



Kum-Kum Bhavnani
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*Chair of the Assembly of the Academic Senate
Faculty Representative to the Regents
University of California
1111 Franklin Street, 12th Floor
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July 1, 2020

JANET NAPOLITANO, PRESIDENT
JAGDEEP BACHER, CHIEF INVESTMENT OFFICER

Re: Fossil Fuel Divestment Transparency

Dear Janet and Jagdeep,

The Academic Council has unanimously endorsed the attached letter signed by the chairs of UCORP, UCFW, UCPB, and UCEP, asking the University to implement transparency and oversight measures that will allow the Academic Senate and the Board of Regents to review the status of fossil fuel investments in the endowment and retirement plan, to assure the public that UC is, and remains, fossil free.

We were heartened by the University's announcement in May 2020 that it had sold its fossil fuel assets in the pension, working capital pool, and endowment, making UC's investment portfolios "fossil free." The Senate greatly appreciates the implementation of the May 2019 Memorial to the Regents, which notes:

The U.C. Academic Senate petitions the Regents to divest the University's endowment portfolio of all investments in the 200 publicly traded fossil fuel companies with the largest carbon reserves.

May 2019 Senate Memorial to the Regents, transmitted in July 2019

The Memorial's intent was to seek a permanent commitment to avoid fossil fuel investments, even if they prove to be less risky in the future. That said, we note that the Regents do not have an official divestment policy for fossil fuels and the University's actions to eliminate those assets from its portfolio was based on an assessment that such investments are too risky or unprofitable. An annual, transparent certification that UC remains fossil free would be consistent with the Memorial.

Please do not hesitate to contact me if you have additional questions.

Sincerely,

A handwritten signature in cursive script that reads "Kum-Kum Bhavnani".

Kum-Kum Bhavnani, Chair
Academic Council

cc: Chief of Staff Kao
Academic Council
Senate Directors



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June 17, 2020

**KUM-KUM BHAVNANI, CHAIR
ACADEMIC COUNCIL**

RE: Fossil Fuel Divestment Transparency

Dear Kum-Kum,

Through letters and statements over the past several years, the Academic Senate has repeatedly expressed serious concern about the University of California's investments in fossil fuels. In September 2019, the systemwide Academic Senate delivered a Memorial to the UC Regents requesting that UC divest its endowment from companies that hold substantial fossil fuel reserves. Moreover, in August 2019 the Academic Council sent a letter to the Regents via the University President asking that its investment office issue a "clear and responsible timetable, including appropriate accountability measures, for achieving full divestment in the near future." Prior to that, in 2014, the University of California joined the United Nations-supported Principles for Responsible Investing, whose signatories agree to consider environmental, social, and governing issues in their investing decisions. In this regard, UC Chief Financial Officer Jagdeep Bachher asserted that "To maximize the long-term return per unit of risk, we need to consider such systemic issues as climate change that will undeniably affect investment portfolios in the future." Indeed, the need for fossil fuel divestment is not only investment wisdom; it represents a social imperative for human health and survival -- research and educational areas in which the University of California has long displayed global leadership.

In a series of public statements, CIO Bachher and Regent Sherman have asserted that UC has gone "fossil free" (the most recent statement was on May 19 2020¹). At times, these assertions have referred to equities in the 200 publicly-traded companies that hold the largest proven carbon-fuel reserves, as compiled by Carbon Underground, but generally they have provided no details. It is universally acknowledged that divestment from this CU200 list is inadequate. The CU200 list does not include smaller fossil fuel companies, or companies that support the discovery, extraction, refining, or transportation of fossil fuels. Furthermore, public equity comprises less than half of the Endowment and Retirement Portfolios. Private equity and various managed funds, as well as bonds (i.e., long-terms loans) make up the remainder, and these may be heavily invested in fossil fuels. Besides holding and exploiting fossil fuel reserves, the carbon footprint of companies can be quantified by the carbon emissions they produce directly or which are produced in generating the energy they use. As of November 2018, UC's public equities

¹ <https://www.universityofcalifornia.edu/press-room/uc-s-investment-portfolios-fossil-free-clean-energy-investments-top-1-billion>

were worse on this measure than a weighted average of all public equities.² In short, it is unclear what is the basis of the claim that UC has gone “fossil free”.

In view of the continuing urgency of the climate crisis, we respectfully request that transparency and oversight measures be implemented that will allow the Academic Senate to review the status of fossil fuel investments in both the UC endowment and the UC retirement plans. Specifically, we request that the Chief Investment Officer provide the Academic Council an annual report that lists the direct and indirect equity and bond investments, both public and private, with the date, amount, purchase price, and current value of the holdings. This listing could be conveniently compiled as part of the annual audited report of UC pension and endowment funds carried out at the end of each fiscal year.

Sincerely,



Andrew Baird
UCORP Chair



Sean Malloy
UCPB Chair



Jean-Daniel Saphores
UCFW Chair



John Serences
UCEP Chair

Copy: Hilary Baxter, Executive Director, Academic Senate
Michael LaBriola, Assistant Director, Academic Senate
Brenda Abrams, Academic Senate Analyst
Joanne Miller, Academic Senate Analyst

² <https://www.ucop.edu/investment-office/sustainable-investment/reporting/the-carbon-footprint-of-the-uc-public-equities-holdings.html>