



The Episcopal Diocese of Olympia

The Episcopal Church in Western Washington

www.ecww.org

Carbon Footprint Report

10/11/18

From the Office of the Bishop

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The Board of Directors of the Diocese of Olympia, Inc., recognizes its fiduciary responsibility to shareholders in the James F. Hodges Diocesan Investment Fund (DIF) to be a shareholder advocate of positive investment by the DIF in renewable energies. As a result, the Board agreed to commission a study of the carbon footprint of DIF investments, and the results of that study are attached in an executive, annotated report.

Highlights of the report are:

- The electrical utility we own is the leader in wind and solar energy production in the US. It is the largest single contributor to our reduced carbon intensity.
- Our portfolio is almost half as intensive as the relevant benchmark.
- Our energy holdings are in line with the benchmark.
- Our industrial sector holdings are less carbon intensive than their competitors.
- We are more carbon intensive in materials, which is a very small sector in which we are underweight relative to the benchmark.

It should also be noted that the Diocese of Olympia encourages households, congregations, and institutions to undertake a carbon footprint analysis of their energy use using the [EPA's household carbon footprint calculator](#).

We also encourage households and congregations, after using the carbon footprint calculator, to invest in carbon offsets through the [carbon offset partnership the Diocese of Olympia has with the Diocese of the Southern Philippines](#).

“The Diocesan Investment Committee has a holistic approach to portfolio management that, in addition to carbon footprint, the portfolio includes construction, valuation, balance sheet strength and judgement about the quality of management and future growth prospects.”

- Darcy MacLaren, member, Diocesan Investment Committee

Carbon Report

Diocese of Olympia

Report created on: May 03, 2018 | Holdings Date: Apr 28, 2018 | Benchmark: Equity - MSCI

ACWI Index Currency: USD | Industry Classification: GICS

Company Breakdown Metrics: relative carbon footprint (tCO₂e / Mio. invested)

Value: \$80,517,995.00 USD

Fund Management Company: Diocese of Olympia

Executive Summary

This report analyses the portfolio of securities in terms of the carbon emissions and other carbon related characteristics of the underlying portfolio companies, and compares this data to the performance of a relevant respectively chosen market benchmark.

Definitions & Notes:

- Our **Goal** in requesting this report was to provide a comparison of the carbon footprint of our portfolio to others within the U.S. and around the world.
- The **Carbon Footprint** provides an historic snapshot of the emissions from the companies that make up the fund's equity portfolio. The calculations are not comprehensive and do not include indirect emissions. The metric says nothing about how the portfolio contributes to a low-carbon society. For further information about the metric, see yoursri.com.
- The **Weighting** for the benchmark will not always total 100% as the stocks shown are only for those held by the portfolio.
- **tCO₂e**: Tonnes of carbon dioxide equivalent, which is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO₂. It is calculated by multiplying the greenhouse gas's emissions by its 100-year global warming potential. (*Dictionary of Climate Debate*)
- **CO₂e** (carbon dioxide equivalent): a standard unit for measuring carbon footprints. The idea is to express the impact of each different greenhouse gas in terms of the amount of CO₂ that would create the same amount of warming.
- **GICS** (Global Industry Classification Standard): an industry taxonomy developed in 1999 by MSCI (Morgan Stanley Capital International) and Standard & Poor's (S&P) for use by the global financial community. The GICS structure consists of 11 sectors, 24 industry groups, 68 industries and 157 sub-industries into which S&P has categorized all major public companies.
- **MSCI ACWI Index**: All Country World Index (ACWI), incorporating both developed and emerging countries.
- **Scope 1** emissions are directly generated by company's operations, whereas indirect **Scope 2** emissions are related to the company's energy consumption. **Scope 3** emissions include other indirect emissions including, e.g., business travel, use of company's products sold, investments, and goods and services purchased.
- **Mio**: Millions. **Kg**: Kilograms.

