

# Trucost Portfolio Analytics

Trucost  
ESG Analysis

**S&P Global**

**Nathan Cummings Foundation**

Nathan Cummings Foundation vs MSCI AQWI

March 23, 2019



# About Trucost

Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy. S&P Global's commitment to environmental analysis and product innovation allows us to deliver essential ESG investment-related information to the global marketplace. For more information, visit [www.trucost.com](http://www.trucost.com).

# About S&P Global

S&P Global (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. For more information, visit [www.spglobal.com](http://www.spglobal.com).

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# Benefits of Trucost Portfolio Analysis

It is well-documented that overuse of environmental resources and emission of pollutant gases is not only unsustainable for the planet but could also have widespread economic and social consequences. As governments, capital markets and consumers start to challenge the status quo, those companies that use resources less efficiently than peers, or are more carbon intensive, could lose their market share, licences to operate and ability to source from suppliers. This has possible operational and financial implications for revenues, profit, cost of capital and valuations.

Trucost's portfolio analysis provides investors with essential intelligence to appraise large numbers of holdings or investments for potential exposure to carbon and other environmental impacts, regardless of asset class, geography or investment style. This report provides an invaluable tool for investors to understand:

- Exposure to rising carbon costs
- Carbon performance of holdings within a sector
- Materiality of different environmental impacts
- Engagement opportunities
- Exposure to possible stranded assets
- The baseline against which to measure improvement over time

## Summary of Coverage

Portfolio: Nathan Cummings Foundation

Benchmark: MSCI AQWI

Analysis Date: March 23, 2019

Holdings Date: December 31, 2018

Asset Classes: Equity

Apportioning Factor: Market capitalization

Largest Contributor Level: Companies

	<b>VoH Covered USDm</b>	<b>Coverage Rate (% of Starting VOH)</b>	<b>Number of Instruments Analysed</b>	<b>Number of Companies Analysed</b>
Portfolio	133.551	93.14	1309/1434	1270
Benchmark	133.551	99.89	1436/1441	1422

# Summary of Results

		Unit	Portfolio	Benchmark	Relative Efficiency
Carbon	Carbon to Revenue	tCO2e/mUSD	258.37	344.09	25%
	Absolute CO2e	tonnes	27,653	31,267	12%
Fossil Fuels & Stranded Assets	Extractive Industries Revenue Exposure (apportioned)	%	0.42	2.10	80%
	Extractive Industries Revenue Exposure (weighted average)	%	0.43	2.11	79%
	Extractive Industries Revenue Exposure (VOH)	%	1.56	7.01	78%
	Reserves Exposure (VOH)	%	0.81	5.80	86%
	Absolute CO2e from Reserves	tonnes	34,846	379,578	91%
	Absolute Fossil Fuel CAPEX	USD	90,827	502,442	82%
	Coal Revenue Exposure (apportioned)	%	0.17	0.68	75%
	Coal Revenue Exposure (weighted average)	%	0.25	0.62	60%
	Coal Revenue Exposure (VOH)	%	5.95	4.42	-35%
Energy Transition	Absolute Fossil Fuel Power Generation	GWh	3.286	10.214	68%
	Absolute Renewable Power Generation	GWh	3.369	2.445	38%
	Absolute Other Power Generation	GWh	1.183	2.953	60%
	Fossil Fuel Power Revenue Exposure (apportioned)	%	0.47	1.38	66%
	Fossil Fuel Power Revenue Exposure (weighted average)	%	0.61	1.07	44%
	Fossil Fuel Power Revenue Exposure (VOH)	%	6.56	4.26	-54%
	Renewable Power Revenue Exposure (apportioned)	%	0.47	0.35	37%
	Renewable Power Revenue Exposure (weighted average)	%	0.50	0.27	83%
	Renewable Power Revenue Exposure (VOH)	%	6.65	4.47	49%
	Other Power Revenue Exposure (apportioned)	%	0.08	0.24	65%
	Other Power Revenue Exposure (weighted average)	%	0.14	0.29	50%
Other Power Revenue Exposure (VOH)	%	5.75	2.96	-94%	

# Carbon

## Introduction

Carbon exposure analysis offers a systematic assessment of the carbon risks and opportunities within a portfolio or index at a point in time. The analysis quantifies greenhouse gas emissions (GHG) embedded within a portfolio presenting these as tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e). Comparing the total GHG emissions of each holding relative to either revenues generated or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography.

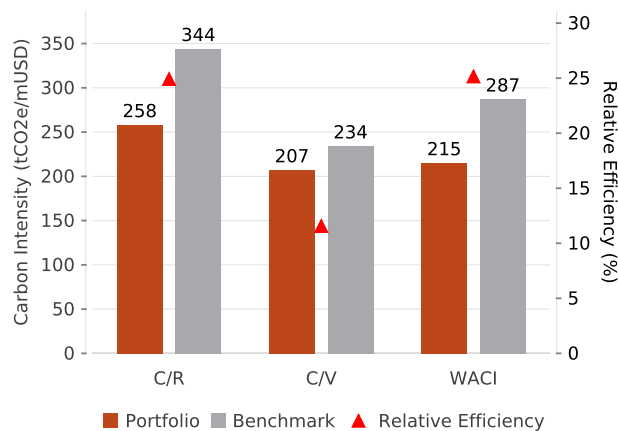
The **Total Carbon Emissions**, **Carbon to Value Invested (C/V)**, **Carbon to Revenue (C/R)**, and **Weighted Average Carbon Intensity (WACI)** are all presented below. For more information on methodological approaches please refer to Appendix 2 and 3.

The scope used in this analysis was Direct Emissions, First Tier Indirect Emissions. For more information on scopes please refer to Appendix 1.

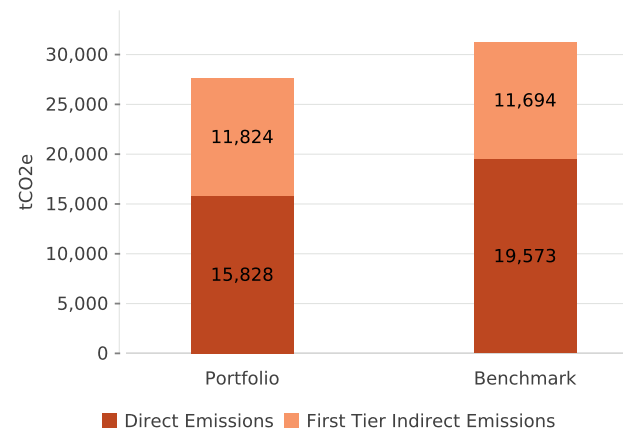
The disclosure rate is measured against the value of holdings (VOH), the share of apportioned GHGs, and number of companies. For details, please refer to Carbon Appendix 4.

## Key Findings

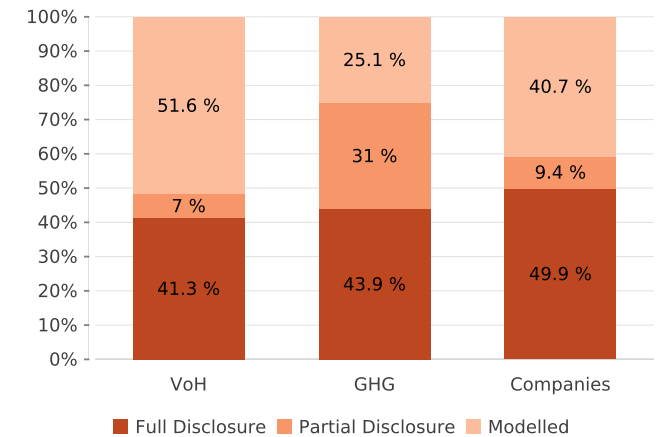
Carbon Intensity by Method



Carbon Apportioned by Scope



Portfolio Disclosure



The portfolio is less carbon intensive than the benchmark across all three methodologies used. The portfolio is 25% less carbon intensive in the Carbon to Revenue approach. The absolute footprint of the portfolio is 27,653 tCO<sub>2</sub>e, which is 12% lower than the benchmark (31,267 tCO<sub>2</sub>e). Like the benchmark, the majority (57%) of the absolute footprint is made up of direct emissions apportioned to the portfolio. The disclosure rates measured by VoH and GHG are relatively low, around 40% while the disclosure by number of companies is around 50%.

