Amherst College
Sustainability Report

May 3, 2016
The 2015 Board of Trustees Statement

At its winter meeting in 2015, the Board of Trustees voted to approve a Statement on Sustainability and Investment Policy. The statement acknowledged the grave threat posed by climate change and the role in climate change played by human activity. Acknowledging that “Amherst has a responsibility to match its convictions with behavior” as well as to “display leadership by taking steps that make a difference,” the Board committed Amherst College to a path that will make sustainability a key consideration in the management of its institutional life.

Among other things, the statement supported the development of a strategy for achieving a carbon-neutral footprint on campus—something that only a handful of colleges and universities have achieved. The statement also committed the College to “adopt policies that embed sustainability in its operations, in its investment process and in its life as a community.” The trustees stipulated that progress be assessed by the College’s Office for Sustainability and by the Investment Office, with reports furnished regularly to the Amherst community.

This is the first of those reports. It outlines a number of specific initiatives, which touch in various ways on operations, investments and the life of the community. Some are efforts of long standing that will continue to evolve and accelerate, and to receive significant support and attention going forward. Other initiatives represent newer shifts in the way the College operates, such as direct engagement with endowment investment managers on the risks of climate change.

Context

The impetus for operational sustainability at Amherst College began decades ago, driven both by a concern for safeguarding the environment and by the clear long-term financial benefits. During the past decade, the College has reduced its carbon footprint by 30 percent. This has been achieved through such steps as installing a co-generation plant in 2009, switching from oil and diesel to cleaner-burning natural gas and establishing a range of campus energy-conservation projects.

Since 2000, the College has been converting all of its heavy trucks, delivery trucks and groundskeeping equipment from gasoline to fuel-efficient diesel. When it can be sourced, Amherst also uses biodiesel as much as possible.

The College has incorporated hybrid and electric vehicles into its fleets, and has installed an electric charging station. The student government has also purchased an electric vehicle to support the emergency medical services club. Amherst was the first institution to offer Zipcar sharing to students as young as 18.
Since 1989, the College has recycled on campus. It is proactive about donating used furniture, computers and clothes from students to local shelters to reduce the amount of waste that goes to the landfill. Since 2009 nearly half of the College's total solid-waste output has been recycled or donated.

In 2013, Book & Plow Farm began production on Amherst College land, with a mission to grow vegetables and engage students. It has been widely successful on both fronts through such steps as providing Valentine Dining Hall with fresh produce; operating a successful CSA (Community Supported Agriculture) effort for faculty, staff and neighbors; and providing a community for students to work, bond and learn about the food system.

Valentine Dining Hall, meanwhile, has made its mission a commitment to fresh and sustainable food. Since 2010, it has increased the volume of fresh vegetables it uses by 52 percent, and it has been purchasing from Book & Plow from the very beginning (buying 35,000 pounds of produce from the farm in 2015).

**Recent Actions**

1. **Capital Projects**

   **Background:** In 2006, the College established high-performance building guidelines to ensure that decisions made on building retrofits and new building design were done with energy conservation and best environmental practices in mind. Lighting upgrades, occupancy sensors, building automation systems, weatherization and heat-recovery systems have all acted to help the College reduce its carbon footprint.

   Since 2015: In keeping with these guidelines, the College made environmental conservation a major design consideration for the new Greenway dorms (opening in summer 2016) and the new science center (opening in summer 2018), and as a result a focus of major capital investment. The science center's state-of-the-art design strategy will make it a standard-bearer for all of higher education, using at least 60 percent less energy per square foot than a traditional science building does. Once built, it will be one of the most energy-efficient science centers at any U.S. college or university.

