

## STANDING COMMITTEES

## Governance Committee

Approve Membership of and Charge to Advisory Committee on Socially Responsible InvestingACTION

It is the recommendation of the Chair that the Governance Committee approve the membership of and charge to an Advisory Committee on Socially Responsible Investing (ACSRI) to convene in Academic Year 2021-22, as attached, and delegate Margaret Shepherd, Chief of Staff in the Executive Office of the President and the Provost, and Tyler Lange, Secretary of the Board, to staff the committee and make necessary adjustments to the membership with the consent of the Chair of the Board.

BACKGROUND

The Governance Committee received a petition from UW Institutional Climate Action (UW ICA) on February 9, 2021. Because the proposal was received so close to the meeting time, the Governance Committee recommended considering the proposal at the next Board Meeting. In March the Board deferred final consideration of the UW ICA petition until the July 7, 2021, meeting of the Governance Committee to allow UW ICA to gather further evidence of a broad and continuing base of support within the University community for their requests. On July 7, the Committee recommended the Board convene an ACSRI, which it agreed to do on July 8, 2021.

*Attachments*

1. DRAFT ACSRI Member List for review by the Governance Committee, September 8, 2021
2. DRAFT ACSRI Charge Document for review by the Governance Committee, September 8, 2021

*Faculty Members (2):*

**Charlie Donovan** is Visiting Professor at the Foster School of Business and Executive Director of the Centre for Climate Finance and Investment at Imperial College Business School and Academic Director of the MSc Climate Change, Management and Finance. He is a Professor of Practice in the Department of Finance. In his corporate career, Charlie has been a clean tech company co-founder and CFO. He was previously Head of Structuring and Valuation for Global Power at BP plc and part of the strategy team that launched BP Alternative Energy with an \$8 billion funding commitment. Charlie began his career as an Energy Policy Analyst with the US Environmental Protection Agency during the Clinton Administration.

Professor Donovan holds a bachelor degree in Psychology from the University of Washington, graduated from the MBA program at Vanderbilt University, and completed a Doctorate in Management at IE Business School. He is the editor and co-author of *Renewable Energy Finance: Powering the Future*, now in its 2nd edition.

**Jeremy Hess** is Professor of Environmental and Occupational Health Sciences, Global Health and Emergency Medicine at the University of Washington. He serves as the director of the UW Center for Health and the Global Environment (CHanGE). Dr. Hess has an MD and an MPH in global environmental health and is residency-trained and board-certified in emergency medicine. He is a lead author on several national and international climate assessments, including the Intergovernmental Panel on Climate Change Special Report on Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation and the Sixth Assessment Report. He is also an author on the annual Lancet Countdown on Health and Climate Change. He is the principal investigator of an NIH-funded grant supporting work in India on the epidemiology of extreme heat and strategies for developing, implementing and evaluating heat early-warning systems.

Dr. Hess is also a consultant for the Climate and Health Program at the US Centers for Disease Control and Prevention, where he previously worked as a medical adviser on the health effects of climate change and evidence-based interventions to enhance preparedness and promote climate change adaptation at the state and federal levels. He is a section editor at the Western Journal of Emergency Medicine and a recipient of the Presidential GreenGov award. His work has received funding from the National Institutes of Health, NASA, the Wellcome Trust and the Robert Wood Johnson Foundation, among other funders.

*Students (2):*

**Nidhi Agarwal** is an MBA student at University of Washington, and a Masters in Finance graduate. She worked as a financial advisor at a multi-family office in Italy before moving to the US last year. This year, she worked with Madrona Venture Labs researching cleantech innovation and investments in the SaaS industry, and is working with the Washington Clean Energy Testbeds helping create relationships with cleantech investors and startups. She is

actively pursuing a career in cleantech investing. She is co-chair of the Foster School's Net Impact Club.

**Jai'Shon Berry** is a First-Generation student of color and a rising Senior pursuing a double major in Business Administration and Communication and a double minor in Corporate Social Responsibility and Ethnic Gender and Labor Studies. He has held multiple positions on campus, including being an Access-Ambassador, Pack Advisor, Pre-Major Senator, and he is currently serving as the ASUWT Director of University Affairs. In his three years at UWT, he has been able to connect and network with new students as well as faculty and staff to ensure the success and advancement of himself and his fellow students.