# Carbon

## Attribution Analysis - Carbon to Revenue

Carbon to Revenue (tCO2e/mUSD)			Attribution Analysis		
Sector Allocation	Portfolio	Benchmark	Sector Allocation	Company Selection	Total Effect
Communication Services	37.76	46.91	2.40%	0.23%	2.64%
Consumer Discretionary	120.53	88.45	3.31%	-1.69%	1.62%
Consumer Staples	293.90	315.19	-0.36%	0.42%	0.05%
Energy	486.91	705.70	6.55%	2.07%	8.62%
Financials	50.53	27.28	12.57%	-2.08%	10.49%
Health Care	48.95	40.16	-3.17%	-0.12%	-3.29%
Industrials	148.34	212.35	-0.85%	2.14%	1.28%
Information Technology	94.93	85.94	-1.59%	-0.17%	-1.76%
Materials	1,980.06	1,243.28	2.97%	-11.70%	-8.73%
Real Estate	914.81	340.42	+0.00%	-3.52%	-3.51%
Utilities	1,387.93	2,295.39	11.98%	5.51%	17.49%
	258.37	344.09	33.83%	-8.93%	24.90%

The two principal reasons why the carbon exposure of the portfolio may differ from the benchmark are due to sector allocation decisions and company allocation decisions.

Sector allocation decisions will cause the carbon intensity of the portfolio to diverge markedly from the benchmark where the sector/s are either carbon intensive or low carbon. If the portfolio is overweight in carbon intensive sectors the portfolio is likely to be more carbon intensive than the benchmark.

However, if the companies within a carbon intensive sector are the most carbon efficient companies, it is possible that the portfolio may still have a lower carbon footprint than the benchmark.

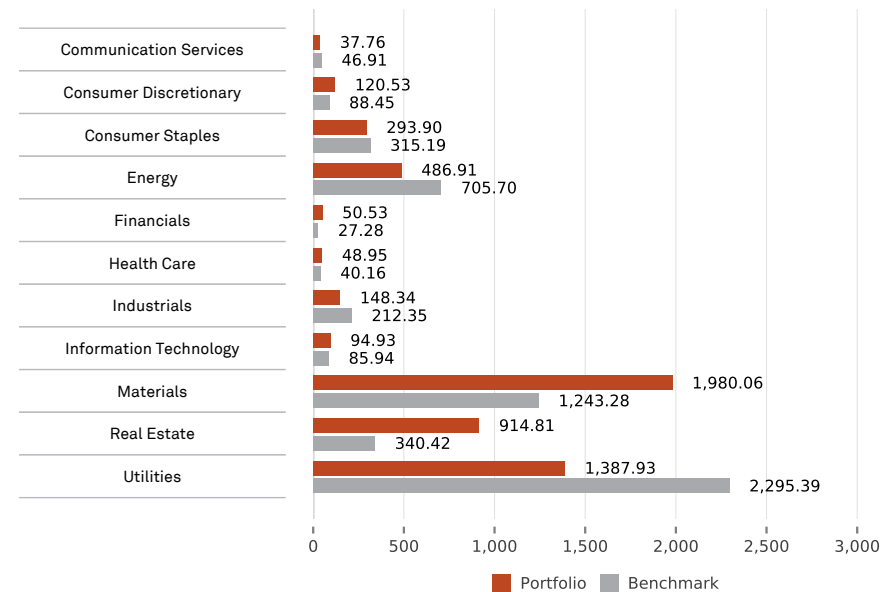
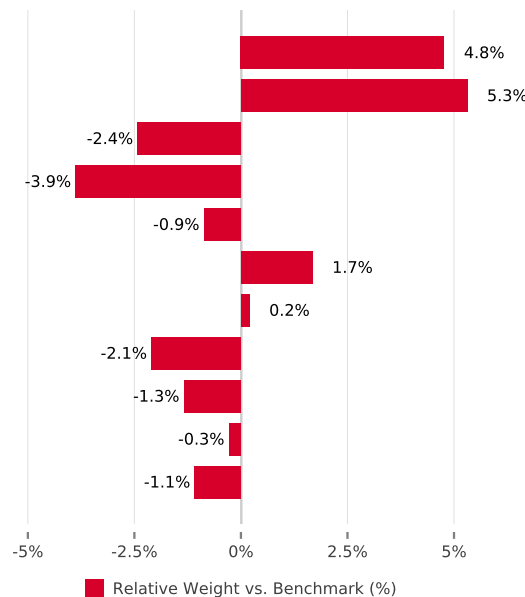
The portfolio is 24.90% less carbon intensive than the benchmark.

The sector allocation results in the portfolio being 33.83% more carbon efficient than the benchmark. This is offset by the company selection however, which is 8.93% more carbon intensive than the benchmark.

In aggregate, the two sectors that have the greatest positive effect on carbon efficiency are Utilities and Financials that together contribute 27.98% of the increased carbon efficiency.

The sectors with the highest negative impacts are Materials and Real Estate, that jointly contribute 12.24% to a reduced carbon efficiency.

Relative Sector Weight plus Sector Efficiency



# Carbon

## Largest Contributors - Carbon to Revenue

The largest contributors to the portfolio's carbon intensity are shown below. Note that a company may appear due to the proportion owned/financed, rather than because it is the most carbon intensive held. The 'C/R Intensity Contribution' is the percentage change in the portfolio's intensity that would be caused by excluding the holding referenced. In other words, it is a measurement of how much a specific holding effects the carbon performance of the portfolio.

Company Name	Holding (mUSD)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mUSD)	Rank in Benchmark Sector	C/R Intensity Contribution (%)	Data Source (Scope 1)
ArcelorMittal	0.327	Materials	15.31	3,910.03	106/120	-14.44	Partial Disclosure
HeidelbergCement AG	0.340	Materials	9.66	4,599.55	N/A	-9.17	Full Disclosure
Sino-Ocean Group Holding Ltd	0.156	Real Estate	6.88	5,825.45	78/78	-6.60	Partial Disclosure
China National Building Materi	0.076	Materials	4.60	4,950.96	N/A	-4.37	Modelled
LafargeHolcim Ltd	0.153	Materials	3.92	6,355.81	N/A	-3.76	Full Disclosure
Berkshire Hathaway Inc	5.717	Financials	4.66	431.36	258/259	-1.92	Modelled
Cia Brasileira de Distribuicao	0.014	Consumer Staples	1.81	14,735.97	N/A	-1.78	Full Disclosure
Huaneng Power International In	0.016	Utilities	1.34	15,601.12	N/A	-1.32	Partial Disclosure
China Resources Power Holdings	0.021	Utilities	1.17	15,348.00	N/A	-1.16	Partial Disclosure
Valero Energy Corp	0.128	Energy	1.43	962.54	62/82	-1.05	Partial Disclosure

## Largest Modelled Contributors - Carbon to Revenue

In order to highlight for engagement purposes, we have identified the largest contributors for which up-to-date disclosures were not available. These are ranked according to the size of their impact on your carbon intensity as estimated by Trucost, using our proprietary environmental profiling model.