   The 2015 Board statement indicated that the College would deploy its endowment for major on-campus capital projects that would enhance clean-energy and energy-conservation efforts. In one sense, the College has done this for years by designing and constructing buildings to the highest energy-efficiency standards. This effort has been expensive. The College has used its endowment to cover this cost primarily through annual distributions to pay interest and principal on debt incurred to fund construction. Going forward, Amherst will evaluate opportunities to use endowment funds more directly to invest in building retrofits or new construction that provide a financial return on these investments.
2. The Office of Environmental Sustainability

**Background:** In 2014, Amherst established the Office of Environmental Sustainability (OES) and, thanks to a donor’s support, hired the office’s first director. The OES is charged with fulfilling “the College’s moral obligation to incorporate environmental awareness and practices into the daily lives of students, so they will be equipped to shape the environment they live in through their actions and leadership.”

**Since 2015:** The OES has provided a focal point for efforts to engage with the community, take strong action on climate change, collaborate with colleagues at the nearby colleges, promote the use of the campus as a living lab and build a culture of sustainability at Amherst.

The OES is at the forefront in the drafting of a Climate Action Plan, with the help of a task force composed of administrators, faculty and students. The task force has made transparency a priority, and has made available its meeting notes and other materials on its website. As the committee proceeds with draft recommendations, it will engage with the Amherst community to receive feedback. Within the next year, the task force will provide the Board with an implementation plan for the College’s ambition to achieve carbon neutrality.

The OES has spearheaded and supported many initiatives beyond those directly focused on operations and climate action. The collective impact of these initiatives serves to advance the goal of making sustainability a defining feature of Amherst’s education and community life. Among other efforts, the office has

- Collaborated with the Environmental Studies program to bring sustainability and learning-by-doing into the curriculum. Through the support of the OES, students in Introduction to Environmental Studies are given watt-meters to track energy use of their dorm electronics, and are given a chance to think through the real-life decision-making process on topics such as purchasing renewable energy credits or converting from paper towels to electric dryers in the bathrooms.

- Co-facilitated a special-topics course on the UN climate conference occurring in Paris in December 2015. Three students from the course were able to attend the global conference, and they reported to the community upon their return.

- Supported several new student-led and student-initiated projects on campus, such as the Green Athletics Committee, the Food Waste Initiative, the Trash-to-Fashion Show, Eco-Reps and the AC Student Bike Share.

- Developed a new student-orientation program focused on the problem of climate change.
3. Energy Use

Background: The largest source of carbon emissions at Amherst is energy use in campus buildings. Over the last decade, the College has reduced its energy use in a variety of ways, including energy-efficient retrofits of existing buildings. This attention to the efficiency of lighting, automation systems, exteriors, ventilation and motors is also a part of all new capital projects. The retrofits to existing buildings have often been partially funded with grants from the local utility company and have reduced carbon emissions and saved money for the College.

Since 2015: Incremental improvements alone are not sufficient to reduce campus energy consumption to the levels necessary to achieve the goal of a net carbon-neutral campus. To meet its energy goals, the College must take many steps.

A fundamental step is to improve the monitoring and tracking of energy use to guide further investments in energy-reduction projects. In fiscal year 2017, the College will spend $250,000 to begin installing energy meters across campus. The data these meters capture will help identify the parts of campus with relatively less efficient energy use so that the College can use the GRF expediently to address these situations.

The College has been seeking support to create a Green Revolving Fund (GRF). It anticipates soon finalizing an agreement with a generous donor committed to funding this initiative. The GRF will finance energy efficiency, renewable-energy and other sustainability projects on campus; generate financial returns while engaging students, faculty and staff in the decision-making and implementation process; and enrich the overall educational environment. Money saved or earned will be used to replenish the fund and finance more projects.

In addition, the OES task force has agreed on the importance of renewable energy, such as wind and solar. To that end, the College is already pursuing the feasibility of a collaborative purchase of renewable energy involving the Five Colleges and Williams College, as well as building its own on-site solar photovoltaic array.