Overview

	¹ Carbon emissions Scope 1-2 (tCO ₂ e)	¹ Total carbon emissions incl. Scope 3 (tCO ₂ e)	² Relative Carbon Footprint (kg CO ₂ e / USD \$1000 invested)	³ Carbon Intensity (kg CO ₂ e / USD \$1000 revenue)	³ Weighted Average Carbon Intensity (kg CO ₂ e / USD \$1000 revenue)	Disclosing Titles	by Weight (market value)
Portfolio	10,030.7	32,974.9	93.2	129.2	227.9	59.6%	74.8%
Benchmark	10,850.9	43,265.3	132.6	224.3	265.3	72.8%	98.4%

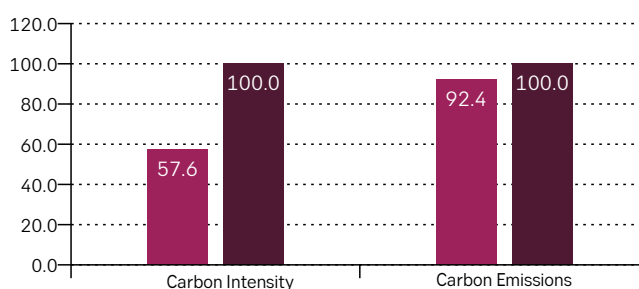
¹ **Total carbon emissions** measure the carbon footprint of a portfolio considering Scope 1-2 as well as Scope 3 emissions. The Diocese of Olympia is associated with greenhouse gas emissions of 10,030.7 tons per year.

² **Relative carbon footprint** is a normalized measure of the portfolio's contribution. It enables comparisons with a benchmark between multiple portfolios, over time and regardless of portfolio size.

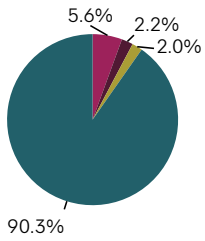
³ **Carbon intensity** allows investors to measure how much carbon emissions per USD of revenue are generated. It therefore measures the carbon efficiency of a portfolio per unit of output.

The portfolio's intensity is 42.4% lower than the benchmark. A lower percentage against benchmark is positive.

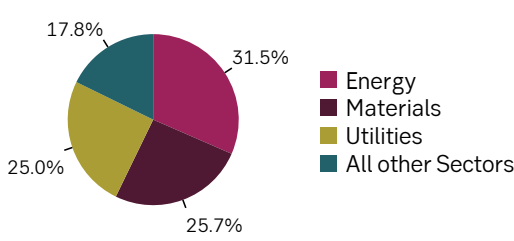
■ Portfolio ■ Benchmark



Sector Weight



Contribution to Emissions



The sectors "Energy" "Materials" and "Utilities" (per GICS classification) in the portfolio make up 9.7% of the weight vs. 82.2% of the contribution to emissions.

5 smallest contributors to the emissions of the fund are:

Company	Financed emissions (tCO ₂ e)	% of total	Relative carbon footprint (kg CO ₂ e / USD \$1000 Invested)
INVESTOR AB-B SHS	0.0	0.0%	0.0
INNOVIVA INC	0.0	0.0%	0.0
SAMPO OYJ-A SHS	0.0	0.0%	0.0
CORCEPT THERAPEUTICS INC	0.0	0.0%	0.0
THIRD POINT REINSURANCE LTD	0.0	0.0%	0.1