Company Name	Holding (mUSD)	Sector	Carbon Apportioned (% of total)	Company C/R Intensity (tCO2e/mUSD)	Rank in Benchmark Sector	C/R Intensity Contribution (%)	Data Source (Scope 1)
China National Building Materi	0.076	Materials	4.60	4,950.96	N/A	-4.37	Modelled
Berkshire Hathaway Inc	5.717	Financials	4.66	431.36	258/259	-1.92	Modelled
"Muyuan Foods Co., Ltd. Class A"	0.572	Consumer Staples	0.77	2,225.25	N/A	-0.68	Modelled
"Guangdong Haid Group Co.,	0.439	Consumer Staples	1.02	686.01	N/A	-0.64	Modelled
Great Eastern Shipping Co Ltd/	0.059	Energy	0.19	1,324.11	N/A	-0.15	Modelled
HollyFrontier Corp	0.044	Energy	0.21	756.10	50/82	-0.14	Modelled
"Kingenta Ecological	0.019	Materials	0.12	1,769.78	N/A	-0.10	Modelled
Steel Dynamics Inc	0.022	Materials	0.10	853.27	N/A	-0.07	Modelled
Dangote Cement PLC	0.008	Materials	0.06	8,000.30	N/A	-0.06	Modelled
Norwegian Cruise Line Holdings	0.021	Consumer Discretionary	0.06	1,324.11	N/A	-0.05	Modelled



# Fossil Fuels & Stranded Assets

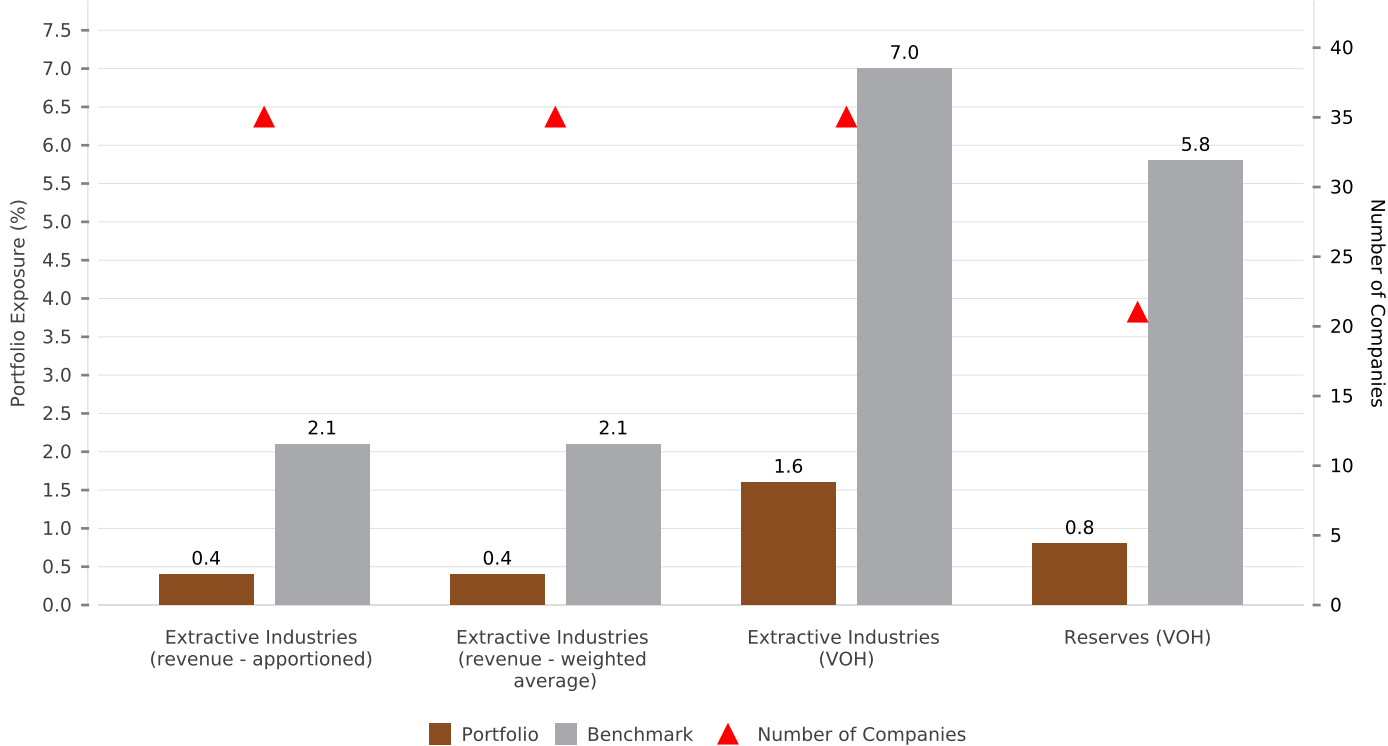
## Introduction

Future emissions from fossil fuel reserves far outweigh the allowable carbon budget that will limit global warming to 2 degrees Celsius above pre-industrial levels. Industry experts refer to assets that may suffer from unanticipated or premature write-downs, devaluations or conversion to liabilities as 'stranded assets'. Trucost assesses exposure to such assets by highlighting holdings with business activities in extractive industries, as well as holdings in companies that have disclosed proven and probable fossil fuel reserves in the portfolio. This helps to identify potentially stranded assets that would become apparent as economies move towards a 2 degree alignment.

The portfolio's exposure to potentially stranded assets has been assessed on both a value of holdings (VOH) basis and a revenue basis. For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 0%. For more details on the methodology please refer to Appendix 5.

## Key Findings

Exposure to Extractive Industries and Reserves



Extraction-related activities include the following sectors

- Crude petroleum and natural gas extraction
- Tar sands extraction
- Natural gas liquid extraction
- Bituminous coal underground mining
- Bituminous coal and lignite surface mining
- Drilling oil and gas wells
- Support activities for oil and gas operations

Fossil fuel reserves may include the following types:

- Coal (metallurgical, thermal or other)
- Oil (conventional or unconventional)
- Gas (natural and shale)
- Oil and/or gas (where no specification has been provided)

The portfolio is less exposed to extractive industries than the benchmark, when measured by both apportioned revenue and weighted average of revenues.

The portfolio is also less exposed to extractives and company reported reserves on a VOH basis compared to the benchmark.

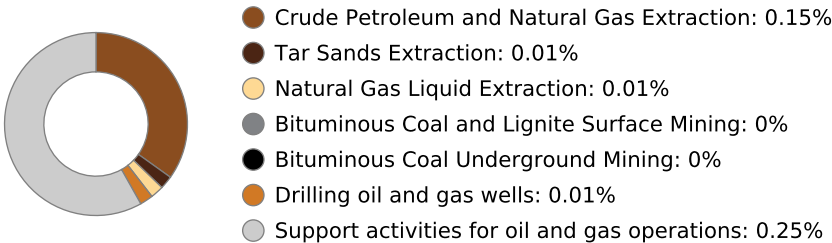
# Fossil Fuels & Stranded Assets

## Extractives Revenue Exposure by Sector

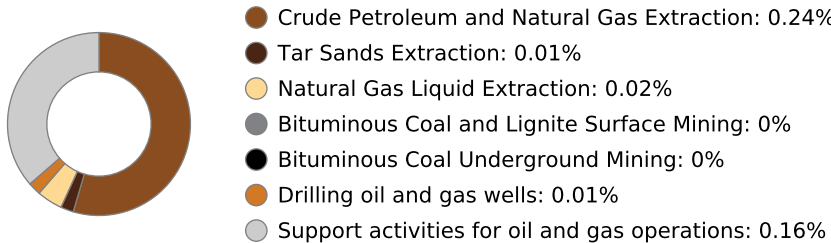
Below is a breakdown of the portfolio's extractive revenue exposure by sector, as a share of total revenue. Both the apportioning and the weighted average methods are displayed.