Any path towards carbon neutrality will also require offsetting some emissions that Amherst cannot physically eliminate from its own operations. The College continues to view the purchasing of external offsets as the least effective and least desirable form of offsetting campus emissions. Recognizing this, the College has partnered with Smith, Hampshire and Williams to study the role that local energy-efficiency projects could have in achieving measurable offset reductions, supporting local communities and providing educational benefits to students.
4. Investment Policies

Background: Annual distribution from the Amherst endowment covers more than half of all College expenditures, one of the very highest rates of all higher education institutions in the world. The Office of Investment and the Investment Committee allocate the entire endowment to independent investment managers, spanning a range of asset classes.

Currently Amherst partners with 73 such sustaining investment managers, who in turn invest in public stocks, bonds, real estate, private companies and natural resources and other assets. Each of these independent managers operates with full discretion to buy, sell or trade a range of securities. The Investment Committee and the Office of Investment have the important task of determining to which investment partnerships the College should allocate its capital (and from which to redeem).

As a practical matter, the College does not have the ability to direct these firms on which specific securities to buy or to avoid, as Amherst’s assets are almost always invested in partnerships alongside other investors. However, Amherst does have a point of view and a responsibility to encourage its investment partners to “thoughtfully and consistently incorporate environmental considerations into the investment process.” The College wields soft influence here that is real. Investment managers are aware that sustainability is a key diligence criterion. They are also aware of how important sustainable investing principles are to their continued ability to attract investment dollars.

Since 2015: As the Board noted in its statement, the Amherst endowment is intended to provide perpetual support to the College: “This time horizon enables Amherst to take advantage of long-term opportunities unavailable to short-term investors. At the same time, it exposes the College to long-term risks, such as those posed by climate change.” The statement specified that through the Investment Committee and the Office of Investment, “the College will develop a framework to

- Understand the extent to which endowment managers incorporate environmental factors, as they do many other factors, into the investment process.
- Invest with managers who thoughtfully and consistently incorporate environmental considerations into the investment process.
- Stay on the forefront of environmental best practices, and connect regularly with thought leaders in the field.”
The College has made progress on each of these fronts. It has

- Incorporated these objectives into its Investment Policy Statement.
- Reached out to each of its investment managers, asking how they incorporate environmental stewardship when evaluating investments. The purpose of this inquiry was three-fold:
  - to understand and assess how the College's investment partners think about environmental risks,
  - to share the College's perspective on these considerations and
  - to engage in a dialogue on the importance of transparency.
- Encouraged investment managers to more explicitly incorporate environmental factors into their work and to document their own advances. The College's influence here is meaningful (if not easily measured), in part because it is not alone: Amherst's perspectives and approach to engagement are shared by many of the largest university endowments.

Meanwhile, many of the College's managers have increased their investments in sustainable energy, and the College continues to seek out opportunities to grow these investments within the overall portfolio:

- Within the College's venture-capital portfolio, a number of managers have invested in solar and wind technology, metering, biofuels and battery storage for renewables.
- A number of the College's real-estate managers practice thoughtful, systematic application of sustainability measures to the development and operation of large-scale commercial and residential buildings. They believe that a commitment to “green” principles only enhances the value of the properties they own.
- Amherst has been an active investor in timber since 2002. All three of the College's managers practice sustainable forestry and maintain high environmental standards for stewardship of the lands they manage, meeting or exceeding the standards of the Sustainable Forestry Initiative (SFI). The SFI Standard is governed by an independent board composed of representatives from the environmental community, academia and the industry.
- Within its private-energy portfolio specifically, the College has made commitments to investment managers who invest in renewables (wind, solar and geothermal) and other alternative energy investments (bio-fuels); as well as energy-efficiency technologies and new forms of storage and conductivity to improve efficacy of existing energy usage. Since the inception of its private-energy investment program, Amherst's managers have allocated roughly 20 percent (approximately $70 million) of the College's commitments in
private energy to renewables and alternative-energy investments and to energy-efficiency technologies. The College's first investment directed to wind energy was in 2004, and to geothermal and solar in 2005.