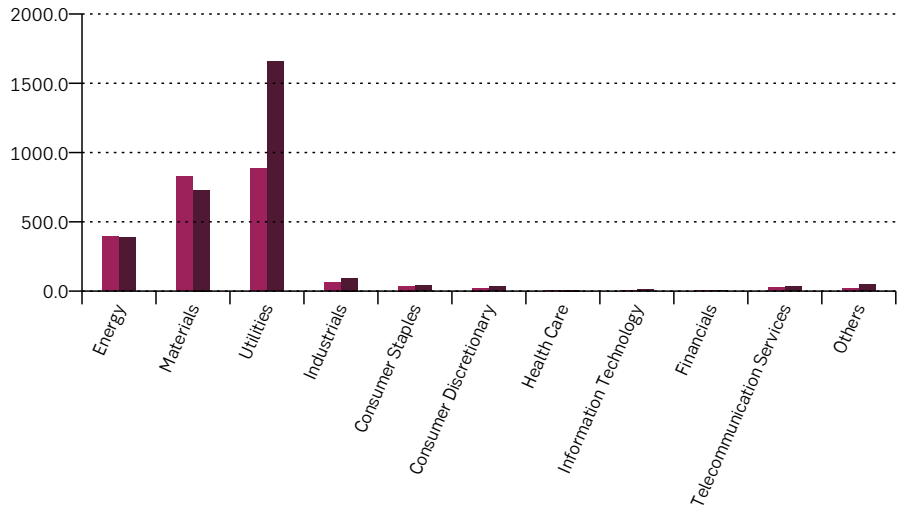
5 largest contributors to the emissions of the fund are:

Company	Financed emissions (tCO ₂ e)	% of total	Relative carbon footprint (kg CO ₂ e / USD \$1000 Invested)
AIR PRODUCTS & CHEMICALS INC	1,079.1	14.4%	849.9
ENTERPRISE PRODUCTS PARTNERS	927.6	12.4%	937.1
NEE Float 11/06/20	895.2	11.9%	682.0
CHEVRON CORP	402.0	5.4%	270.7
EXXON MOBIL CORP	379.2	5.1%	363.3

Relative Carbon Footprint Comparison

Shows tCO₂e per Mio. USD invested, portfolio to benchmark for each sector. Sectors have been defined using the GICS classification at the Supersector/Industry Group level. Meeting or exceeding the benchmark is positive.

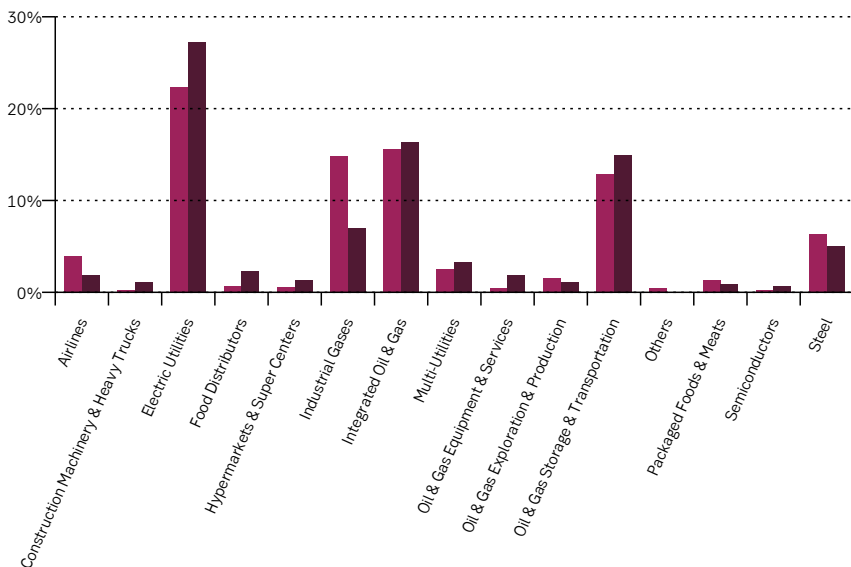
■ Portfolio ■ Benchmark



Sector Analysis & Stock Selection

Shows how the carbon allocation in the portfolio differs from the average of each sector. Sectors have been defined using the GICS classification at the Supersector/Industry Group level. Meeting or exceeding the benchmark is positive.

■ Portfolio GICS Sub-Industry Emissions ■ Benchmark, Average GICS Sub-Industry Emissions



Attribution Analysis

The two principal reasons why the carbon exposure of the portfolio may differ from the benchmark are due to sector allocation as well as stock selection decisions. Sector allocation decision will cause the carbon intensity of the portfolio to diverge from the benchmark where the sectors 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 stocks 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.