	Bituminous Coal and Lignite Surface Mining	Bituminous Coal Underground Mining	Crude Petroleum and Natural Gas Extraction	Natural Gas Liquid Extraction	Drilling oil and gas wells	Tar Sands Extraction	Support activities for oil and gas operations	Total Extractives Exposure
Portfolio - apportioned	+0.00	+0.00	0.15	+0.00	+0.00	+0.00	0.25	0.42
Benchmark - apportioned	0.15	0.04	1.32	0.16	0.01	0.15	0.27	2.10
Portfolio - weighted	+0.00	+0.00	0.24	0.02	+0.00	0.01	0.16	0.43
Benchmark - weighted	0.14	0.03	1.40	0.13	0.02	0.14	0.24	2.11

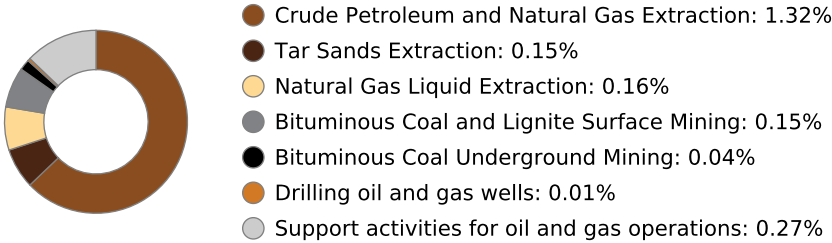
Portfolio - Apportioning Method



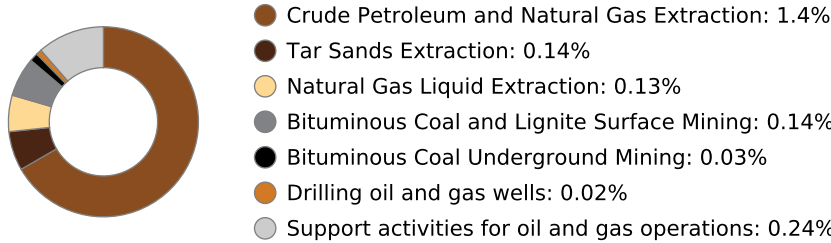
Portfolio - Weighted Average Method



Benchmark - Apportioning Method



Benchmark - Weighted Average Method



# Fossil Fuels & Stranded Assets

## Embedded Emissions

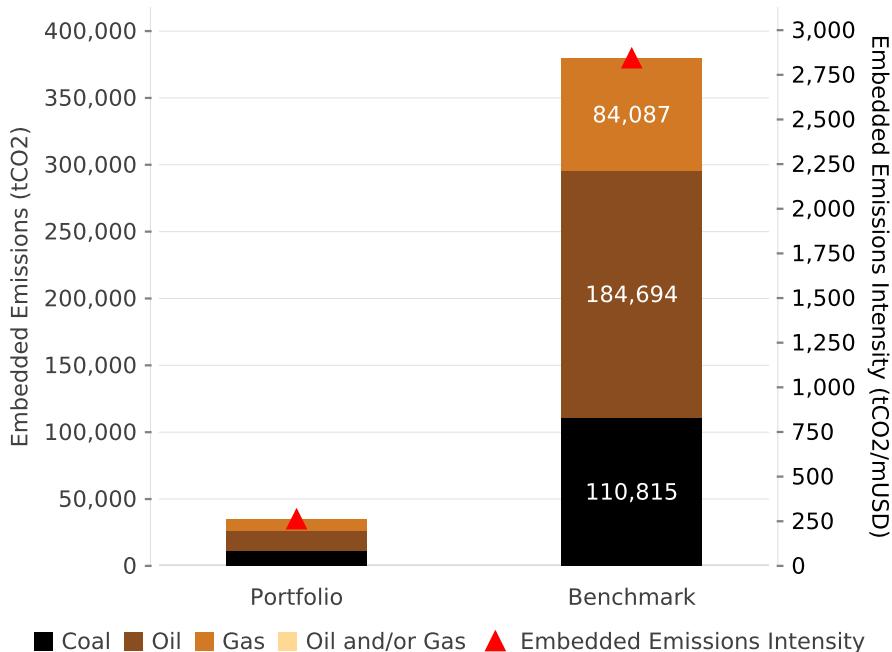
Trucost is able to analyse the carbon emissions embedded within the fossil fuel reserves which have been disclosed by companies in the portfolio or benchmark. Companies may disclose both 1P and 2P reserves (1P refers to those held with 90% confidence, 2P are those held with 50% confidence). Both 1P and 2P are used when assigning embedded emissions to a company.

The chart below shows the total tonnes of apportioned CO2 from reserves, broken down by reserve type. It also shows the reserves 'intensity' by normalizing the apportioned embedded emissions by the VOH.

The total embedded CO2 emissions from reserves is 0.035 m tonnes.

The portfolio has significantly lower exposure to embedded emissions from fossil fuels compared to the benchmark, 0.036 m tonnes compared to 0.380 m tonnes.

Apportioned Future Emissions by Reserve Type



## Fossil Fuel CAPEX

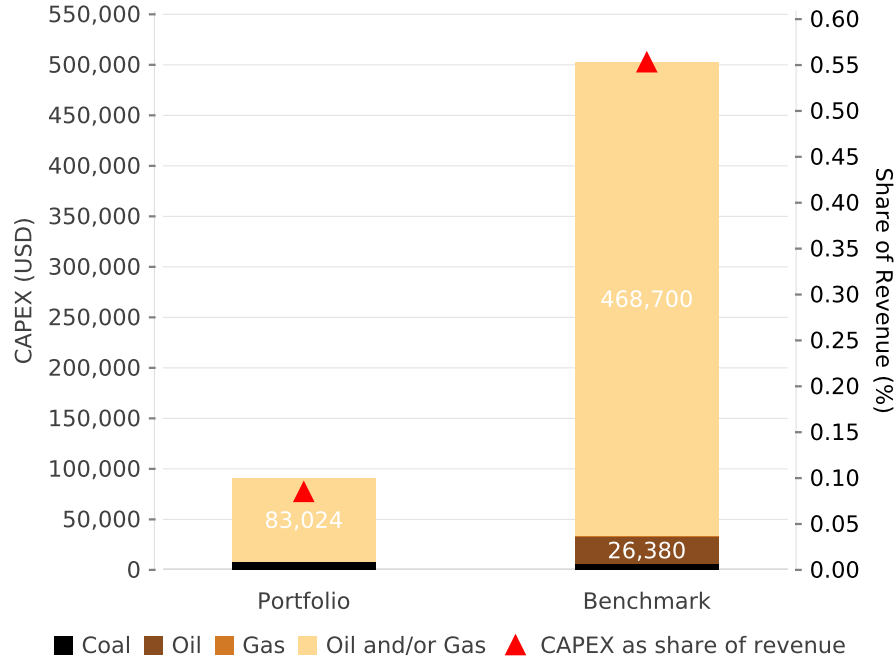
In addition to reserves, Trucost collects data on the capital expenditure set aside for fossil fuel related activities such as further exploration and extraction in order to provide additional quantitative insights on stranded asset risk.

The chart below shows the total apportioned capital expenditure on fossil fuel related activities by reserve type. It also normalizes the CAPEX by showing it as a share of apportioned revenue.

The total apportioned fossil fuel CAPEX is 0.091 mUSD.

The portfolio's share of apportioned CAPEX is also significantly lower than the benchmark, with the greatest share within the Oil & Gas industry.

Apportioned CAPEX by Reserve Type



# Fossil Fuels & Stranded Assets

## Largest Contributors - Extractives Revenue & Embedded Emissions

The table below shows the largest contributors towards the portfolio's apportioned **extractives** revenue. It is displayed as a percentage of the portfolio's total apportioned revenue. The degree to which the company's own revenues are derived from extractive activities is also shown in the adjacent column.

<b>Company Name</b>	<b>Holding (mUSD)</b>	<b>Sector</b>	<b>Portfolio level extractives revenue exposure (% of total)</b>	<b>Company level extractives revenue exposure (% of total)</b>	<b>Portfolio Level Future Emissions From Reserves (MtCO2)</b>	<b>Company Level Future Emissions From Reserves (MtCO2)</b>
Akastor ASA	0.521	Energy	0.12%	17.89%		
Petroleum Geo-Services	0.038	Energy	0.07%	100.00%		
Chevron Corp	0.192	Energy	0.03%	26.62%	0.004	4,485.100
ConocoPhillips	0.066	Energy	0.03%	100.00%	0.002	1,641.900
Schlumberger Ltd	0.046	Energy	0.03%	100.00%		
Exxon Mobil Corp	0.267	Energy	0.02%	10.06%	0.008	8,172.680
Halliburton Co	0.022	Energy	0.02%	100.00%		
Sojitz Corp	0.119	Industrials	0.01%	3.05%		
Targa Resources Corp	0.063	Energy	0.01%	15.27%		
Anadarko Petroleum Corp	0.020	Energy	+0.00%	81.77%	+0.000	563.140

The table below shows the largest contributors towards the portfolio's apportioned **embedded emissions**. The absolute contributions are shown in the second to last column, while final column shows the company's total level of emissions from reserves.