The College has also adopted the practice of including a review of sustainability factors in each internal manager write-up. Through this process of inquiry, the College has confirmed that most of its managers have thought through the issue of climate change directly and proactively, with roughly a third sharing written materials on how they incorporate environmental considerations into their decision-making process.

For example, one of the College's public-equity managers explained how that firm marries its desire to identify companies with consistent and repeatable free-cash-flow generation with its consideration of long-term environmental risks: by disqualifying potential companies based on harmful environmental practices, which the firm determines will undermine future cash flows. In that manager's case, as in most others, the result is not a blanket ban on certain companies or industries but rather a careful analysis and quantification of long-term risks.

One of the College's private-equity funds employs a more formal approach to considering potential investments. Its evaluations include social and governance factors in addition to environmental ones. (The common industry acronym is “ESG: environmental, social, governance.”) To closely paraphrase the manager's strategy:

This fund performs an initial screen relevant to a particular industry to assess potential ESG risks and related value creation opportunities. For all potential investments where this fund identifies potential ESG risk and value-creation opportunities, the fund will incorporate relevant action items into the company’s business plan, monitor ongoing progress on ESG metrics at a company level and work with company management to prioritize opportunities and mitigate any specific ESG issues that are identified. After an investment is made, this fund’s ESG Steering Committee will oversee integration of its ESG policy into ongoing investment and management decisions. Finally, this fund is committed to enhanced reporting on a number of levels (including sharing its own ESG policy internally) with portfolio companies and with investors.

That said, many of the College's hedge fund managers enjoy broad mandates and a high degree of flexibility. Their ability to be nimble is critical to long-term success in this sphere; the perception in the industry is that a specific and detailed environmental risk framework might constrain that flexibility. One of the College's longest, best-performing and most transparent hedge fund managers, one with a very broad investment mandate, has sought to strike a balance, responding, “While we do not have a program that specifically measures environmental risk, we consider a variety of factors for all of our potential investments, including possible environmental impact as well as government and regulatory policies that could influence the risk/reward profile of an investment.”
Over time, the College will work closely with its investment managers to close any perception that financial and environmental responsibilities are necessarily at odds. A well-documented perspective on environmental risks should not limit a manager’s flexibility. Indeed, investment decisions should be enhanced, not undermined, by incorporating environmental due-diligence factors.

For the modest portion of the endowment in which Amherst owns stocks directly (though bought and sold on a fully discretionary basis by an independent manager), Amherst has proactively voted its shareholder proxies in alignment with ESG principles—in other words, advocating for corporate accountability with respect to social, ethical, environmental and corporate governance issues. In the past year alone, the College voted in favor of number of corporate resolutions, including but not limited to requiring companies to adopt quantitative goals for greenhouse-gas and other air emissions, reporting on financial risks of climate change, reviewing and reporting on public-policy advocacy on climate change, and reporting on lobbying payments and policy.

It is also worth adding that at the time of the board’s statement, Amherst had no direct investment in coal—and it still has no direct investment in coal.

In 2015, to further its engagement with higher-educational and investment organizations, Amherst partnered with Ceres, a non-profit organization advocating for sustainability leadership, through membership in its Investor Network on Climate Risk (INCR). The partnership with Ceres complements the College’s early commitment to EIRIS Conflict Risk Network, which the College joined in 2009. EIRIS is a network of institutional investors, financial service providers and related stakeholders. It calls on corporations to fulfill their responsibility to respect human rights and take steps that promote peace and stability in areas affected by genocide and mass atrocities.

INCR is a network of 110 institutional investors representing $13 trillion in assets and dedicated to understanding and addressing the risks and long-term opportunities created by climate change. It also provides a forum for investors to share information, intelligence, experiences and strategies.

As part of its involvement with the INCR, the College has supported two letter-writing initiatives: one to the finance ministers of the Group of Seven, in support of a long-term global emissions reduction goal; and one backing the U.S. proposal to reduce methane emissions by the oil and gas industry.