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LETTER FROM THE CHAIR

Dear Stanford Community:

During the 2015-16 academic year, Stanford’s Advisory Panel on Investment Responsibility and Licensing (APIRL)’s most important activity was to complete its evaluation of Fossil Free Stanford (FFS)’s request that Stanford’s endowment divest the 200 public companies with the largest fossil fuel reserves. This was a complex request. APIRL completed a robust research and outreach plan before applying the policies outlined in Stanford’s Statement in Investment Responsibility and making its recommendation to the Stanford Board of Trustees (Board) Special Committee on Investment Responsibility (SCIR). This process is unique among our university peers and allows Stanford to bring the broadest range of perspectives to bear on these important questions.

I want to thank this year’s APIRL members for all of their diligence and insight, and recognize FFS and others across the Stanford community who contributed so significantly to the heightened awareness at Stanford about global climate change, one of the defining issues of our time.

Best regards,

Susan Weinstein
Chair, Advisory Panel on Investment Responsibility and Licensing

2015-16 APIRL AGENDA

Evaluation of Request to Divest Fossil Fuel Companies

During the 2015-16 academic year, APIRL completed its evaluation of the Request for Review submitted by FFS in September 2014 to divest the 200 publicly-traded fossil fuel companies with the largest fossil fuel reserves if (i) the company was not already divested in accordance with the Board's May 6, 2014 announcement that Stanford would divest current holdings in publicly-traded companies whose principal business is the mining of coal for use in energy generation, and (ii) the company did not agree to certain conditions. These conditions included an agreement to (i) extract no more than 20% of the carbon in the company's current proven reserves, (ii) seek no new reserves, and (iii) halt lobbying efforts against climate change legislation. In addition, FFS requested that Stanford create a timeline for full divestment from the fossil fuel industry. The complete FFS request can be found at <https://irsr.stanford.edu/sites/default/files/fossil-free-stanford.pdf>.

Consideration of this request began in 2014 when APIRL formed the Environmental Sustainability Subcommittee ("Subcommittee") to complete an in-depth evaluation of the request. Because of the complexity of the issue, the Subcommittee did not complete its review in the 2014-15 academic year.

During its evaluation, the Subcommittee identified a broad range of issues relating to the fossil fuel divestment request, conducted relevant research, and met with industry experts. The Subcommittee also reached out to FFS for additional input. Upon completion of this background work, the Subcommittee had in-depth discussions about the issues, applied the principles contained in Stanford's Statement on Investment Responsibility, and provided a report of its findings and recommendations to APIRL for consideration. APIRL adopted the Subcommittee's report, which was then submitted to SCIR.

The Board responded to the FFS request to divest on April 25, 2016. The full text of the statement may be found at <http://news.stanford.edu/2016/04/25/stanford-climate-change-statement-board-trustees/>. In its statement, the Board indicated that, based on the university's Statement on Investment Responsibility and input from APIRL, the endowment will not divest. In addition, the Board highlighted Stanford's many initiatives to address climate change, and announced a new climate task force that will solicit new ideas from across the Stanford community for addressing climate change.

Town Hall

The APIRL's annual Town Hall was held May 11, 2016. Approximately 45 students, faculty, staff and other community members attended the Town Hall, which provided an opportunity for open dialogue about investment responsibility with members of the Stanford community. The Town Hall agenda began with introductions of APIRL members, an overview of the new Investment Responsibility Stakeholder Relations (IRSR) role, and a summary of APIRL policies and processes. Next, Alicia Seiger, Deputy

Director, Steyer-Taylor Center for Energy Policy and Finance, made a presentation about the Impact of Divesting, which was followed by group discussion.

APIRL BACKGROUND

In 1971, Stanford adopted the Statement on Investment Responsibility, which was most recently amended by the Board in 2015. With this statement, Stanford established APIRL, which advises and makes recommendations to the President and the Board on issues related to socially responsible investing, including recommendations on the disposition of requests from the Stanford community to take action as a shareholder which is consistent with Stanford's Statement on Investment Responsibility. In addition, APIRL makes recommendations on issues related to workers' rights in connection with Stanford's trademark licensing program. APIRL is solely an advisory body.

APIRL has 12 members selected from the Stanford community, including four students, four faculty members, two staff members, and two alumni. These members are selected by Stanford's President from nominations made by the following groups: (i) the Faculty Senate Committee on Committees nominates faculty; (ii) the ASSU Nominations Committee nominates the undergraduate and graduate students; and (iii) the Alumni Association nominates alumni.

APIRL is part of the new Investment Responsibility Stakeholder Relations (IRSR) Program that was put in place this year to (i) clarify the process for raising and evaluating issues related to investment responsibility, (ii) engage the Stanford community on these issues, and (iii) improve the efficiency and responsiveness of the University when evaluating these issues. The IRSR Program is headed by Alison Colwell, Director of IRSR, who reports to the Office of the President. The Director of IRSR's responsibilities include serving as a single point of contact for the campus community, acting as a liaison to university leadership on investment responsibility issues, working with the APIRL, and increasing dialogue about investment responsibility on campus. The IRSR program announcement may be found at <http://news.stanford.edu/2015/09/29/invest-new-job-092915/> and an interview with the Director of IRSR may be found at <http://news.stanford.edu/2016/02/08/investment-colwell-qna-020816/>.

REQUESTS FOR REVIEW

The Stanford community may raise issues about investment responsibility for consideration by APIRL through the submission of a Request for Review, which may be found at <https://irsr.stanford.edu/request-review>. Requests for Review may also be submitted by email to irstakeholders@stanford.edu.

The Director of IRSR screens Requests for Review to ensure that they are complete and within the scope of APIRL's review, as established by the APIRL Mission and Operational Guidelines and the Statement on Investment Responsibility (SIR). At that point, they are turned over to the APIRL for evaluation. When the APIRL's review is complete, APIRL makes a recommendation to the President or the SCIR, as appropriate.

For more information, please visit the IRSR website at <http://irsr.stanford.edu/>.