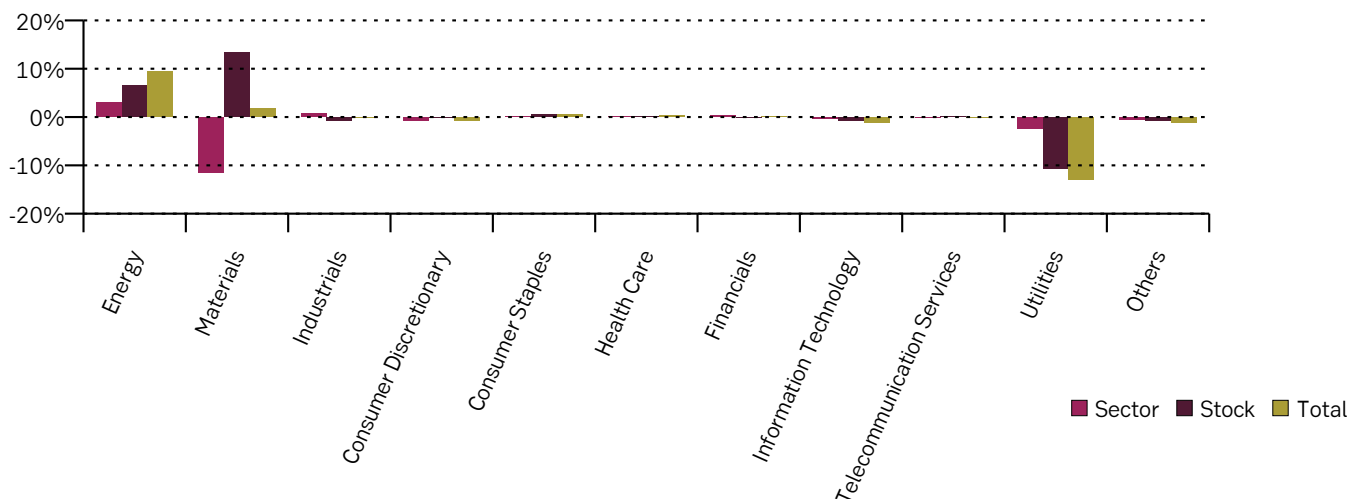
Explanation: The Outperformance of the portfolio is based on the effect of over/underweighting certain sectors and selecting more/less carbon intense stocks within each sector for each of the underlying holdings. A positive number indicates that the effect increased the greenhouse gas emission (in tons of CO₂e) and a negative number indicated a decreasing effect. In this case, the sector weighting of Diocese of Olympia saved 1,270.7 tCO₂e, while the stock selection harmed 830.5 tCO₂e versus the benchmark. This explains a 11.7% outperformance through sector weighting and 7.7% carbon underperformance by stock picking.

	Sector Allocation		Sector Selection	
	Sector Allocation Contribution to Out/Underperformance (tCO ₂ e)	Sector Allocation Contribution to Out/Underperformance (%)	Stock Selection Contribution to Out/Underperformance (tCO ₂ e)	Stock Selection Contribution to Out/Underperformance (%)
Energy	318.8	2.9%	701.2	6.5%
Materials	-1,256.4	-11.6%	1,453.0	13.4%
Industrials	73.2	0.7%	-78.9	-0.7%
Consumer Discretionary	-69.3	-0.6%	-18.2	-0.2%
Consumer Staples	6.6	0.1%	54.1	0.5%
Health Care	8.8	0.1%	18.2	0.2%
Financials	27.3	0.3%	-5.3	-0.0%
Information Technology	-44.5	-0.4%	-71.3	-0.7%
Telecommunication Services	-19.9	-0.2%	7.1	0.1%
Utilities	-262.3	-2.4%	-1,150.4	-10.6%
Others	-53.1	-0.5%	-79.1	-0.7%
Total	-1,270.7	-11.7%	830.5	7.7%

Interaction Effect: -380.0 -3.5%

	Total Emissions (tCO ₂ e)
Portfolio	10,030.7
Benchmark	10,850.9
Portfolio Carbon Outperformance (tCO ₂ e)	820.2
Portfolio Carbon Outperformance (%)	7.6

Attribution Analysis - Graph



Summary of 10 largest absolute contributors / 10 largest portfolio companies

The tables below show the 10 largest greenhouse gas contributors and the 10 largest holdings respectively of the Diocese of Olympia.

