

**UNIVERSITY OF SOUTHERN CALIFORNIA**

**Minutes of the Regular Meeting of the Advisory Committee on Investment Responsibility**

**October 11, 2024**

The ninth meeting of the Advisory Committee on Investment Responsibility (ACIR) of the University of Southern California was held by video conference at 9:00 a.m. on October 11, 2024. The following people participated in the meeting:

**Committee Members Participating:**

Stacy Giwa, Chair

Marlon Boarnet, Faculty

Kathleen Burns Campos, Alumni

Monica Dean, Staff

Howard Kern, Alumni

Richard Sloan, Faculty

Graduate Student Member

**University Administrators Participating:**

Hannah Findling, Sustainability Program Administrator

ACIR Investment Sustainability Intern

Brian Johnson, Managing Director of the Investment Office

Teresa Whitehill, Investment Manager

## **Call to Order**

The ninth meeting of the Advisory Committee on Investment Responsibility (ACIR) of the University of Southern California was convened via video conference at 9:00 a.m. on October 11, 2024. Chair Stacy Giwa called the meeting to order at 9:01 a.m. by reviewing the agenda. Eleven participants confirmed their presence, ensuring clear communication throughout the meeting.

## **Update on Fossil Fuel Liquidation**

Brian Johnson, who oversees the university's private market investment portfolio, provided an update on the liquidation of USC's legacy oil and gas investments. During the three years since the Board's decision to liquidate oil and gas investments, the endowment has received \$320 million in total distributions. This pace was accelerated in August with the sale of an investment that generated a \$134 million distribution. This particular investment performed exceptionally well, producing a 13.7x return on invested capital.

Brian highlighted that the liquidation process is going well and the decision to pursue a prudent liquidation pace has been rewarded as the fossil fuel portfolio has generated a 20% annualized return since the Board's decision. The current residual value of the assets remaining in the legacy portfolio stood at \$231 million at the end of August, which represents about 2.5% of the endowment.

A committee member asked whether the significant gains in the oil and gas sector should prompt a reconsideration of the university's approach to the sector. In response, Brian stated that while the sector has performed well recently, it does not alter the long-term investment strategy. The endowment stopped investing in the sector in 2018 due to longer-term concerns about the ability to sell assets in a world placing increasing importance on sustainability. He added that the Investment Office continues to seek more sustainable investments that demonstrate the potential to generate attractive returns for the endowment.

## **Releasing ACIR Decision On Proposal #1**

Committee Chair Stacy Giwa informed the committee that the decision regarding the divestment proposal is scheduled for public release either on Tuesday or Wednesday of the following week. The official decision is dated September 16, 2024, which was the date the memo was finalized based on committee deliberations on the matter. Stacy confirmed that the student who originally submitted the proposal will be informed first as a priority before the decision is posted on the ACIR website.

Stacy also discussed preparation for potential inquiries or reactions following the release. The committee discussed the deliberations are confidential but interested parties can be directed to the ACIR site which has minutes and background information on the committee.

A committee member asked whether the Investment Office could overrule ACIR's recommendation. Stacy confirmed the Investment Committee is aware of the ACIR's decision and will accept the recommendation.

### **Procedures for Handling Future Proposals**

Looking ahead, Stacy addressed the procedure for future proposals submitted to ACIR. She outlined the committee's responsibility to assess whether a new proposal raises an issue that has already been resolved. In such cases, the committee would determine if the new proposal is sufficiently different, and whether to move forward with the proposal or dismiss it on the basis that the issue had been previously addressed.

### **Action Items and Next Steps:**

1. **Decision Release:** Stacy Giwa will finalize the decision for release by Tuesday or Wednesday of the following week. The student who submitted the proposal will be informed before it is posted to the ACIR website.
2. **Confidentiality and Inquiry Response:** Committee members should maintain strict confidentiality regarding personal opinions shared during ACIR discussions, and refer to the committee if uncertain about responding to any inquiries.
3. **Future Proposals:** Procedures for handling future proposals were established, with ACIR reserving the right to dismiss issues already resolved.

### **Adjournment**

The meeting was adjourned at 09:35 a.m.

**Dated: October 11, 2024**