for Three Principles

#### *ESG Tools and Integration*

- [MIT Sloan Sustainability Initiative Aggregate Confusion Project](#)
- [Financial Performance of Sustainable Investing for Endowments](#)

#### *Principles for Responsible Investment (PRI)*

- [UN PRI | Home](#)
- [About Responsible Investment](#)
- [Harvard to sign on to United Nations-supported Principles For Responsible Investment](#)
- [Brown Advisory's 2020 PRI Assessment Report](#)

#### *Statement of Purpose*

- [Moving Beyond Shareholders-first Thinking: Why Boards Should Have a Statement of Purpose](#)
- [Forbes: The Statement Of Purpose And What You Need To Do](#)

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<sup>51</sup> Undergraduate Association Committee on Sustainability. *Sustainability Survey Data Report.Pdf*.

<sup>52</sup> "Report - MIT Divest Faculty Survey on Opinions of Fossil Fuel Divestment." *MIT Climate Portal*, 5 Feb. 2021, <https://climate.mit.edu/posts/report-mit-divest-faculty-survey-opinions-fossil-fuel-divestment>.



- [Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans'](#)
- [Shareholders Are Getting Serious About Sustainability](#)
- [3 Ways to Put Your Corporate Purpose into Action](#)
- [Philip Morris International's Statement of Purpose Moves a Step Closer to Action & Sets Example for Others - CECF](#)

*Peer Institutions: Commitments, Standing Committees, and ESG Frameworks*

**1. Harvard**

- [Sustainable Investing: Investing for the Long-Term | Harvard Management Company](#)
- [Net-zero portfolio by 2050 commitment \(news article\), Harvard Management Company Official Statement](#)
- Signatory of PRI and CDP's climate change program

**2. Stanford**

- [Ethical Investment Framework: Trustees adopt new investment responsibility framework for Stanford](#)
- [Investment Responsibility | Stanford Management Company](#)
- [Discussion of net-zero portfolio by 2050 commitment](#)
- [Faculty urge fossil fuel divestment \(Nov 2020\)](#)

**3. Yale**

- [Yale Investments Guidelines on Social Responsibility](#)
- [Advisory Committee on Investor Responsibility: Committee History and Mission](#)
- [Ethical Investing Policy and Divestment Framework](#)
- [Policy prohibiting investment in assault weapons](#)
- [Investment statement 2020 on climate change](#)

**4. University of California**

- [UC ESG Dashboard and Integration/Sustainable Investment Policy](#)
- [Became the \*\*largest US university system to divest\*\* from fossil fuel assets in 2020 purely for “financial risk” reasons](#)

**5. Oxford**

- [Statement on socially responsible investing](#), including divestment from assault weapons, tobacco, coal and oil, and new fossil fuel assets
- [Divested from fossil fuel assets in 2020, committed to net-zero business portfolio](#)

**6. Northwestern**

- [Signed onto the PRI in April 2016](#)
- [Mission of Endowment](#)
- [Impact and Sustainable Finance Faculty Consortium](#): funded by the Rockefeller Foundation and led by the Kellogg School of Management; is a committee made up of 200+ members from various universities to discuss sustainable finance



**7. Cambridge**

- a. [Announced divestment from fossil fuels and net zero portfolio by 2038](#) (Oct 2020)

**8. Columbia**

- a. Has an [Advisory Council for Socially Responsible Investing](#), with public membership, meeting minutes, and transparency in decision-making

**9. Brown**

- a. An [entire section of website](#) dedicated to ESG approach
- b. Formed a [Brown University Sustainable Investment Fund](#)
- c. Has an [Advisory Committee on Corporate Responsibility in Investment Policies \(ACCRIP\)](#)
- d. Signatory of PRI ([Brown Advisory's 2020 PRI Assessment Report](#))

**10. Cornell**

- a. [Divested from new fossil fuel investments](#), encouraged reinvestment in clean tech (May 2020)

**11. Dartmouth**

- a. [Page on endowment website](#) on commitment to ESG investing
- b. [Board of Trustees statement](#) on socially responsible investing and approach to divestment

***Opinion Editorials***

- [New year, new MITIMCo: MIT's chance to lead in socially responsible investing](#)
- [The Curious Case Of Engineering Schools And Sustainable Investing: MIT Is Not Alone](#)

***History of Ethical Investing at MIT***

- [2008 FAQ on SCIR](#)
- [39 UAS 5.3 – 54gsc.7.5 Establishing Responsible Investing Principles at MIT](#)
- [Panel Studies MIT's Divestment Process](#)
- [A Protracted Divestment from Sudan](#)
- [Darfur: A Pivotal Moment For MIT](#)
- [News Briefs: Recommendation on Sudan Made to MIT Corporation](#)
- [News Briefs: Recommendation on Divestment Expected in Early April](#)
- [Still Awaiting Decision on Sudan](#)
- [Anti-Apartheid student rally, 1986](#)

**Resources for Divestment*****Standards for Fossil Fuel Investments and Other Engagements***

- [MIT Divest Standards for Fossil Fuel Investments](#)
- [Union of Concerned Scientists Scorecard](#)

- [Barnard College Science List](#)
- [CDP \(Carbon Disclosure Project\)](#)
- [Transition Pathway Initiative](#)
- [Outside Engagements Report - MIT](#)
- [ESI Principles of Conduct and Engagement](#)

### *Anti-Climate Lobbying and Climate Disinformation*

- [InfluenceMap March 2019 Report - Big Oil's Real Agenda on Climate Change](#)
- [InfluenceMap October 2019 - Social Media and Political Capture](#)
- [InfluenceMap 2019 - Carbon Policy Footprint](#)
- [EAPS community gathers at teach-in to discuss Shell donations to Green Building](#)

### *Financial Case for Divestment Resources*

- [\[DRAFT\] MIT Divest Financial Case for Divestment Document](#)
- [Examining the Impact of Divestment from Fossil Fuels on University Endowments](#)
- [Larry Fink \[BlackRock\] Letter to CEOs](#)
- [Divesting Fossil Fuels: The Implications on Investment Portfolios](#)
- [Rockefeller Fund Divestment](#)

### *MIT Divest Articles and Resources*

- [MIT Divest Website and Petition](#)
- [MIT Faculty Divestment Survey](#)
- [Evaluating Dr. Maria Zuber's Response to MIT Divest's Information Request](#)
- The Tech - [On Fossil Fuel Divestment Day, MIT still refuses to act](#)
- The Tech - [What was missing at the Climate Policy Symposium](#)
- The Tech - [The case for fossil fuel divestment over engagement](#)
- The Tech - [Now is the time for MIT to divest from fossil fuels](#)
- [Fossil Free MIT Website](#)

### *Other Resources*

- [List of committed institutions](#)
- [UA Sustainability Student Survey 2020](#)

## **Conclusion**

The priorities and actions listed above incorporate work done by students for students, and addresses specific positions held by large portions of the student body. Students at MIT believe that investments are just important to address as other portions of climate action. With sustainable investing, MIT can simultaneously bring in better returns for the school to finance

student groups and better student education while also demonstrating a commitment to investing in a more sustainable and ethical future. As mentioned in the introduction, these are not competing forces.

MIT chose not to create investment policy goals in its previous Climate Action Plan. This oversight should not occur again in this upcoming version. MIT has a unique opportunity right now to address student and other community members' concerns with respect to investments. The school should take up this opportunity as a means to drive more positive climate action.

We ask MIT to take these tasks to heart—to advocate for a better future for all of us and to be the leader MIT is meant to be.