

June 4, 2014

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Dear Paul and Jim:

Congratulations on your recent appointments. They reflect your long and loyal service to Harvard, and along with thousands of alumni, we send our thanks for your time and leadership.

As you undertake your new assignments, we hope that high on your list will be an examination of Harvard's commitment to the securities of fossil fuel companies.

Harvard currently holds more than a billion dollars of investment in the stocks of fossil fuel companies. These companies still pursue a business model that compels them to dedicate enormous resources to the discovery and development of more fossil fuel reserves. But this is a strategy that the world can no longer support.

It is broadly assumed in the scientific community - including a large majority of Harvard's distinguished climate--related faculty, that the world must hold global temperatures to no more than 2 degrees C (or 3.6 degrees Fahrenheit) above the pre-industrial figure. We have already gone half the distance to this ceiling, and are actually accelerating our rapid approach to it (in effect a doubling of our previous carbon emissions). The International Energy Agency recently reported that the cost of decarbonizing energy by 2050, a critical target date, increased in the past two years from \$36 trillion to \$44 trillion, due to the growth of coal exceeding the growth of renewables.

Current global temperatures are correlated with the volume of fossil fuels that have been consumed and cannot be reversed in any manageable timeframe as the carbon emitted by these fuels persists in the atmosphere for more than a century. The window of opportunity to avoid catastrophic harm is rapidly closing.

You might then ask what this has to do with Harvard's investment portfolio? The fact is that by investing in fossil fuel companies that cling to the outdated and dangerous business model (as they all still do), Harvard is encouraging (and expecting to profit from) the search for even more carbon based resources - which we will not be able to use if we are to maintain any hope of stabilizing the temperature of the atmosphere at the level necessary to sustain human life as we know it. Exxon and Shell are each planning on CAPEX for fossil fuel exploration in the coming year of around \$40 billion of shareholder wealth that surely should be allocated elsewhere.

When the lid is put on, and future fossil fuel development is disallowed - as it must be - Harvard will be left holding a significant portfolio of stranded assets - fossil fuel reserves that can never be used, and whose value will, therefore, have declined. (Conservative estimates put proven reserves currently on the books at three to four times what's needed to get us through the necessary transition to renewables by 2050.)

As you know, across the country, there are hundreds of student organizations working to persuade those responsible for their endowments to divest of fossil fuel companies. Sooner or later, as in the case of divestment of companies doing business in apartheid South Africa, divestment from fossil fuel companies will occur. We believe Harvard should be among the first great universities to do so. There are strong, independently sufficient arguments beyond the financial one of stranding to justify divestment. They include the moral (it is repugnant to profit from enterprises directly responsible for carbon emissions or to allow shareholder funds to be deployed in searching for more carbon-bearing fuels), the practical (a well-led educational institution should not wound itself by permitting endowment holdings to demoralize faculty and students, with adverse effects on quality of education, enrollment and campus environment) and, in Harvard's case, the unique opportunity (and corresponding duty) it has, as one of a handful of world leaders in education writ large, to lead on this planetary issue.

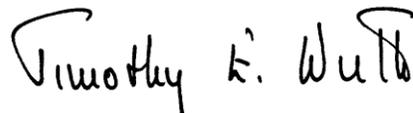
We are sympathetic with these other arguments for divestment. However, we wanted to bring the financial argument, in particular, to your attention. Over the past three years, equities in the coal industry declined by over 60% (Peabody, the largest, by 74%), while the S&P 500 rose by some 47%. We are firmly of the opinion that coal is the "canary in the oil well". Disinvestment now, before this opinion becomes commonplace, is just sound, risk-averse investment judgment, fitting well within the duties of a fiduciary.

You are both uniquely experienced financial experts whose judgment has brought you to the level of your most recent appointments, and we trust that you will now figure out how Harvard should address the stranded assets issue and, we hope, pivot the portfolio toward renewable resources.

With respect and high expectations,



Bevis Longstreth (JD '61)  
*Retired partner, Debevoise & Plimpton;  
Former Member, Securities and Exchange  
Commission*



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