Divestment from Coal Producers:
Fiduciary considerations on the financial position of US coal mining companies

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The **Fiduciary Concern**

Must be concerned with beneficiaries and mission
- Large public pension funds
- Smaller trusts – universities, foundations, religious

Tied to the integral functions of government, schools, foundations, and churches

At core, profitability and growth
- “diversification”- allows for large losses and not sell
- Forward looking- market confidence is key
Five US companies: 55% of annual production

<table>
<thead>
<tr>
<th>Company</th>
<th>2012 coal production (tons)</th>
<th>Percentage of US production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peabody Energy</td>
<td>192,563,000</td>
<td>18.9%</td>
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<tr>
<td>Arch Coal</td>
<td>138,992,000</td>
<td>13.5%</td>
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<tr>
<td>Cloud Peak</td>
<td>104,306,000</td>
<td>9%</td>
</tr>
<tr>
<td>Alpha Natural Resources</td>
<td>90,721,000</td>
<td>8.9%</td>
</tr>
<tr>
<td>CONSOL</td>
<td>55,752,000</td>
<td>5.5%</td>
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<tr>
<td>Total</td>
<td>582,344,000</td>
<td>55.8%</td>
</tr>
</tbody>
</table>
SNL Coal Index vs. Russell 2000

% Change

Russell 2000

SNL Coal

01/10/11  03/10/11  05/10/11  07/10/11  09/10/11  01/10/12  03/10/12  05/10/12  07/10/12  09/10/12  01/10/13  03/10/13  05/10/13  07/10/13  09/10/13  11/10/13  01/10/14
Coal sector is shrinking

- Loss of market share and coal sales -
  Most investment funds, coal very small part of portfolio
- Plummeting stock prices -
  Weak profits
- Overleveraged
- 26 Bankruptcies
- Job losses
- Analyst consensus on shrinkage
Industry Recovery Agenda Weak and Ineffective

• Rising natural gas prices
• Cut costs, sell assets, and close mines
• Exports
• Defeat climate and pollution efforts
• New technology
• Undermine alternative energy
• Rising U.S. and global Gross Domestic Product
Broader Divestment From Coal

- Fiduciary Considerations
- US Domestic Coal Generation
- International Coal Generation
- International Coal Producers
Benefits to Coal Divestment

- Institutional Investors get rid of a losing investment
  - Beneficiaries win. It is immediate.
- Divestment: another financial benchmark in capital withdrawal from industry
  - Can the U.S. economy survive without coal?
- Vote of NO confidence in coal industry leadership.
  - No upside.