- **Carbon Data section** explains your Financed Emissions, i.e. the amount of greenhouse gases (GHG) that the portfolio finances from the company's overall emissions, relative to company ownership. You can further see what % of the overall portfolio GHG emissions each company accounts for and if the company's GHG emission number was disclosed by the company or approximated.
- In the **Analysis** section, the Benchmark emissions are stated and the Average Sector Emissions allow a comparison of the greenhouse gas intensity of a company against its respective sector, i.e. the amount of GHG emissions that an investment of the same size would have financed, would it have been invested in the overall sector rather than the specific company.
- The effect on the portfolio can be found under **Portfolio Contribution**: This is a measurement of how much a specific holding raises (negative number) or reduces (positive number) the carbon footprint of the portfolio.

Summary of 10 largest absolute contributors

Company	GICS Sub-Industry	Weight		Carbon Data			Analysis		
		Portfolio	Benchmark	% of total	relative carbon footprint (tCO ₂ e / Mio. invested)	Financed Emissions (tCO ₂ e)	Benchmark Emissions (tCO ₂ e)	Av. Sector Emissions (tCO ₂ e)	Portfolio Contribution (tCO ₂ e)
AIR PRODUCTS & CHEMICALS INC	Industrial Gases	1.2%	0.1%	14.4%	849.9	1079.1	54.2	973.2	-935.70
ENTERPRISE PRODUCTS PARTNERS	Oil & Gas Storage & Transportation	0.9%	-	12.4%	937.1	927.6	-	1,882.7	-814.31
NEE Float 11/06/20	Electric Utilities	1.2%	0.2%	11.9%	682.0	895.2	89.1	3,039.8	-743.84
CHEVRON CORP	Integrated Oil & Gas	1.4%	0.5%	5.4%	270.7	402.0	114.5	1,034.1	-221.10
EXXON MOBIL CORP	Integrated Oil & Gas	1.0%	0.8%	5.1%	363.3	379.2	229.6	726.8	-252.43
FE 2.85 07/15/22	Electric Utilities	0.0%	0.0%	2.8%	4,811.0	207.1	116.7	99.7	-201.82
UNITED STATES STEEL CORP	Steel	0.0%	-	2.1%	7,311.6	157.3	-	82.0	-154.71
SO 1.85 07/01/19	Electric Utilities	0.1%	0.1%	1.8%	2,084.1	134.5	178.6	149.5	-126.61
ACACN 3.3 01/15/30	Airlines	0.0%	-	1.7%	3,854.7	124.4	-	46.4	-120.46
ENEL SPA	Electric Utilities	0.1%	0.1%	1.2%	1,725.	92.8	154.3	124.6	-86.19

