Climate change is an urgent global crisis. The Intergovernmental Panel on Climate Change (IPCC), the United Nations body responsible for assessing the science related to climate change, made clear in its 2018 special report on *Global Warming of 1.5°C* the dangers that await the world if it fails to confront the challenges it now faces. The United Nations has also found that climate change has a disproportionately negative impact on people of color, the poor, and otherwise vulnerable communities.

Tufts University has an important role to play in the world’s response. As a leading research institution, Tufts contributes by advancing climate research and scholarship, developing students into the next generation of leaders, and adopting initiatives to mitigate its own impact on the environment. Among the many actions the university has taken to date are: the creation of a permanently funded Office of Sustainability focused on university-wide efforts to drive Tufts’ sustainability efforts; President Monaco’s creation of the Campus Sustainability Council; significant infrastructure investments to decrease the university’s carbon footprint; and the establishment of the Tufts University Sustainability Fund to provide environmentally conscious donors with a dedicated vehicle through which to make gifts to the university. These decisions to allocate resources among many opportunities to advance the university’s mission and impact the world positively are indicative of Tufts’ longstanding leadership on issues concerned with creating a more just and sustainable society.

Yet there is more to do. In the past several years, the investment industry has introduced new tools, products, and strategies in response to increased concerns among investors about climate change. At the same time, many institutions, including other prominent colleges and universities, have formulated new, more comprehensive climate change strategies that include varied approaches to divestment and other actions related to their endowments. (See Appendix I)

Among the additional actions available to Tufts is divestment from fossil fuels. While divestment has been proposed and considered more than once over the past several years, prior assessments found that it could have a negative impact on the endowment’s performance and thereby reduce the operating funds available to support the university’s mission. (See Appendix II)

However, fossil-fuel divestment would have both symbolic and practical effects, particularly in light of Tufts’ role as a signatory to Second Nature’s Climate Commitment, which states that its supporters “believe firmly in the power, potential, and imperative of higher education’s key role in shaping a sustainable society.” While the university’s direct holdings in fossil-fuel companies represent a small percentage of the endowment (see Appendix III), fossil-fuel divestment could have several beneficial outcomes. It would more closely align the endowment with the university’s values, demonstrate the university’s commitment to issues concerning climate change, set an important example for other institutions, and be a positive force in shifting the investment landscape away from fossil fuels and towards renewable energy. Most importantly, divestment, in combination with other measures, can be accomplished in a financially prudent manner that respects the endowment’s critical role in supporting the university community both now and in the future.

To that end, for consideration by the Board of Trustees, the Responsible Investment Advisory Group (RIAG) hereby recommends, as detailed below, divestment from certain fossil fuels and other actions that would advance the cause of climate action and have a positive impact on the university, its community, and environmental sustainability in general.
The Responsible Investment Advisory Group’s recommendations

After conducting its review and engaging in thoughtful discussions exploring a wide range of options, implications, and interests, the RIAG is recommending that the Board of Trustees take the following actions:

1) **Divest from direct holdings and prohibit future direct investments in 120 coal and tar sands companies with the largest reserves.** This restriction, which would cover virtually all public reserves in this space and most major energy companies, would apply to the Investment Office’s internally managed accounts and be implemented within 6 to 12 months of the trustees’ approval. The companies in question would be determined by a list updated annually by an established third party commonly used by other universities for these purposes.

2) **Invest $10 million to $25 million in positive impact funds related to climate change over the next five years.** A minimum of $10 million would be allocated, with the remainder structured as a match to encourage contributions to the endowment from those who are passionate about climate action. These investments could be made in funds and companies that have a primary focus on activities that mitigate or are adaptive to the impacts of climate change. This action would build on Tufts’ established leadership in having created the Tufts University Sustainability Fund.

3) **Proactively communicate with all current and future investment managers to:**
   - Inform them of Tufts’ decision to divest all direct holdings in coal and tar sands companies
   - Impress upon them the university’s belief in the urgency of climate change
   - Reinforce the importance of the university’s values in its investment decisions
   - Encourage them to further integrate climate-change risk and other environmental, social, and governance (ESG) considerations into their investment processes.

The communication would make clear that the university will reassess its investment restrictions over time to ensure continued alignment with the university’s values.

4) **Enhance transparency by creating a dashboard** that would report on the university’s progress toward the three actions above as well as other relevant information regarding action on climate change and fossil fuels.

