

**BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Tuesday, July 14, 2020, at 2:30 p.m. The meeting was held via remote conferencing due to the COVID-19 pandemic.

MEMBERS PRESENT: Chair Ron Lumbra, Vice Chair Cynthia Barnhart, Secretary Curt McCormack, Briar Alpert, David Aronoff, Robert Brennan, Kevin “Coach” Christie, Frank Cioffi, John Dineen, Johannah Donovan, Carolyn Dwyer, President Suresh Garimella, Jodi Goldstein, David Gringeri, Don McCree, Carol Ode, Ed Pagano, Shap Smith, Berke Tinaz, Tristan Toleno, and Samuel Young

MEMBERS ABSENT: John Bartholomew, Otto Berkes, and Governor Phil Scott

ALSO PARTICIPATING: Provost and Senior Vice President Patricia Prelock, Vice President for Legal Affairs & General Counsel and Chief of Staff to the President Sharon Reich Paulsen, Vice President for Finance & Treasurer Richard Cate, and Special Assistant to the Chief of Staff Erin Dickinson

Chair Ron Lumbra called the meeting to order at 2:31 p.m.

Approval of previous meeting minutes

A motion was made, seconded and it was voted to approve the minutes from the May 15, 2020, meeting as presented.

Sustainability Work Group report and recommendation

Leader Carolyn Dwyer reminded trustees that the Work Group was formed days prior to the COVID-19 pandemic. She expressed her deep appreciation to fellow Work Group members for giving their time and thoughtful consideration of the issue given the uncertain times faced by all in their professional and personal lives. She expressed her gratitude and admiration to Chair Lumbra and President Suresh Garimella for their leadership and commitment to this work recognizing the demands on their time are great and the challenges facing the institution are unprecedented. She extended appreciation to Vice Presidents Richard Cate and Sharon Reich Paulsen for their guidance and assistance.

Before presenting the report of the Sustainability Work Group, Trustee Dwyer noted the group began their work with the understanding that issues of divestment and sustainability action are complex, that there were diverse opinions to be considered, and that their action and outcomes would be significant. She wanted their work to reflect the following values: that they would listen to diverse perspectives; seek greater knowledge and learning; rely on facts and best practice; engage in constructive conversations; and seek common ground. She stated she hopes their work reflects the best of our community of higher education – a place for vigorous debate of ideas with the goal of a better UVM.

She next reviewed the format of the Work Group's report and context for accomplishing their task. The Work Group was established in March 2020 to advise the Board on fast moving trends around sustainable investment and to provide perspective to the Board on fossil fuel divestment.

Following its formation, the Work Group issued a call for public comment to the entire campus and was pleased to receive over 400 responses. During the course of two public meetings, the Work Group reviewed the input received, along with the Board's current investment policy and previous Board statements regarding fossil fuel divestment and coal divestment. The Work Group also examined the actions of other colleges and universities related to sustainability and investment practices.

In order to establish a shared foundation for evaluating the role of investments in sustainability practices, the Work Group requested a review of divestment feasibility by the Investment Subcommittee (ISC) of the Board of Trustees. It also tasked the University to provide a comprehensive report of UVM's sustainable practices, including but not limited to academic programs, research, facilities, transportation and campus programs. The breadth and diversity of efforts that were captured in the report reflect a long-standing, deep and meaningful commitment to sustainable practices, the comprehensive nature of which makes UVM a leader in higher education. A copy of that report (*UVM's Sustainability Culture and Actions*) is appended to the Work Group report and recommendation to demonstrate UVM's success and the varied approaches available to impact sustainability and demonstrate a commitment to the environment.

The Work Group reviewed existing University investments, noting current sustainable investment practices already in use. UVM's financial assets include cash reserves (managed by the University's Vice President for Finance and Treasurer), and an endowment (managed by the ISC). The cash reserves are not invested in any fossil fuel-related financial instruments. UVM's endowment is invested primarily in commingled funds, which reduce the risk of volatility due to market fluctuations. The funds are administered by independent investment managers who have investment discretion but operate according to direction received from the ISC. The UVM Foundation has a Green Fund that excludes fossil fuel investments and utilizes Environmental, Societal, and Governance (ESG) screens, including measures such as climate change.

At the Work Group's request, the ISC held a special meeting to review the feasibility of divestment from direct investments in fossil fuels. During the meeting, the ISC acknowledged financial and societal shifts since the Board last looked at the issue of divestment in 2013. It also noted the connection between divestment and the University's brand—specifically, UVM's focus on sustainability as an area of academic strength and research emphasis.

The ISC reviewed the divestment process of nearly a dozen other academic institutions along with UVM's portfolio to measure exact exposure, the potential costs and penalties, the practicality of timing, and investment management agreements. In addition, the ISC evaluated impact on asset allocation and risk return implications. It also considered the impact of imposing restrictions on the fiduciary obligation to maximize risk adjusted returns. Further, the ISC evaluated ways to more broadly incorporate ESG metrics for all investment decisions and researched investment options that focus on sustainability. The detailed analysis of the ISC reflects both the seriousness of the task and the complexity of any change in investment policy.

Trustee Dwyer reported that the Work Group recognizes the responsibility of the ISC to steward endowment assets in a manner that enables the Board to fulfill its fiduciary responsibility to protect the assets of the University in order to best enable the University to fulfill its academic

mission. The Work Group also recognizes that a large, diverse, thoughtful community like UVM's community will have well-reasoned and strongly held views on a range of issues. Where some may find personal actions and university initiatives to be the appropriate venue to address social concerns, others may advocate for action through investment decisions. Generally, it will not be appropriate to express the positions on issues of the day through investment and divestment decisions. However, in this case the Work Group believes there is common ground with respect to direct investment in fossil fuels.