<b>Company Name</b>	<b>Holding (mUSD)</b>	<b>Sector</b>	<b>Portfolio level extractives revenue exposure (% of total)</b>	<b>Company level extractives revenue exposure (% of total)</b>	<b>Portfolio Level Future Emissions From Reserves (MtCO2)</b>	<b>Company Level Future Emissions From Reserves (MtCO2)</b>
ArcelorMittal	0.327	Materials	+0.00%	0.14%	0.012	731.060
Exxon Mobil Corp	0.267	Energy	0.02%	10.06%	0.008	8,172.680
Chevron Corp	0.192	Energy	0.03%	26.62%	0.004	4,485.100
ConocoPhillips	0.066	Energy	0.03%	100.00%	0.002	1,641.900
Occidental Petroleum Corp	0.043	Energy	+0.00%	67.46%	0.001	1,051.210
EOG Resources Inc	0.047	Energy	+0.00%	70.78%	+0.000	1,012.980
Devon Energy Corp	0.010	Energy	+0.00%	38.05%	+0.000	821.910
Noble Energy Inc	0.008	Energy	+0.00%	95.39%	+0.000	711.000
Seplat Petroleum	0.004	Energy	+0.00%	100.00%	+0.000	176.460
Range Resources Corp	0.002	Energy	+0.00%	100.00%	+0.000	916.460

# Fossil Fuels & Stranded Assets

## Coal Exposure

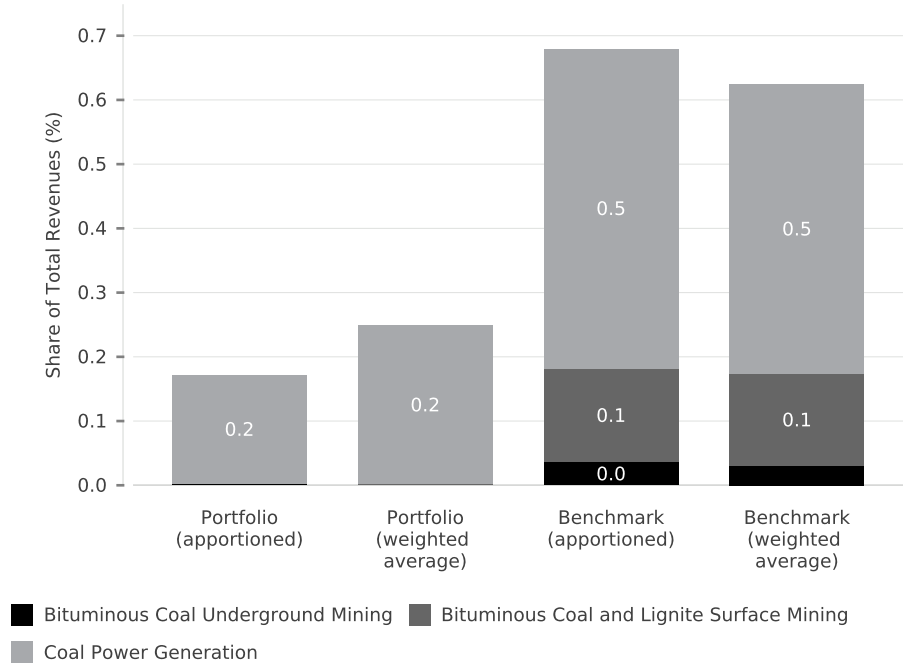
Coal related activities are widely understood to be among the largest contributors to anthropogenic carbon emissions. As such, an increasing number of investors are strategizing around coal exposure and positioning for a transition to a low carbon economy. This may include strategies such as implementing reduction targets for exposure to the embedded emissions, or adopting an assess-engage-monitor-divest approach to individual holdings involved in coal mining or coal power activities.

Trucost has assessed both the VOH and revenue exposure at the portfolio level to the following activities:

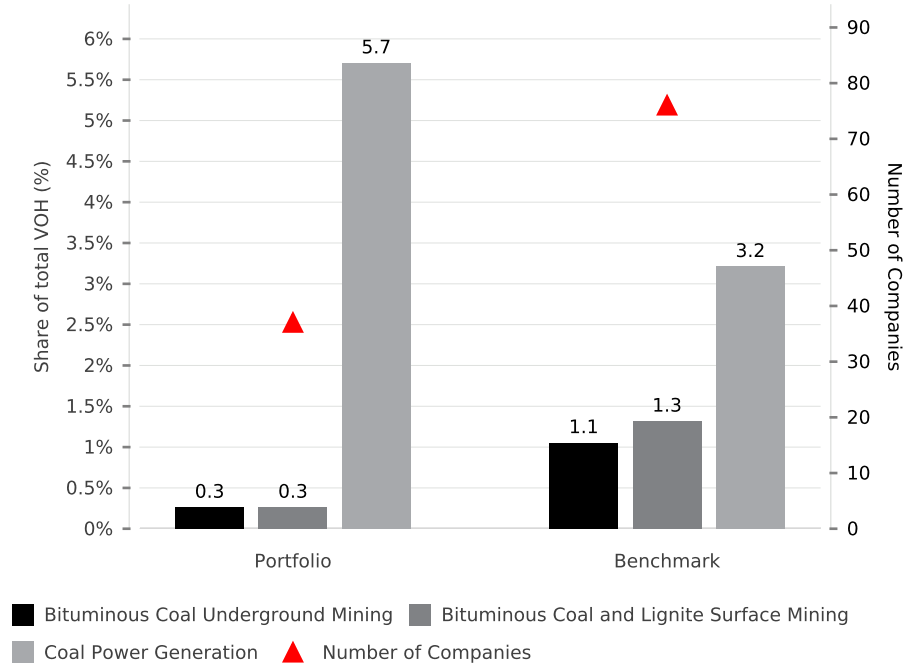
- Bituminous coal underground mining
- Bituminous coal and lignite surface mining
- Coal power generation

For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 0%. For more details on the methodology please refer to Appendix 5.

Coal Revenue Exposure by Sector



Coal VOH Exposure by Sector



# Fossil Fuels & Stranded Assets

## Largest Contributors - Coal Revenue

The table below shows the largest contributors towards the portfolio's apportioned coal revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own revenues are derived from coal mining and/or power generation.

Company Name	Holding (mUSD)	Company Level Coal Extracted (m tonnes)	Company Level Coal Surface Mining Exposure (% of revenues)	Company Level Coal Underground Mining (% of revenues)	Company Level Coal Power Generation Exposure (% of revenues)	Company Level Total Coal Exposure (% of revenues)	Portfolio Level Apportioned Revenues From Coal (USDm)
Berkshire Hathaway Inc	5.717				1.72%	1.72%	0.051
Huaneng Power International	0.016				84.63%	84.63%	0.020
China Resources Power	0.021	15.020	0.30%	7.25%	82.04%	89.59%	0.019
Duke Energy Corp	0.121				23.44%	23.44%	0.011
China Longyuan Power Group	0.097				15.54%	15.54%	0.010
Orsted A/S	0.645				2.69%	2.69%	0.006
American Electric Power Co	0.034				38.94%	38.94%	0.006
DTE Energy Co	0.036				23.92%	23.92%	0.005
Ameren Corp	0.032				40.74%	40.74%	0.005
FirstEnergy Corp	0.017				36.51%	36.51%	0.005

Almost all of the portfolio's coal related revenue exposure is derived from coal power generation. In terms of VOH exposure, the portfolio has a larger exposure to coal power generation than the benchmark (5.7% compared to 3.2%), but lower exposure to both bituminous coal underground mining and bituminous coal and lignite surface mining.

The largest contributor to the portfolio's coal revenues is Berkshire Hathaway followed by Huaneng Power Internationals and China Resources Power.