5) **Evaluate progress.** Recognizing the rapid pace of change in the fields of environmental sustainability, energy production and consumption, and investing, the university would commit to revisiting in two to five years the actions recommended by this report.

6) **Further integrate and advance the university’s efforts on environmental sustainability.** The university would coordinate these efforts with the Campus Sustainability Council to connect their work in support of a broader, university-wide climate change mitigation plan. Initiatives and policies to reduce fossil-fuel consumption and advance the university’s sustainability goals might include internal carbon pricing to assist the university in achieving a smoother transition to a low-carbon economy, as well as collaborations with other colleges and universities.

Continuing Tufts’ commitment to sustainability

Tufts has a longstanding commitment to these issues. As part of that commitment, Tufts has made significant investments in its campus infrastructure to help lower its carbon footprint. The RIAG’s recommendations fit within this tapestry of significant and ongoing commitment to sustainability and stewardship of the environment. (See Appendix IV) By adopting these prudent recommendations, the Board of Trustees would further the university’s commitment to sustainability and demonstrate the
university’s openness to change and continuous improvement, set an example for others on promoting sustainability through judicious investment, and continue to fulfill Tufts’ role as a civically engaged and socially responsible leader in higher education.

Respectfully submitted,

**Responsible Investment Advisory Group, December 23, 2020**

Robert R. Gheewalla, Trustee, Chair of RIAG  
Steven M. Galbraith, Trustee Emeritus  
James Hurley, Vice President, Finance & Treasurer  
Paul Joseph, Professor, Sociology  
Barbara Kates-Garnick, Professor of Practice, Fletcher School  
Temple S. Miller-Hodgkin, Undergraduate Student, Class of 2022  
Douglas A. Rachlin, Trustee  
Daniel Richards, Professor, Economics  
Lori Roth, Trustee  
Craig W. Smith, Co-Chief Investment Officer ad interim  
Katherine B. Sulka, Ph.D. Student, Graduate School of Biomedical Sciences, 3G  
Jada Sullivan-Brito, Undergraduate Student, Class of 2022
Appendix I: Divestment at other colleges and universities

As part of its deliberations, the RIAG looked at trends in fossil-fuel divestment at other universities. It found:

- 42 U.S. four-year institutions have committed to some form of fossil-fuel divestment as of March 2020. These are mostly private institutions located in coastal states.
- 36 of these institutions pursued divestment, mostly through strategies involving direct holdings only and not complete divestment.
- 14 institutions with large endowments ($880M+) comparable to or exceeding Tufts’ endowment have committed to various levels of fossil-fuel divestment.
- Of these 14, seven have an endowment exceeding $2B (approximately the size of Tufts’ $1.9B in holdings).
- Of those seven, one—the University of California—has committed to full fossil-fuel divestment, while the remaining six have committed to divest from coal or from coal and oil/tar sands investments.

The review also found that, in addition to looking at divestment from fossil fuels, some universities are adopting “impact investing” strategies to proactively promote sustainability. There are three common approaches to impact investing:

- Direct endowment investments to support environmental initiatives.
- Development of green revolving funds to provide capital for environmentally beneficial projects on campus that generate savings over time, with returns reinvested into future projects.
  - Tufts has already implemented an Energy Revolving Fund to finance energy-efficiency projects on its campuses and a Green Fund, which currently makes awards annually to support initiatives that will help the university advance its sustainability goals.
- Creation of socially responsible funds to provide donors with options to restrict their gifts to specific funds guided by environmental, social, and governance (ESG) principles.
  - As noted above, in 2015, Tufts launched the Tufts University Sustainability Fund for donors making new gifts of $25,000 or more. The fund considers ESG factors in its investments, and gifts to this fund support sustainability programming and operations on campus.
Appendix II: Recent history of fossil-fuel divestment at Tufts and formation of the RIAG

