Oberlin College Board Response to Student-Initiated Proposal for Divestment

August 20, 2025

Summary and Decision

On April 14, 2025, students submitted to Oberlin's Board of Trustees a proposal entitled "Student-Initiated Proposal for Divestment, To Recommend Divestment from Companies that Manufacture Arms and Weapons." The proposal came a year after a previous divestment proposal. Although the basis and target of this proposal differs from the 2024 proposal, it raises many of the same issues that the Board considered previously. Hence, this response is based on similar analysis.

On June 5, 2025, the Board's first meeting after the proposal submission, trustees evaluated the proposal in line with the Board's duties to safeguard and strengthen the institution; history and precedent; the conditions laid out in Oberlin's divestment policy; information provided by the Investment Committee; the potential impact on Oberlin's ability to deliver on its mission; and the Board's fiduciary responsibilities. The Board voted against adopting the divestment proposal for reasons articulated below.

Process

In 2014, the Board adopted a policy guiding proposals for divestment, providing members of the Oberlin community with a formal path for proposing divestment, and clarifying criteria the Board shall use in evaluating those proposals. This policy allows submitting individuals to propose how Oberlin's endowment ought to be invested, irrespective of the issue motivating the proposal, so long as the proposal is constructed in accordance with the divestment policy.

The proponents of the present proposal have adhered to the policy's submission requirements.

After receiving the student proposal for divestment, the Board Chair initiated the Board's formal evaluation process. In keeping with policy and practice, the Executive Committee of the Board asked the Investment Committee to provide the Board with an evaluation of the potential financial impact of the proposal. The Investment Committee provided this information to the Board, and the Board evaluated the proposal according to the conditions laid out in its divestment policy and the Board's fiduciary responsibilities for Oberlin's fiscal health and its ability to fulfill its core mission.

Trustees are required to vote as part of a governing body rather than as a collection of individuals. Under state law and Oberlin's Charter and Bylaws, each trustee is required to vote based on their understanding of their fiduciary responsibility to Oberlin College, not their personal views about the issues raised in the proposal. Trustees must rely on considerations that may differ from those that inform their individual views on the issues raised in the proposal.

The policy requires the Board to deliver its decision in writing to the proponents. The Board has elected to do this by sharing its decision with the wider Oberlin community.

Rationale

The proposal reflects the rigor and critical thinking that is central to an Oberlin education. It demonstrates deep concern about war and conflicts around the world and the role that citizens around the world play in perpetuating these conflicts. It also recognizes the nature and purpose of Oberlin's endowment.

The proposal presents the following argument for divestment:

- Conflicts are fueled, *inter alia*, by arms manufacturers, who profit by selling armaments to combatants.
- Oberlin may have a financial connection to these conflicts if the endowment is today or could be in the future invested in funds that invest in arms manufacturers.
- Such a connection could be construed as complicity (even if unintentional) in the conflicts, which could be seen as out of line with Oberlin's mission and history.
- Divestment would limit Oberlin's complicity and align Oberlin's endowment investments with its mission.
- Divestment might also encourage other institutions to follow suit, amplifying the impact of Oberlin's decision.

In considering this proposal, the Board applied three tests to decide whether the potential benefit of adopting the divestment rule (i.e., influencing company behavior) could be material enough to justify the potential costs. The tests used by the Board were whether the divestment rule could:

- Impose an undue financial cost on Oberlin;
- Unnecessarily restrict the Board's ability to employ (via the Investment Committee) "informed discretion" in managing the endowment; and
- Discourage the kind of engagement that is the hallmark of a liberal arts education, which is to foster discourse, debate, disagreement, and dissent.

Potential Benefit: Would the divestment rule influence company behavior?

Oberlin cannot exercise direct influence over the companies listed in the proposal. As is common for colleges with endowments of a similar size, the endowment does not invest directly in individual companies. Instead, it invests in externally managed investment funds (e.g., mutual funds, private equity funds, venture capital funds) selected on the strength of the fund manager, who in turn invests in companies. Oberlin has practically no influence over the fund manager's investment decisions. Oberlin's only practical decision is whether to invest in or avoid a fund.

Accepting the divestment rule demanded by the proposal would require Oberlin to avoid investments in funds that do or might invest in the companies listed in the proposal. Since Oberlin represents only a small portion of total investments in most funds it invests in, avoiding these funds is unlikely to have any influence over how these funds are managed, and therefore little if any influence on the companies listed in the proposal.

Financial Test: Would the divestment rule impose an undue financial cost?

Some of the companies listed in the proposal are large multinational enterprises that manufacture a wide variety of goods. Avoiding funds that do or could invest in these companies (including funds that invest in broad market indices, such as the S&P 500, whose constituents include companies listed in the proposal) could impose a substantial financial cost for Oberlin. The endowment would be left with a much narrower pool of investment alternatives, which in turn could lower financial returns and increase the risk of these returns (because the endowment would be less diversified). This could deprive Oberlin of financial resources the institution relies on to deliver on Oberlin's core mission.

The Board's fiduciary responsibility (including under the law) is to nurture and protect Oberlin's ability to fulfill its educational mission. Accepting this divestment proposal would raise serious concerns about whether trustees are carrying out these responsibilities properly.