*Close Affiliates, Staff/Alumni/Donors (2):*

*(Staff recommend that Mr. Packard chair the committee.)*

**Ben Packard** is the Harriet Bullitt Endowed Executive Director of EarthLab. As the inaugural Executive Director, Ben is responsible for working strategically within and beyond the University to promote new learning and action to address environmental challenges by building relationships between the University and public, private and nonprofit sectors. These relationships will enable EarthLab to bring the exceptional research and science at the University to bear on a range of environmental matters.

Before coming to EarthLab, Ben served as the Global Managing Director of Corporate Engagement at The Nature Conservancy (TNC) from 2014 to 2017. In this senior management role, Ben was accountable for TNC's overall corporate engagement strategy in service of the mission to conserve the lands and waters on which all life depends. Ben led a team that managed strategic relationships with leading companies to incorporate the value of nature into the core of business plans and decision-making. While at TNC, Ben was also Chair of TNC's Business Council and on the Board of Directors for The Sustainability Consortium. From 1998 to 2013 Ben worked at Starbucks Coffee Company, serving as Vice President of Global Responsibility from 2008 to 2013. He was part of the original team at Starbucks that established the world-class sustainability strategy for the company. As VP, Ben helped develop and then oversaw Starbucks business approach to ethical sourcing and environmental stewardship. Ben represented the company in global forums on sustainability and managed key NGO, academic and industry relationships in support of Starbucks responsible business programs. In this role, he was also accountable for the development and content in the company's annual Global Responsibility Report. Ben graduated from Kenyon College with a BA in History (1989) and holds a Masters of Business Administration and Certificate in Environmental Management from the University of Washington Foster School of Business (1998).

Ben currently serves on the IslandWood Board of Directors, the Sustainability Advisory Board for Procter & Gamble, on the Board of Directors of Cascadia Consulting and as an Advisor to the Net Impact Chapter at the University of Washington.

**Maggie Walker** is a board member of the University of Washington Foundation, where she chairs the Advisory Board of the College of the Environment, and member of the National

Audubon Society's board. She is also Co-Chair of the Prosperity Partnership's Cultural Task Force, Co-Chair of the Central Waterfront Committee, Chair of the Board of Global Partnerships and Chair of Friends of Waterfront Seattle. Ms. Walker is a past President of the Board of Trustees of the Henry Art Gallery at the University of Washington, past Chair of the Woodland Park Zoological Society's Board of Directors, past Chair of the Board of the Washington Women's Foundation and past President of the Seattle Art Museum Board. She is also a past President of the ARCS Foundation Seattle Chapter, past Chair of the Board of the Museum of History and Industry, past Chair of ARTFAIR SEATTLE, past Chair of the Bullitt Foundation Board of Directors and past Chair of the Seattle Foundation Board. She is a past Vice-President of the board of Audubon Washington and Seattle Children's Home. Ms. Walker attended Vanderbilt University and the University of Washington, and earned degrees in both History and Journalism. She supports the environment, education and the arts through the Walker Family Foundation at the Seattle Foundation.

*External Members (2):*

**Dani Blanchard** is a Research Analyst at Zevenbergen Capital Investments, a woman-owned SEC registered investment adviser specializing in managing high-conviction growth equity strategies. In addition to her role supporting the portfolio management team with original investment research and trading, Dani serves on the firm's Sustainable Investment Committee and Proxy Voting Committee. Ms. Blanchard is a CFA® Charterholder and a graduate of The University of Washington Foster School of Business with a BBA in Finance and Entrepreneurship.

**Will Lana** is an Investment Manager in Trillium Asset Management's California office. Trillium offers investment strategies and services that advance humankind towards a global sustainable economy, a just society, and a better world. For nearly 40 years, the firm has been at the forefront of ESG thought leadership and draws from decades of experience focused exclusively on responsible investing. Devoted to aligning stakeholders' values and objectives, Trillium combines impactful investment solutions with active ownership. The firm delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and other charitable and non-profit organizations with the goal to provide positive impact, long-term value, and 'social dividends'.

Prior to joining Trillium in 2008, Will worked at the boutique socially responsible investment firm Journey Tree Financial. He holds a B.A. with honors from the University of California, Los Angeles and an M.B.A. from the University of Washington's Foster School of Business. Will is a Chartered Financial Analyst (CFA) charterholder and in 2014, was a climate investment and divestment fellow at 350.org. He serves on the Net Impact Advisory Board of the University of Washington's Foster School of Business.

## 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

The standing orders provide for a membership of:

- Two faculty members,
- Two students,
- Two staff/alumni/donors, and
- Two external members.

The Governance Committee will select the Chair of the ACSRI.

The Board further directs that members shall include individuals with experience in investing generally as well as specific ESG or sustainable investing experience.