# Energy Transition

## Introduction

While carbon footprints can help to identify the most carbon efficient companies within a portfolio, they do not recognise those companies that are contributing positively to the low carbon economy by offering climate-mitigation or adaptation solutions. As the energy generating sectors are critical to this transition, Trucost has analysed physical units of power production embedded within the portfolio to highlight aggravators (fossil fuels) vs. mitigators (renewables). The generation types within each category are as follows:

- **Renewable Energy Generation:** solar, wind, wave & tidal, geothermal, hydroelectric, biomass
- **Fossil Fuel Energy Generation:** coal, petroleum, natural gas
- **Other Energy Generation:** nuclear, landfill gas, any other unclassified power generation

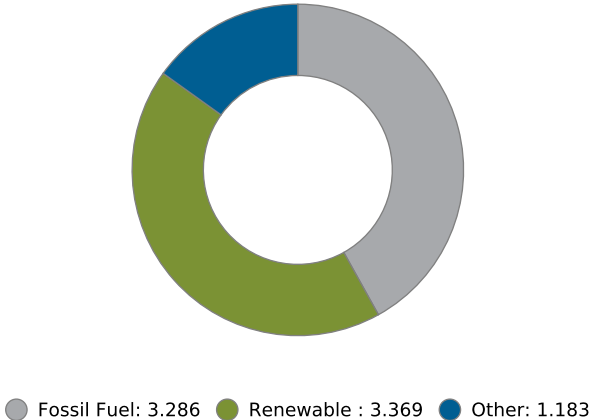
For more details on the apportioning methodology please refer to Appendix 2.

## Generation Mix

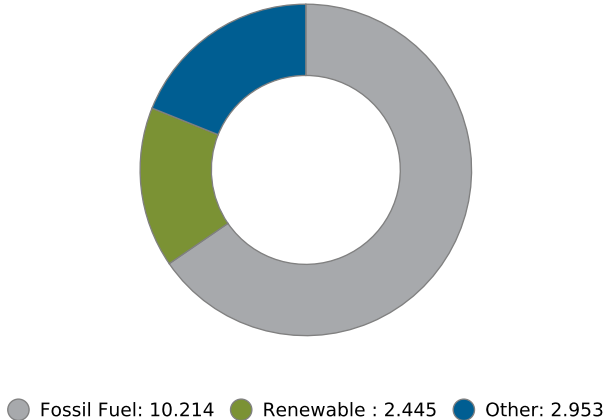
The table below breaks out the apportioned Gigawatt hours (GWh) by generation type. Hydroelectric and biomass have been separated from the 'Other renewables' due to their potential for controversy relating to implementation or sourcing, which can bring in to question their 'sustainability' credentials.

	Fossil Fuels			Renewable			Other	
	Coal (GWh)	Petroleum (GWh)	Natural Gas (GWh)	Hydroelectric (GWh)	BioMass (GWh)	Other Renewables (GWh)	Nuclear (GWh)	Other Sources (GWh)
Portfolio	1.452	0.054	1.780	1.015	0.259	2.096	1.181	0.002
Benchmark	4.900	0.369	4.946	1.363	0.077	1.005	2.950	0.003

Portfolio - Apportioned GWh



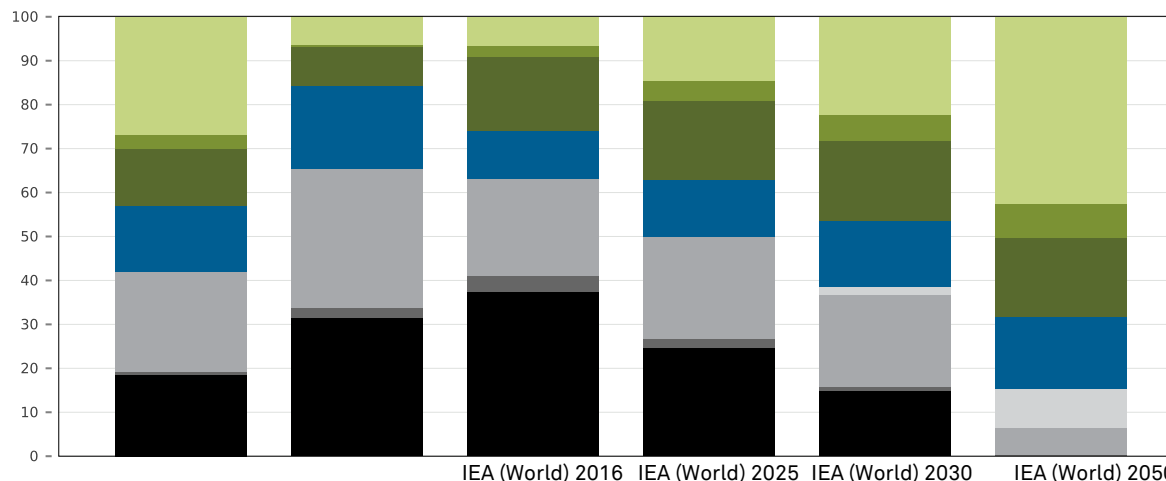
Benchmark - Apportioned GWh



# Energy Transition

## 2 Degree Alignment

Investors are increasingly asking how they can align their portfolio with globally agreed forward-looking targets to mitigate climate change - so called two degree targets. Historically, portfolios have been measured against traditional financial benchmarks which generally reflect the economy today rather than the low carbon economy - as suggested by the International Energy Agency (IEA) - we need for tomorrow. This over-represents traditional fossil fuel energy sectors and under-represents greener energy providers. To overcome this issue, Trucost compares the current energy mix of a portfolio to the IEA's two degree scenarios, showing investors how to work toward an energy transition goal. This allows them to redirect capital to have the highest "transition" impact and help to finance the low carbon economy.



	Portfolio	Benchmark	IEA (World) 2016 2 Degree Scenario	IEA (World) 2025 2 Degree Scenario *	IEA (World) 2030 2 Degree Scenario *	IEA (World) 2050 2 Degree Scenario *
Other renewables	26.74%	6.44%	6.39%	14.60%	22.31%	42.52%
Biomass	3.30%	0.49%	2.63%	4.65%	5.92%	7.91%
Hydroelectric	12.95%	8.73%	16.67%	17.84%	18.16%	17.91%
Other sources (incl. landfill gas)	0.03%	0.02%	0.05%			
Nuclear	15.07%	18.90%	11.14%	12.97%	15.06%	16.29%
Fossil energy with CCS			0.04%	0.19%	1.62%	8.98%
Natural Gas	22.71%	31.68%	21.94%	23.07%	21.04%	6.04%
Petroleum	0.69%	2.36%	3.84%	2.00%	0.96%	0.27%
Coal	18.52%	31.39%	37.31%	24.68%	14.94%	0.08%

The portfolio has a larger share of energy generation coming from renewable sources than fossil fuels. The portfolio also has more GWh generated from renewable sources than the benchmark.

The portfolio is aligned with a 2-degree scenario for 2025 with less coal exposure and greater renewable exposure than required by the scenario. The portfolio is also currently on track to align with a 2-degree scenario for 2030. The portfolio will need to reduce its exposure to coal and natural gas to align with the IEA 2050 2-degree scenario.

\* The content within table above was prepared by S&P Trucost Limited, with data derived from the 2 Degree Scenarios developed by the International Energy Agency. ©OECD/IEA 2017. The content within the table above does not necessarily reflect the views of the International Energy Agency.