"Informed Discretion" Test: Would the divestment rule unnecessarily limit informed discretion in managing the endowment?

The Board has discretion over endowment investment decisions, which it exercises by delegating responsibility for overseeing the endowment to the Board's Investment Committee. This discretion is guided primarily by the goal of maximizing financial returns and capital appreciation to support current spending and provide a solid financial foundation for Oberlin to thrive for generations to come.

This discretion is also informed by Oberlin's mission, its history, and the sentiments of the Oberlin community. The Board is aware of Oberlin's long association with efforts to promote peace, dating back to its founding and rooted in organizations such as the Oberlin Non-Resistance Society, the Oberlin Peace Society, and the Oberlin Peace League.

Oberlin's mission, history, and community sentiment inform all the Board's work. If the Board believes that certain endowment investments are inconsistent with Oberlin's mission, it can take this into consideration when investing the endowment, balancing this concern against the need to provide financial support to the institution, comply with the Board's fiduciary obligations, and limit legal liability for the College. In striking the right balance among different objectives, the Board can account for important nuances and complexities. In the present case, for example, the Oberlin community may object to weapons sales to aggressor states but not object to sales to states defending themselves from an aggressor.

In short, the Board invests the endowment by employing "informed discretion."

Divestment proposals represent a clear expression of community sentiment (even if the sentiment is not shared by the entire community). The Board welcomes this and other expressions of community sentiment.

However, adopting a simple divestment rule (as this proposal demands) would limit the Board's informed discretion over the endowment, constraining the Board's ability to account properly for Oberlin's mission and community sentiment, and to achieve a proper balance of these imperatives against others (such as fortifying Oberlin's financial position).

The Board believes that there should be a high hurdle for deciding whether to limit informed discretion by adopting a simple divestment rule. The Board does not believe that this hurdle has been cleared.

"Engagement" Test: Would the divestment rule limit engagement?

Engagement is at the heart of Oberlin's educational mission, which is to offer students, faculty, and the rest of the community a place that fosters discourse, debate, disagreement, and even dissent – the hallmarks of a liberal arts education. This is how Oberlin equips students to engage with rather than retreat from the world's most difficult challenges, including wars and other forms of conflict.

Disengagement is, on its face, inconsistent with Oberlin's mission. Since divestment is a form of institutional disengagement, there should be a high hurdle for Oberlin to clear to adopt a divestment rule.

In addition, disengagement as a matter of institutional policy – for example, by publicly adopting a divestment rule – could undermine Oberlin's mission further. Students, faculty, and other community members should be able to express their views in ways that do not limit discourse and debate (including by submitting divestment proposals). But by adopting a proposal, the College would be taking a clear institutional stand on an issue that, at least for some members of the Oberlin community, could be fraught and contested.

The Board recognizes that there is no bright-line test for whether an institutional stand limits discourse. However, given how important critical engagement and discourse is to Oberlin's mission, the Board's view is that such a test should be as stringent as possible, and for this reason does not believe that the proposed divestment passes this test.

Alternative ways to deploy Oberlin's financial resources

The Board has rejected the proposal demanding the adoption of a divestment rule. However, the Board does not rule out other ways Oberlin's financial resources, including its endowment, can be harnessed to press for change in line with Oberlin's mission and history.

The Board recently adopted a resolution establishing an Impact Investment Advisory Group (IIAG), whose role is to advise the Investment Committee on investments that could have an impact beyond generating financial resources. In contrast to adopting a divestment rule, impact investing is more likely to pass the tests laid out above.

Potential benefit –
Impact investing can be directed to where it is most likely to have a non-financial impact (e.g., by influencing company behavior), since non-financial impacts are one of the criteria that would be used to select investments in funds, companies, or other kinds of enterprises.

Financial test –
Impact investing limits or avoids the financial cost of directing the endowment to funds and enterprises that could generate a non-financial impact aligned with Oberlin's mission. By selecting investments that have impact but also deliver acceptable expected returns, the Investment Committee can strike the right balance between financial and non-financial returns. By expanding the universe of potential investments, impact investing can also contribute to portfolio diversification rather than concentration (which is generally a consequence of adopting divestment rules).

Informed discretion test –
Impact investing is consistent with informed discretion. The IIAG will advise the Investment Committee on investments that could deliver financial and non-financial returns, but the Investment Committee would retain the discretion to decide whether to follow the advice, taking into account other considerations.

Engagement test –
Impact investing represents a form of engagement rather than disengagement.

Impact investing is not the only alternative to adopting divestment rules. For example, the Oberlin community could also use its endowment investments to exercise shareholder rights to demand change in the way companies operate. The Board encourages the Oberlin community to explore other ways our financial resources (including the endowment) can be used to advance Oberlin's mission in a way that passes the tests that the Board has laid out.

Board decisions as forms of community engagement

Finally, the Board's decision in this matter should not be viewed in isolation but, rather, as part of a community-wide engagement that began before the proposal was submitted and will continue after we have communicated our decision. The Board believes that engagement is at the core of Oberlin's mission and is critical to identifying effective pathways to improving the world. This approach to our community and the world upholds the liberal arts imperatives that Oberlin proudly stands for: reason, critical inquiry, empathy and respect for our differences.