

UNIVERSITY OF SOUTHERN CALIFORNIA

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

February 28, 2025

The tenth 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 February 28, 2025. The following people participated in the meeting:

Committee Members Participating:

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 tenth 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 February 28, 2025. As Committee Chair Stacy Giwa was unable to attend, Sustainability Program Administrator Hannah Findling called the meeting to order at 9:03 a.m. by reviewing the agenda. Ten participants confirmed their attendance.

Update from the Investment Office

Managing Director Brian Johnson provided a detailed update on USC's fossil fuel liquidation progress. Over the past four years, the university has liquidated a significant portion of its fossil fuel investments, reducing its holdings from \$313 million to \$188 million.

The strategic decision to phase out investments over time, rather than pursuing immediate divestment, has yielded strong financial returns while minimizing potential disruption to USC's broader investment portfolio. As of today, USC has received \$355 million in total distributions, surpassing the initial market value of its fossil fuel investments.

A major milestone was reached in August 2024 when USC successfully exited its largest fossil fuel investment, generating a \$134 million distribution. The portfolio has delivered a 17% annualized return since the liquidation decision, and the remaining assets are expected to be liquidated over the next six to seven years.

During the discussion, a committee member raised a question about whether the strong financial performance of fossil fuel investments should prompt a reconsideration of the university's liquidation strategy. In response, Brian emphasized that while the sector has recently performed well, it remains highly cyclical, and the university's decision was largely based on long-term sustainability concerns.

Proposal to Incorporate Fossil Fuel Divestment into Assignment: Earth

Hannah Findling presented a proposal to formally integrate fossil fuel liquidation into USC's [*Assignment: Earth*](#) sustainability framework. The proposed additions are in response to student concerns about the absence of investment goals in the university's official sustainability plan. The new aspiration and goals had been drafted by the Presidential Working Group on Sustainability and the USC Investment Office. The proposed language for the Aspirations section stated:

- Recognizing the environmental impact of investing in fossil fuels, USC will align its investments with holdings that support the value of and opportunities associated with sustainability.

The proposed goals were:

- Goal 4.6a USC will liquidate its fossil fuel investment holdings from the endowment by the end of the fiscal year 2031.
- Goal 4.6b USC will publish semi-annual updates tracking progress on the liquidation of fossil fuel investments, beginning in the fiscal year 2024.

Committee members discussed the clarity and feasibility of these commitments. A committee member noted that the liquidation process had already been in progress for several years, and that was unclear as currently written. Another committee member pointed out that minor residual stakes in fossil fuel-related businesses may persist past 2031, requiring careful wording to avoid over-promising. Hannah Findling emphasized the importance of setting specific goals to hold the university accountable, with progress updates providing transparency on any remaining fossil fuel holdings.

To improve the goals, the committee suggested explicitly stating that the process began back in 2021, reinforcing USC's long-term commitment to sustainability; as well as proposed modifying the language to clarify that USC would not be directly investing in fossil fuels moving forward, which Brian supported, noting that publicly traded companies may have indirect exposure to fossil fuels, but USC would not actively allocate capital to the sector.

The committee approved the following final language:

Aspiration

- Recognizing the environmental impact of investing in fossil fuels, USC will align its investments with holdings that support the values of and opportunities associated with sustainability.

Goals

4.6. Align Endowment Investments

- 4.6.a. USC initiated the liquidation of its fossil fuel holdings in 2021 and will complete the liquidation of its direct fossil fuel investment holdings from the endowment by the end of the fiscal year 2031.
- 4.6.b. USC will publish semi-annual updates to track progress on the liquidation of fossil fuel investments starting in the fiscal year 2024.

Review of ACIR Draft Procedures

The committee reviewed draft ACIR procedures for evaluating community proposals related to USC's investment policies. The committee suggested various changes to make the process

clearer and more accessible. Hannah Findling agreed to implement the suggestions brought up in the meeting and share them with the committee via email for review.

ESG Policy Developments and Market Trends

The ACIR intern presented a variety of articles illustrating recent ESG policy shifts and their potential impact on USC's investment strategy, including:

- The elimination of corporate climate disclosures, following the SEC's repeal of Scope 3 emissions reporting requirements, reduces corporate transparency on climate risks.
- The expansion of federal fossil fuel subsidies and drilling leases could alter market conditions for sustainable investment strategies.
- State-level bans on ESG investing, which have resulted in billions in public pension funds being redirected away from ESG-aligned strategies.

Brian Johnson noted that while many of these policy changes affect public markets, USC's private market investments remain relatively insulated. However, he acknowledged that some public equity holdings in the university's portfolio may experience increased volatility due to these shifts. He reaffirmed that despite politically driven headwinds, ESG remains a long-term strategic priority for USC's investment office.

Additional:

Hannah Findling thanked the current graduate student representative and the current ACIR intern for their time on the ACIR, as both will be graduating in May 2025.

Action Items and Next Steps:

The committee identified the following action items:

1. Follow up with the General Counsel regarding any impact of federal DEI executive orders on ACIR work, documents, and activities.
2. Finalize ACIR proposal review procedures (Hannah Findling to send an updated version for review via email).
3. Complete the hiring process for the ACIR Investment Responsibility Intern for the academic year 2025-2026, with final interviews scheduled for March.

Adjournment

The meeting was adjourned at 10:30 a.m.

Dated: February 28, 2025