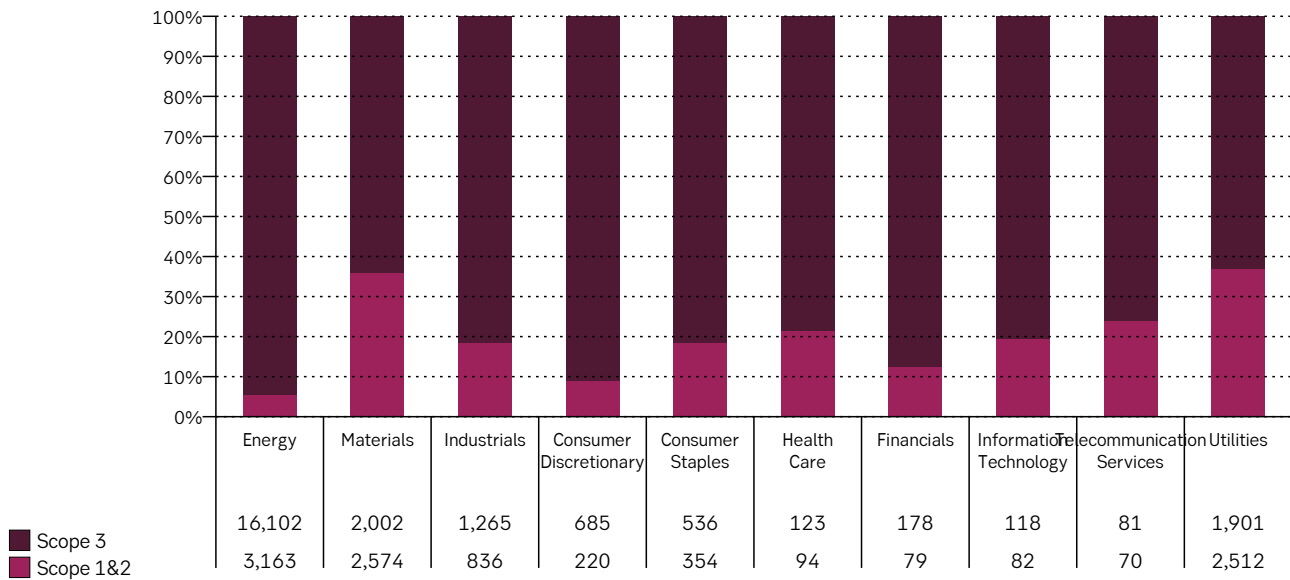
Summary of 10 largest portfolio companies

Company	GICS Sub-Industry	Weight		Carbon Data			Analysis		
		Portfolio	Benchmark	% of total	relative carbon footprint (tCO ₂ e / Mio. invested)	Financed Emissions (tCO ₂ e)	Benchmark Emissions (tCO ₂ e)	Av. Sector Emissions (tCO ₂ e)	Portfolio Contribution (tCO ₂ e)
JPM 2 01/23/20	Diversified Banks	2.3%	0.8%	0.1%	2.7	6.7	1.8	13.9	314.05
MICROSOFT CORP	Systems Software	2.3%	1.4%	0.0%	0.2	0.5	0.2	5.2	320.45
FNMA 1 07/20/18	Thriffs & Mortgage Finance	2.2%	-	0.2%	6.8	16.2	-	37.0	288.56
COSTCO WHOLESALE CORP	Hypermarkets & Super Centers	1.6%	0.2%	0.5%	23.1	40.9	3.4	191.1	184.31
BLACKROCK INC	Asset Management & Custody Banks	1.6%	0.1%	0.0%	0.2	0.4	0.0	15.3	220.12
BDX 2.675 12/15/19	Health Care Equipment	1.5%	0.1%	0.1%	4.7	7.7	0.4	10.2	201.52
AAPL 2 02/23/21	Technology Hardware, Storage & Peripherals	1.5%	1.9%	0.0%	0.1	0.1	0.1	36.7	207.83
ALPHABET INC-CL A	Internet Software & Services	1.5%	1.4%	0.1%	5.3	8.4	6.1	5.9	192.45
VF CORP	Apparel, Accessories & Luxury Goods	1.4%	0.1%	0.2%	8.2	12.7	0.4	13.0	183.86
WELLS FARGO & CO	Diversified Banks	1.4%	0.6%	0.1%	3.3	5.1	1.7	8.6	191.61

Scope 3 Overview

The following section provides a top-down approximation of the financed scope 3 emissions from each sector. The purpose of this analysis is to give an order of magnitude of the emissions in the portfolio on a sector level and should not be used as a basis for comparing two individual companies. All emissions are in tCO2e metrics. The methodology includes Scope 1, 2 and Scope 3 upstream and product use downstream.

The following graph shows the financed Scope 1+2 emissions in relation to the Scope 3 emissions of the portfolio.



This graph compares the total emissions (including Scope 1, Scope 2 and Scope 3) between portfolio and benchmark.