In 2013, in response to proposals on divestment by students and others, President Monaco appointed a working group of students, faculty, administrators, and trustees, and charged it with reviewing the possibility of divesting from fossil fuels, establishing a fund focused on sustainable investing, and considering other steps to address climate change. Among its findings, the working group recommended in 2014 that the university refrain from divestment primarily because of the significant anticipated negative impact on the university’s endowment and, by extension, the Tufts academic experience. In addition, the working group recommended the establishment of a sustainability fund (which resulted in the creation of the Tufts University Sustainability Fund in 2015), greater research and advocacy, and an assessment of curriculum with respect to climate change. The Board of Trustees, which is responsible for the university’s investment policies in accordance with the university’s bylaws, adopted the recommendations. Since then, the university has introduced more classes and degree programs focused on climate and sustainability. Through Tufts CREATE Solutions, a collaborative initiative created as part of the university’s Research and Scholarship Strategic Plan, the university is promoting cross-university research on climate change. Through the We Are Still In initiative, Tufts joined governors, mayors, CEOs, and other college and university leaders in declaring its continued support for the Paris Climate Agreement despite the federal government’s withdrawal. And several Tufts faculty have advised national and international leaders on climate change and related policies.

In 2016, the executive committee of the Board of Trustees met with members of the Student-Faculty Working Group on Fossil-Fuel Divestment of the Schools of Arts and Sciences and Engineering. The working group asked the committee to consider resolutions urging the university to divest from fossil-fuel companies. The committee, while acknowledging the importance of sustainability to the university and noting the university’s many significant investments in capital projects to reduce Tufts’ carbon footprint, decided that divestment would not be impactful due to the small percentage of Tufts’ endowment funds invested directly and indirectly in fossil fuels. Additionally, the committee found that divestment would carry significant financial cost to the university, with negative impacts on the endowment’s ability to fund the university’s mission. As a result, the Board of Trustees restated its support for its current investment policy, which is based on the recommendation of the working group that issued its findings in 2014.

Since that reaffirmation in 2016 of the university’s investment policy, students and others have continued to raise the issue of divestment from fossil fuels and other areas of investment. In 2019, the Board of Trustees, which has a fiduciary responsibility to steward the university’s financial assets, acknowledged the potential for taking social impact into account when making investment decisions and introduced a process by which members of the Tufts community can propose the creation of a Responsible Investment Advisory Group (RIAG). In order for a RIAG to be created, proponents must make a strong case that, for example, their call to divest has wide community support in the university, takes on a significant social issue, and will have a positive impact. If approved for creation, the RIAG may raise and study concerns surrounding potential social impact caused by the investing activities in question and provide advisory recommendations on such issues to the Investment Subcommittee of the Trustees’ Administration and Finance Committee. The process provides students and other community members with a reliable mechanism to raise concerns to the attention of trustees.

In late 2019, students, supported by members of the faculty, used this process to successfully petition trustees to establish a RIAG to consider possible fossil-fuel divestment. The group was preparing to begin its deliberations in early Spring 2020 when the COVID-19 pandemic intervened. In September
2020, the group convened for the first of six meetings to take up the question, examine potential responses and ramifications, and issue its recommendations.
Appendix III: The Tufts endowment

The university’s endowment is a force for good, made possible by the generosity of many thousands of alumni, faculty, staff, students, parents, and friends, and by the appreciation of investments over time. One hundred percent of funds from the endowment work to support the university’s good works and its mission of being a student-centered research university dedicated to the creation and application of knowledge. Prime examples of its impact are the scholarships it funds, which make a Tufts education accessible to many who otherwise might not realize the opportunity, and the professorships it enables, which contribute to the transformative educational experience that students enjoy and the bold research and scholarship that faculty undertake. Each year, approximately 5 percent of the endowment’s value is distributed to the university to support its operations and mission. In fiscal year 2020, the endowment distribution utilized for operations was $84 million, representing 9 percent of the university’s operating budget. The fiscal year 2020 distribution from the endowment included $25 million in support of student financial aid and scholarships and $11 million in support of professorships and teaching.

University endowment assets are intended to exist in perpetuity, providing approximately equal support to each generation of Tufts’ students, faculty, and staff—a guiding principle that echoes the concept of sustainability, as meeting the present generation’s needs without compromising the ability of future generations to meet theirs. Accordingly, it is critically important to ensure that decisions made in the present responsibly preserve and grow endowment funds so they are available to support students, faculty, and staff in the future.