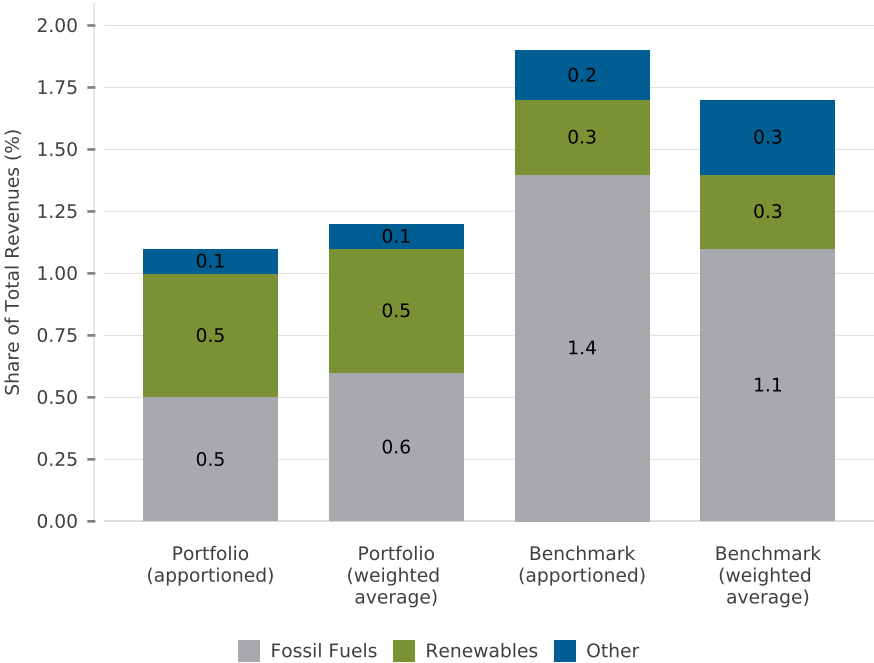
# Energy Transition

## Energy Generation Revenue Exposure

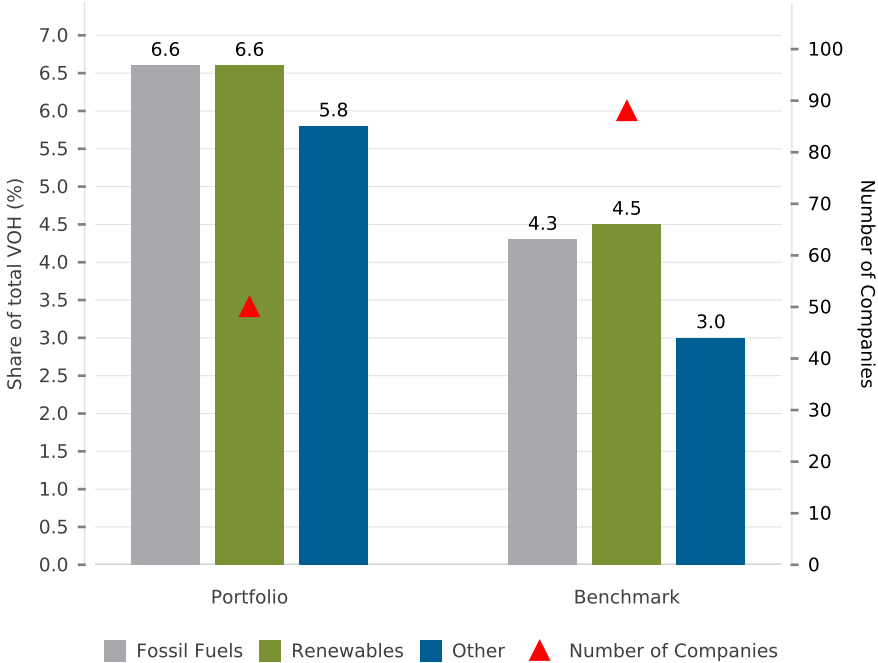
The analysis above has focused on the physical units of power generated by companies within the portfolio. As not all energy companies disclose this information, it is also useful to determine exposure to 'aggravators' and 'mitigators' based on sources of revenue. Trucost has assessed both the value of holding (VOH) and revenue exposure to fossil fuel, renewable, other power generation for the portfolio and benchmark.

For the revenue exposure metric, both the apportioning and weighted average approach are presented. For the VOH exposure metric, the revenue threshold for inclusion was 0%. For more details on the methodology please refer to Appendix 5.

Revenue Exposure to Energy Generation



VOH Exposure to Energy Generation



The portfolio has lower revenue exposure to fossil fuels and alternative sources (nuclear & other) compared to the benchmark while having higher revenue exposure to renewables. The portfolio has higher VOH exposure to all three energy generation types compared to the benchmark even though the overall number of companies is lower.

# Energy Transition

## Largest Contributors - Renewable & Fossil Fuel Energy Revenue

The table below shows the largest contributors towards the portfolio's apportioned renewable energy revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own energy revenues are derived from renewable generation.

Company Name	Holding (mUSD)	Company Level Renewables Revenue (% of total)	Company Level Fossil Fuels Revenue (% of total)	Company Level Other Revenue (% of total)	Company Level Total Energy Revenue (% of total)	Renewables Share (% of total energy revenue)	Portfolio Level Total Apportioned Renewables Revenue (USDm)
PG&E Corp	0.730	25.32%	15.37%	0.03%	40.73%	62.17%	0.264
Orsted A/S	0.645	29.59%	5.09%		34.68%	85.32%	0.064
Berkshire Hathaway Inc	5.717	1.82%	3.72%	0.09%	5.63%	32.38%	0.055
China Longyuan Power	0.097	67.00%	15.54%		82.54%	81.17%	0.043
Centrais Eletricas	0.027	43.54%	2.11%	4.32%	49.97%	87.14%	0.017
Cia Energetica de Minas	0.032	32.62%	0.06%		32.68%	99.80%	0.013
EDP - Energias de Portugal	0.019	26.98%	12.38%	0.71%	40.06%	67.34%	0.008
NextEra Energy Inc	0.150	23.75%	47.32%	25.55%	96.63%	24.58%	0.008
Iberdrola SA	0.044	11.17%	38.09%	13.91%	63.17%	17.68%	0.004
Xcel Energy Inc	0.042	15.79%	33.26%	7.33%	56.38%	28.00%	0.003

The table below shows the largest contributors towards the portfolio's apportioned fossil fuel energy revenue. The absolute contributions are shown in the final column, while the second to last column shows the degree to which the company's own energy revenues are derived from fossil fuel generation.

Company Name	Holding (mUSD)	Company Level Renewables Revenue (% of total)	Company Level Fossil Fuels Revenue (% of total)	Company Level Other Revenue (% of total)	Company Level Total Energy Revenue (% of total)	Fossil Fuel Share (% of total energy revenue)	Portfolio Level Total Apportioned Fossil Fuel Revenue (USDm)
PG&E Corp	0.730	25.32%	15.37%	0.03%	40.73%	37.75%	0.160
Berkshire Hathaway Inc	5.717	1.82%	3.72%	0.09%	5.63%	66.10%	0.111
Huaneng Power	0.016	2.38%	93.78%		96.16%	97.52%	0.022
Duke Energy Corp	0.121	2.54%	43.62%	23.78%	69.94%	62.37%	0.021
China Resources Power	0.021	10.21%	82.25%		92.45%	88.96%	0.017
NextEra Energy Inc	0.150	23.75%	47.32%	25.55%	96.63%	48.97%	0.015
Iberdrola SA	0.044	11.17%	38.09%	13.91%	63.17%	60.30%	0.012
Southern Co/The	0.042	5.59%	53.12%	11.19%	69.89%	76.00%	0.012
Orsted A/S	0.645	29.59%	5.09%		34.68%	14.68%	0.011
China Longyuan Power	0.097	67.00%	15.54%		82.54%	18.83%	0.010

# APPENDIX

## 1. Scopes

Before beginning a carbon or environmental audit, an investor must decide on what scopes to include in their analysis. Some believe that only operational impacts/emissions should be considered when calculating a company's exposure, i.e. the resources/pollutants owned or controlled by the reporting entity. This casts the net around impacts that the investee (and, to a lesser extent, the investor) has a direct sphere of influence over. It also avoids the possibility of double counting. However, as risks may be passed on through the supply chain in the form of higher prices, it may sometimes be more pragmatic to include emissions originating from suppliers.