Trustee Dwyer acknowledged that sustainability is integral to who UVM is as an institution and that the Work Group approached their recommendation in a way that was methodical, principled and built on strong foundational knowledge. She concluded by outlining the following recommended actions to divest the University's endowment from fossil fuel investment:

- UVM immediately cease all new direct investments in fossil fuels;
- UVM exit all public direct investments in fossil fuels by July 2023;
- UVM allow all preexisting commitments to multi-year private investment funds involving fossil fuels to lapse without extension or renewal, and make no additional investments in such funds;
- UVM continue investing in opportunities that focus on sustainability, climate change mitigation, and other Environmental, Social and Governance issues;
- UVM accelerate an engagement campaign with its commingled fund managers requesting that they factor the financial risks of climate change into their investment decision-making process and share their framework for doing so with UVM.

An opportunity for discussion was offered. Trustees expressed their gratitude to Trustee Dwyer for her leadership, and to members of the Work Group, ISC Chair Rob Brennan and Subcommittee members, and to the administration for a conducting a thorough and collaborative process. Several expressed pride in the established timeline and for adding another milestone to UVM's long history of leadership on sustainability issues.

Chair Lumbra presented the following resolution for approval:

Resolution adopting the recommendations of the Sustainability Work Group regarding divestment from fossil fuels

WHEREAS, the Board of Trustees appointed the Sustainability Work Group in March 2020 to advise the Board regarding fast-moving trends around sustainable investment, including fossil fuel divestment;

WHEREAS, the Work Group sought and received input from the campus community and from the Board's Investment Subcommittee;

WHEREAS, the Work Group presented to the Board a report and recommendation based on its careful review of input received and its own independent study of the issue;

WHEREAS, the Board recognizes its responsibility to protect the assets of the University in order to best enable the University to fulfill its academic mission;

WHEREAS, the Board recognizes that it generally will not be appropriate to express positions on issues of the day through investment and divestment decisions;

WHEREAS, the Board acknowledges the connection between fossil fuel divestment and the University's focus on sustainability as an area of academic strength and research emphasis;

NOW, THEREFORE, the Board adopts the following recommendations from the Sustainability Work Group:

- UVM immediately cease all new direct investments in fossil fuels;
- UVM exit all public direct investments in fossil fuels by July 2023;
- UVM allow all preexisting commitments to multi-year private investment funds involving fossil fuels to lapse without extension or renewal, and make no additional investments in such funds;
- UVM continue investing in opportunities that focus on sustainability, climate change mitigation, and other Environmental, Social and Governance issues;
- UVM accelerate an engagement campaign with its commingled fund managers requesting that they factor the financial risks of climate change into their investment decision-making process and share their framework for doing so with UVM.

A motion was made, seconded and the resolution was unanimously approved as presented.

President Garimella expressed his deep appreciation to Trustee Dwyer for her leadership and to Work Group and Investment Subcommittee (ISC) members for their thoughtful work. He noted this has been a very educational process for him and that this will be a defining action of his administration.

Chair Lumbrá offered his gratitude for the collaboration between the Work Group, the ISC and the administration for all their efforts contributing to this positive outcome. He thanked and commended Trustee Dwyer for her excellent leadership and for carrying out this task during unprecedented times.

Research Vessel

President Garimella introduced a resolution approving a contract for construction of a research vessel noting it also supports the University's commitment to sustainability. He reported UVM has received a \$4 million federal grant from Great Lakes Fisheries to fund this capital project and acknowledged Senator Patrick Leahy's support. He explained the vessel will have a dual purpose serving as the primary science platform for UVM researchers on Lake Champlain to carry out a wide range of science missions as part of UVM's regional, Great Lakes and Global research commitments, and as a floating classroom for UVM classes, as well as middle school, high school and public groups taking part in National Oceanic Atmospheric Administration's (NOAA) Sea Grant Watershed Alliance education programs.

An RFP was released in April 2020 to a number of ship builders in the US to provide the construction of a 64' aluminum catamaran research vessel to be operated by the University's Rubenstein School of Environmental and Natural Resources and based at the Rubenstein Science Ecosystems Laboratory on Lake Champlain in Burlington, VT. The vessel will be powered with

BAE hybrid propulsion system, consistent with the Rubenstein School's strong commitment to the environment and sustainability.

The average timeline to build a vessel of this caliber is 12-18 months. The estimated completion and delivery of the vessel will either be by September 2021 or deferred to April 2022, as the waterways are closed in between.

Derecktor Shipyards is the selected vendor to construct the vessel in Mamaroneck, NY, for an amount not to exceed \$3,750,000. Additional negotiations are in place now to reduce the overall costs by 5-7%. President Garimella concluded by noting that an endowment has been established to support the maintenance of the vessel.

The following resolution was presented for approval:

Resolution approving contract for construction of a research vessel

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to negotiate and execute a contract with Derecktor Shipyards to build a research vessel for UVM with construction to take place from approximately August 2020 through April 2022, for an amount not to exceed \$3,750,000.

An opportunity for discussion was offered. Trustees expressed their excitement and support for this project and were pleased to learn resources have been secured for maintenance.

A motion was made, seconded and the resolution was unanimously approved as presented.

Adjournment

There being no further business, the meeting adjourned at 3:02 p.m.

Respectfully submitted,

Ron Lumbra, Chair