

WFAA response to Climate Divestment and Procurement Resolution (Faculty Document 2898)

Members of the Faculty Senate:

In response to your consideration of a resolution to ask the Wisconsin Foundation and Alumni Association to consider changes to investment strategy, I wanted to offer the following background.

As a point of clarification related to information presented at your last meeting, members of our organization are not aware of any offer to participate in this discussion, nor have we ignored this issue in the past. In fact, our Managing Director of Communications (Jess Arp, an alum and generous donor to UW-Madison) corresponded with Professor Barrett in December. Responses to requests for information on our investments are always handled thoughtfully, in consultation with our top leadership, including myself and our Chief Investment Officer. I was disappointed to learn that Ms. Arp's reply (as well as one previously from a UW Law grad on our legal team) have been mischaracterized as "from a secretary." I hope we can go forward with a greater level of respect and trust in our respective intentions and roles.

Drawing from Ms. Arp's email to Professor Barrett, I share the following with you for information only, and so that you may have a full set of facts about the issue prior to your vote.

The Wisconsin Foundation and Alumni Association (WFAA) is the official fundraising and gift-receiving organization for the University of Wisconsin-Madison. WFAA is an independent, private 501(c)(3) that operates separately from UW-Madison and the UW System and its Board of Regents. The Foundation was created and is governed by a Board of Directors comprised of UW-Madison alumni and donors, none of whom are employees of UW-Madison. Our independence is by design and is a fairly common structure for public universities in certain states. Indeed, recent Board of Regent actions have emphasized the independence of Foundations from their respective universities. The WFAA Board establishes and continues to review our main operating policies, including those governing investments.

WFAA operates an endowment fund, consisting of more than 6,300 individual accounts, each of which was generously given by a donor. Endowed funds are invested in a broad range of assets with the goal to achieve the best expected return for a given risk tolerance and within certain guidelines for broad asset categories, such as public equities or fixed income. The endowment is managed by the WFAA investments team and compliance with policies is overseen by WFAA Board's Investment Committee.

Donors understand that WFAA will invest their philanthropic gifts with risk and return objectives in mind to support the campus priority of their choosing. In general, our donors expect that we will work to achieve the highest possible return on their funds (without taking undue risk) in order to grow the value of their investment in the university. The investment committee will continue to review our policies in keeping with our fiduciary responsibility to our many unique donors. Our role as fiduciaries today will impact our ability to raise funds today and into the future.

It is also important to note that donors who wish to support education, research and programs aimed at combating climate change have a rich menu of options at UW-Madison across many of our schools and colleges as well as interdisciplinary hubs such as the Nelson Institute for Environmental Studies.

The board and investment committee have discussed environmental, social and governance (ESG) criteria and other investment-related concepts at multiple board meetings. ESG factors are already important in shaping our selection process for hiring outside managers who invest the funds. The committee has discussed the possibility of introducing a new investment option in which donors could choose to place their money in a strategy with heavier emphasis on ESG factors. We have learned that the costs of adding a new strategy are considerable at our scale and have chosen not to do this at this time. We will continue to evaluate this concept in the future.

Those interested can find more information on current investments in our [Annual Report](#).

WFAA values our relationship with campus partners and will continue with our mission to promote the welfare and advance the objectives of the University of Wisconsin-Madison.