**CARBON:** Trucost collects greenhouse gas data covering Scopes 1, 2 and 3 upstream emissions, as well as additional data relating to non-Kyoto Protocol greenhouse gases. Definitions of the available scopes are shown below:

- **Scope 1** = CO<sub>2</sub>e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
- **Scope 2** = CO<sub>2</sub>e emissions generated by purchased electricity, heat or steam.
- **Scope 3 (upstream)** = CO<sub>2</sub>e emissions generated by a company's non-electricity supply chain.
- **Direct** = Scope 1 plus CO<sub>2</sub>e emissions from four additional sources, CCl<sub>4</sub>, C<sub>2</sub>H<sub>3</sub>Cl<sub>3</sub>, CBrF<sub>3</sub>, and CO<sub>2</sub> from Biomass.
- **First Tier Indirect** = Scope 2 plus emissions from direct (or "Tier 1") upstream Scope 3 emissions.
- **Remaining Indirect** = Tier 2 and onward upstream Scope 3 emissions.

**ENVIRONMENT:** As with carbon analysis, the scopes available for an environmental audit are Direct, First Tier Indirect, and Remaining Indirect impacts. Direct impacts result from a company's own operations and include emissions from fuel combustion (boilers and company owned vehicles), pollution from water abstracted, natural resource use, and waste generated from industrial production. Indirect impacts from supply chains occur because of the goods or services a company procures. Indirect impacts are broken down between those in the first tier of the supply chain and those in the remaining tiers.

## 2. Apportioning

Many of the exposure metrics calculated by Trucost rely on the apportioning of company owned resources/pollutants to the portfolio or benchmark. Apportioning, as an approach, is built on the principle of ownership. That is, if an investor owns - or in the case of debt holdings, finances - 1% of a company, then they also 'own' 1% of the company's resources/pollutants.

For equity only portfolios the apportioning factor is usually obtained by dividing the value of holding by the company's market capitalisation on the date of analysis. For debt only, or mixed portfolios, enterprise value usually replaces market capitalization as the denominator. The company level resources/pollutants are then multiplied by the apportioning factor to arrive at resource/pollutant quantities specific to each holding. The portfolio level resources/pollutants is the sum of all of these quantities.

# APPENDIX

## 3. Carbon & Environmental Intensity Calculation

Portfolios with larger assets under management will typically have a higher amount of total apportioned resources/pollutants than smaller portfolios because of their size. As most portfolios have a remit to grow assets under management, it is important to normalise these absolute quantities to allow for fair comparison year on year against other portfolios or benchmarks. The three most common approaches to normalizing emissions/impacts are:

1. Dividing the apportioned emissions/impacts by the amount invested.
2. Dividing the apportioned emissions/impacts by the apportioned annual revenues.
3. Summing the product of each holding's weight in the portfolio with the company level carbon/environmental revenue intensity.

For ease of reference, Trucost has defined these as **Carbon to Value Invested**, **Carbon to Revenue**, and **Weighted Average Carbon Intensity** respectively.

The first gives an indication of carbon or environmental 'efficiency' with respect to shareholder value creation. The second gives an indication of 'efficiency' with respect to output (as revenues are closely linked to productivity). The third approach circumvents the need for apportioning ownership of carbon, revenue or environmental impacts to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change or ecosystem damage, the weighted average method seeks to show an investor's exposure to carbon/environmentally intensive companies, i.e. is not an additive in terms of carbon budgets.

## 4. Carbon Disclosure

The level of carbon disclosure is based on each company's Scope 1 emissions, and can be classified as fully disclosed, partially disclosed, or modelled.

- **Full Disclosure** refers to when exact figures have been extracted from annual reports, 10Ks, financial account disclosures, CDP disclosures, environmental/CSR reports, or from personal communication with a company.
- **Partial Disclosure** refers to when Trucost has needed to derive, adjust, or scale any of the data acquired from the sources described above.
- **Modelled** refers to when Trucost has calculated estimates using its proprietary environmentally enhanced input-output model, due to the unavailability or unreliability of up-to-date disclosures.

The overall level of disclosure in the portfolio is assessed using the following three approaches:

- **Value of Holdings:** This is the sum of the weights of each holding within each of the three disclosure categories.
- **GHG:** This is the sum of the portfolio's apportioned Scope 1 CO<sub>2</sub>e within each of the three disclosure categories.
- **Number of companies/instruments:** This is the number of companies/instruments within each of the three disclosure categories.

# APPENDIX

## 5. Revenue & Reserves Exposure

When assessing exposure to extractive industries, coal, or energy generation revenues, three approaches are used.

1. Apportioned Revenue Exposure
2. Weighted Average Revenue Exposure
3. VOH Exposure

The first represents the share of apportioned revenues from the sectors in question as a percentage of the total apportioned revenues from any sector (for more information on apportioning please refer to Appendix 2). The second is calculated by summing the product of each holding's weight in the portfolio with the company level revenue dependency on the sector in question. The third is calculated by summing the weights of any holdings in companies that have a revenue dependency on the sectors in question above a predefined threshold. The reason for the threshold is to allow users to exclude companies whose revenue dependency on the sectors in question may not be considered material.

In the case of reserves, holdings in any company disclosing any amount of reserves is included in the VOH exposure metric. Companies that have reserves, but do not disclose them, will not be captured by the analysis.

## 6. CO2 Equivalent (CO2e)

Each greenhouse gas differs in its ability to absorb heat in the atmosphere. HFCs and PFCs are the most heat-absorbent. Calculations of greenhouse gas emissions are presented in units of millions of metric tons of carbon equivalents (MMTCE), which weights each gas by its GWP value, or Global Warming Potential. The Global Warming Potentials used in Trucost analysis are:

Carbon Dioxide - 1  
Methane - 21  
Nitrous Oxide - 310  
Sulphur Hexafluoride - 23,900  
Per Fluoro Carbons - 7,850  
Hydro Fluoro Carbons - 5,920

These conversion figures are taken from the publically available 2006 Intergovernmental Panel on Climate Change's (IPCC) 'Guidelines for National Greenhouse Gas Inventories'.

# APPENDIX

## 7. Environmental Valuation

Why apply valuations to environmental impacts? Traditional approaches to environmental impact measurement provide a variety of different metrics. For example, carbon and other pollutants are measured in tonnes, for water it is cubic meters. This makes it difficult to compare the relative contribution of each impact and therefore prioritise risks. Trucost addresses this problem by applying monetary valuations to each impact, thereby providing an overarching common metric to assess risk and opportunity across companies and portfolios.

The analysis applies the chosen valuations to the impacts associated with a company's own business activities and those of its upstream suppliers, all the way back to raw material extraction. Environmental impacts are often concealed within global supply chains, therefore we use environmentally extended input output (EEIO) modelling to reveal liabilities at each tier of the value chain for holistic risk and opportunity analysis.

### ENVIRONMENTAL KPIs:

#### Greenhouse Gases:

The categories included in the environmental footprint are carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, per fluoro carbons as well as hydro fluoro carbons and nitrogen trifluoride.

#### Water Abstraction:

The categories included in the environmental footprint are direct cooling and direct process water, as well as purchased water (i.e. the water acquired from utility companies).

#### Waste Generation:

The categories included in the environmental footprint are waste incineration, landfill waste, nuclear waste (e.g. from the manufacture of products, the combustion of nuclear fuel or other industrial and medical processes) and recycled waste.

#### Air Pollutants:

The categories included in the environmental footprint are all emissions released to air by the consumption of fossil fuels and production processes which are owned or controlled by the company. This includes acid rain precursors (e.g. nitrogen oxide, sulphur dioxide, sulphuric acid, ammonia), ozone depleting substances (HFCs and CFCs), dust and particles, metal emissions, smog precursors and VOCs. Each has a set of impacts on human health, buildings and/or crop and forest yields.

#### Land & Water Pollutants:

The categories included in the environmental footprint are pollutants from fertiliser and pesticides, metal emissions to land and water, acid emissions to water, and nutrient and acids pollutant.

#### Natural Resource Use:

The categories included in the environmental footprint are extraction of minerals, metals, natural gas, oil, coal, forestry, agriculture and aggregates.

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