Governance oversight of Tufts’ endowment assets is provided by the Board of Trustees, and day-to-day investment oversight is conducted by Tufts’ investment office. Endowment assets are held in three distinct portfolios:

- The Total Return Pool (TRP) is the largest portfolio that holds endowment assets and has the broadest investment mandate of the three pools. Through diversification, the TRP seeks the highest long-term return possible while adhering to prudent risk and liquidity guidelines set forth by the Board of Trustees. These assets provide the bulk of the endowment’s annual financial support to the university.
- The Tufts University Sustainability Fund (TUSF), which was created by the trustees in 2015, encourages activity that can diminish, mitigate, or reverse the impact of global climate change through investment in assets consistent with those goals, such as renewable energy and energy efficient projects. The fund may also invest in assets through an environmental, social, and governance (ESG) approach, defined as focusing on companies that score well on various desirable environmental, social, and governance criteria.
- The Omidyar-Tufts Active Citizenship Trust, established in 2005 by a gift from Pierre (A88) and Pam (J89) Omidyar. The trust’s objectives are to generate financial returns that support Tufts while making an impact on a range of societal issues by empowering people to accelerate positive change. Generating societal good and financial returns are equally important to the trust, which invests in a range of sectors including but not limited to financial and economic inclusion, health and wellness, affordable housing, and access to energy, water, and education.

The overall endowment investments are highly diversified across geographies and asset classes to mitigate risk while seeking the high return required for perpetual support of the university. Similar to other major university endowments, nearly all of these investments are held in commingled funds (e.g., mutual funds) managed by third parties that pool assets from many investors to purchase individual
securities (e.g., stocks and bonds) for future investment returns. Due to their structure, commingled funds are not customizable; Tufts is unable to dictate which securities are held in these pools. A small portion of assets are held in separately managed accounts (SMAs) that, similar to commingled funds, are managed externally by third parties; Tufts does not make security-level decisions within these accounts. The remaining assets are internally managed, reflecting direct investment by Tufts’ investment office in individual securities. Because Tufts is in direct control of how internally managed assets are invested, the investment office has full discretion over which securities to own.

As of the end of fiscal year 2020, the TRP’s $2.0 billion in assets were held 87 percent through commingled vehicles, 11 percent through SMAs, and 2 percent through internally managed accounts. As of June 30, 2020, roughly $10.3 million of the TRP (0.5 percent of the portfolio) was invested in the 120 coal and tar sands companies identified on the restricted list described previously in this document. This exposure came from commingled vehicles (roughly $9.6 million) and SMAs (roughly $0.8 million). The TRP had no exposure through internally managed accounts.
Appendix IV: Tufts’ longstanding commitment to sustainability

Tufts has a long history of leadership within higher education on issues of sustainability. In 1990, then-President Jean Mayer convened university presidents from around the world to sign the Talloires Declaration, launching the international movement to incorporate sustainability into higher education. Since then, the university has continued to commit itself to: reducing its own greenhouse-gas emissions; researching the causes and effects of—and solutions to—climate change; and preparing its students to succeed in a changing world.

From campus operations to the classroom, sustainability at Tufts is a collective effort spanning departments, offices, schools, and campuses. Tufts offered 585 courses related to sustainability over the past two years (from Summer 2018 through Spring 2020) and seven graduate and undergraduate degree programs in sustainability and related fields. Last year, Tufts welcomed the first cohort of students in the master’s of science in sustainability program. Faculty research related to climate change and climate change solutions can be found in virtually every school at the university.

Beginning in 2018, the Climate Policy Lab at the Fletcher School’s Center for International Environment & Resource Policy (CIERP) took the lead on running a university-wide climate research initiative. In Fall 2019, their research group was funded for an additional three years to develop solutions in climate, renewable energy, agriculture, technology, and ecology. This collaboration—aptly titled CREATE Solutions—is part of Tufts’ Research and Scholarship Strategic Plan.

Students and employees have multiple opportunities to get involved in sustainability and climate change-related activities on campus, from joining one of a dozen student clubs available to undergraduate and graduate students to training to be an eco-ambassador. Students also are involved in helping Tufts become a more sustainable institution through work on real-life projects on campus, in the classroom, through internships and research projects, and by serving on university-wide committees, such as the Green Fund committee.

At the same time, Tufts has made significant investments in the sustainability of its campus infrastructure. A preliminary plan to decarbonize the Medford/Somerville campus utilities was finished in Summer 2020 and includes changes in how construction projects are implemented, transitioning to more efficient heating systems, and folding energy efficiency measures into the existing campus planning process. The Cummings Building is being built to have an energy use intensity equal to or less than a LEED platinum building, and a new ultra-efficient student house, dubbed the Green House, is striving to be zero net energy in its first year of operations. It is currently occupied by a sustainably focused student living community.