NATURAL INVESTMENTS LLC

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1/2/13

President Anthony Monaco and the Board of Trustees
Tufts University
Medford, MA

Dear President Monaco and Members of the Board,

I am a Tufts alum (A'88) and am now an Accredited Investment Fiduciary and Managing Partner and Director of Social Research at Natural Investments, a leading national investment adviser in the field of sustainable, responsible, and impact (SRI) investing since 1985. In addition to investing client assets, I serve on the national policy committee of USSIF: The Forum for Sustainable and Responsible Investment, which is the national trade association for the SRI industry that represents 11% (nearly $4 trillion) of all professionally managed investments in the markets.

I was contacted recently by current Tufts students in response to my most recent monthly GreenBiz.com column (The Sustainable Shareholder) about the 350.org fossil fuel divestment campaign. I am well aware that Tufts does not have an Investment Social Policy that guides advisors and money managers on how to integrate values into the endowment's investment portfolio, but I wish to convey that this is entirely possible, and there is precedent for it among other major American universities. Part of such a policy involves voting proxies and other forms of shareholder engagement that are possible through share ownership, but it also typically includes both exclusionary and affirmative screens on what may not be held in and should be sought out for the portfolio. While there can be many exclusionary screens (tobacco and gambling being common ones), there are literally dozens of environmental, social, and governance (ESG) issues that can guide such a policy. Money managers are therefore instructed to exclude certain industries, or companies that exhibit certain objectionable actions and policies, so that the portfolio better reflects the underlying values of the institution.

Large institutions such as pension plans and endowments can sometimes face challenges in coming to consensus regarding which ESG issues to integrate into the portfolio, but it is certainly doable. As such, I'd like to recommend that Tufts consider the possibility of divesting from fossil fuel companies in its

Michael Kramer, M.Ed.
Managing Partner, Director of Social Research, Financial Advisor, Accredited Investment Fiduciary™

michael@naturalinvesting.com www.naturalinvesting.com
PO Box 390595, Keauhou, HI 96739
808.331.0910 • 888.779.1500

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portfolio. I understand that 1500 students have signed a petition calling for this action, and while I surely understand that the administration and trustees of a university shouldn't always base their decisions on student sentiments, what is occurring in this nation, particularly among young people, is the frightening realization that planetary ecosystems are beginning to collapse in the face of rapid climate change. And yet, humanity, particular citizens of affluent countries such as the U.S., do not appear to be changing their ways in order to reduce carbon emissions. While many of the steps society needs to take in this realm are in the areas of renewable energy investment to power our grid and transportation systems, this will only occur if various forms of leverage are exerted.

Governments can increase MPG standards, put a price on carbon and tax it, develop serious carbon sequestration programs, and develop emergency plans in the case of massive flooding or other sever climate events. But with Congress and the Administration largely unwilling to cease fossil fuel subsidies while allowing for the expansion of drilling operations in both sensitive ecosystems as well as inland areas that surround domestic drinking water supplies, market forces must also be used to persuade companies to pursue renewable sources of energy and gradually abandon fossil fuels. One way to do this is to lower the stock price of fossil fuel corporations so they will be pressured into changing course, and large-scale divestment can contribute to this.

While I am a firm believer of using the power of share ownership to persuade companies to make voluntary shifts in direction, efforts my industry has made to get such companies to even acknowledge that climate change risk is real are not succeeding. Such companies continue to fund climate change science that denies the impact of human activity on climate change in order to justify business as usual. As with any shareholder ESG issue, when advocacy is unsuccessful, divestment is an appropriate alternative. Of course, there is no leverage with divestment if only a handful of shareholders divest, but as we saw in the '80s with the *apartheid* issue, momentum can build when universities, pension plans, and government treasuries act in unison. The divestment movement then helped to bring about the fall of the *apartheid* system in South Africa, and there is no reason to believe that such social change could not occur in this country, despite the fact that we all use fossil fuels in our everyday lives.

The truth is that investing in the long-term financial viability of an industry that will gradually die is not prudent long-term investment practice. As an Accredited Investment Fiduciary, I could easily argue that investing in fossil fuels, given their current and potential impact on people and the planet, is a breach of

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fiduciary responsibility, since we know it will only destabilize societies and the economies upon which investment income derives. If we want to make money – and we do – we need to assure that our economies are growing and resilient; investing in carbon is the antithesis of this goal. Yes, we need to invest in renewable energy, but these industries face a competitive disadvantage as long as the fossil fuel industry remains strong. We can change this, but we need to be bold and unafraid. This is not a moral issue, it is a survival issue. And let's face it, there are other very compelling ways to generate financial return for the Tufts endowment.

In conclusion, Tufts getting out in front of this issue could be a boon for fundraising. More and more investors are aligning their values with their investments to support what they believe in and steer clear of what they find distasteful. I pledge to withhold donations to Tufts until the University divests, and I'm sure there are other alumni like me who are not willing to support Tufts financially as long as it fails to make its investments transparent or ignore important ethical, social, and ecological issues with its endowment. Alumni do not want to support fossil fuels, so failure to divest continues to be a missed opportunity for the university. Alumni want Tufts to be a true "Light on the Hill" and not exploit people or the planet to fund its important mission of educating students. It is possible to make money and make a difference, and I encourage you to do so. As a national expert in this field, I stand ready to assist you should you desire my assistance.

Pax et lux,

Michael Kramer

Michael Kramer
Managing Partner