

## **ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING**

*Final Charge Letter, Approved by the Board of Regents, September 9, 2021*

### STATEMENT OF PURPOSE

The Board of Regents has provided for the convening of Advisory Committees on Socially Responsible Investing (ACSRI) to evaluate the merits of divestment and other proposals concerning the University's investments. They are governed by [Chapter 4, Section 1.G](#), of the Board's Standing Orders.

On February 9, 2021, the Board received a petition from the UW chapter of Institutional Climate Action (UW ICA). Because it was received immediately prior to a Governance Committee meeting, the Committee deferred consideration to the Board's March 11 meeting. On March 11, the Board asked UW ICA to secure evidence of further campus support and resolved that the Governance Committee would decide whether or not to convene an ACSRI to consider the proposal at its July 7 meeting. On July 7, the Board approved the Governance Committee's recommendation to convene an ACSRI to evaluate the UW ICA petition, asking the Secretary of the Board and the Chief of Staff in the Executive Office to return in September with a draft charge document and list of proposed members.

The Standing Orders provide that the ACSRI shall evaluate the moral aspects of the proposal, including the relevance of proposed actions to the Regents' fiduciary duties, insofar as these are distinct from financial considerations. UWINCO and Treasury staff will provide an independent financial evaluation at the issue of the process. The Board will then consider the ACSRI's recommendation in light of financial consequences and its public duty before making its final determination.

### RESPONSIBLE STAFF

The Standing Orders provide that the ACSRI will be staffed by members of the Board Office and Executive Office: Tyler Lange, Secretary of the Board, and Margaret Shepherd, Chief of Staff in the Executive Office of the President and the Provost.

### SCOPE

UW ICA asks that the Board *fully divest from all fossil fuel holdings and put a negative screen on future investments*. Specifically, it asks that the University:

1. Declare the climate crisis "an imminent threat to humanity and all biological life on Earth and commit to using all available means at its disposal to respond to the threat by decarbonizing its investments, operations, procurement contracts, and supply chain;"
2. Implement a "tri-campus strategic sustainability action plan which evaluates the sustainability of all university activities," including current investment practices;
3. *Divest no later than Fiscal Year (FY) 2025 "all endowments and pensions from fossil fuel industries... defined to include, but not limited to coal, natural gas, and/or any other*

*petroleum-based fuel, as well as extraction, refinement, distribution, use, or digital support for those processes, whether in the form of stocks, bonds, mutual funds, hedge funds, private equity or venture capital that supports the fossil fuel industry or assets and real estate related to the fossil fuel industry;”*

4. *“Allocate at least 2.5% of its endowment’s new investments towards sustainable solutions, through mutual funds screened to assure no involvement in the fossil fuel industry, through reinvesting in climate change addressing technologies, renewable energy projects, net zero carbon capital projects, infrastructure, real assets, or through revolving loan funds for sustainable and climate smart development on or off campus;”* and,
5. *“Commit to and implement a strategy to reach carbon neutrality by 2030 and net zero carbon emissions on or before 2040 by bringing its direct and indirect emissions from campus operations to zero and reduce as much of its upstream and downstream emissions as possible from its procurement and supply chain, using carbon offsets and Renewable Energy Credits (RECs) only as a limited transition step with sunset clause and/or last resort measure after reducing all possible scope 1, 2, and 3 emissions through its operations, procurement and supply chain.”*

**The ACSRI, advising the Board with respect to its undelegated authority over the University’s [investment policy](#), shall evaluate the petition’s **third and fourth points**.** The first, second, and fifth points pertain the University’s sustainability program and its public declarations, both managed by the President through her delegated authority. Specifically, and quoting from the Standing Orders, the ACSRI must evaluate the third and fourth points in terms of:

1. Moral Reprehensibility

“The actions or inactions of the company or companies are deemed ‘morally reprehensible,’ and:

- The divestiture will likely have a meaningful impact toward correcting the specified social harm and will not result in disproportionate, offsetting societal consequences; or
- The company contributes to harm so grave that it would be inconsistent with the [goals and principles of the University](#).”

2. Divestment vs. Shareholder Engagement

“Divestment is seen to be more viable and appropriate than ongoing shareholder engagement.”

3. Impairment of Educational Mission

“The requested action is not likely to impair the University's capacity to carry out its educational [mission](#) (for example, by causing deep divisions within the University community).”

#### 4. Broad and Continuing Support within the University Community

“There is a broad and continuing base of support within the University community including students, faculty, alumni, and staff who believe that action is warranted.

Evidence of support may include the following:

- Endorsement from the Associated Students of the University of Washington (ASUW);
- Endorsement from the Graduate and Professional Student Senate (GPSS);
- Endorsement from the Faculty Senate;
- Endorsements from the Associated Students of the University of Washington, Bothell;
- and the Associated Students of the University of Washington, Tacoma;
- General petitions signed by students, faculty, alumni, and staff of the University; and
- Endorsements from Registered Student Organizations (RSOs).”

**In addition, likewise advising the Board with respect to its undelegated authority over the University’s [investment policy](#), the ACSRI shall consider the petition broadly**, evaluating the University’s environmental, social, and governance (ESG) investment [principles](#) and strategies and recommending alternate or enhanced ESG investment strategies and possible changes to the Board’s [investment policy](#). The ACSRI may reject the divestment proposal as written, but still recommend an affirmative commitment to similar or different actions over a longer timeline.

- The ACSRI will include **experts** in investing, including sustainable and ESG investing.
- The ACSRI will make its recommendations on the basis of thorough **peer comparisons**. The University’s outside investment consultant, Cambridge Associates, may facilitate these.
- The ACSRI will consider aligning its recommendations with the actions of **other state agencies**, and explain the reason for potential divergences, including the distinction between investing a University endowment and investing pension funds. It will also consider the potential impact of possible state mandates.
- **The ACSRI will consider a full range of potential harms, both in terms of the likely consequences of continued investment in fossil-fuel-related investments and in terms of the Board’s statutory, ethical responsibility for the University’s investments as defined in the Uniform Prudent Management of Institutional Funds Act ([Chapter 24.55 RCW](#)), attending to an appropriate difference of scale between global and institutional consequences.** The ACSRI will account for all harms, whether these are harms of global or local climate change or harms to the University’s future students.

#### GOAL

On the basis of the guidelines in the Standing Orders, the ACSRI may:

1. Deny the proposal;
2. Recommend that the Board consider the divestment proposal; or
3. Recommend that the Board consider shareholder engagement, or some other action.

## STAGES

Board agrees to convene ACSRI (July 2021)

Board approves charge and members (September 2021)

ACSRI convened (Autumn Quarter 2021)

ACSRI considers proposal (Autumn Quarter 2021-Spring Quarter 2022)

ACSRI votes (late Spring Quarter 2022)

ACSRI presents recommendation to the Board of Regents (end Spring Quarter 2022)

Board of Regents considers recommendation

Recommendation is implemented

## CHAIR AND MEMBERS

At its meeting on September 9, 2021, and on the recommendation of the Governance Committee, the Board of Regents selected the following members, in accordance with the Standing Orders:

- Charlie Donovan (faculty),
- Jeremy Hess (faculty),
- Nidhi Agarwal (student),
- Jai'Shon Berry (student),
- Ben Packard (staff), Chair,
- Maggie Walker (affiliate/donor),
- Dani Blanchard (external), and
- Will Lana (external).

The Board has directed that a UWINCO designee shall be present at meetings of the ACSRI to answer questions. Likewise, a designee of the Board's independent investment consultant, Cambridge Associates, may be present to answer questions and to provide impartial information, when requested.