Sustainable Investing Quarterly Insights
April 2018: *Carbon Footprint*

Friends & Clients:

There are three pillars to an effective sustainable investment portfolio – Environmental, Social, and Corporate Governance (ESG). In this quarterly insight we will focus on the pillar that is most familiar: Environmental. More specifically, we will concentrate on carbon footprint. According to the Intergovernmental Panel on Climate Change (IPCC), global greenhouse gas emissions must decline 55% by the year 2050 and reach net zero emissions by the end of the century to avoid the most catastrophic consequences of climate change.[1] Additionally, a report from the Carbon Majors Database suggests that 72% of annual global GHG emissions comes from a consolidated 224 companies, of which 30% are publicly-traded and investor owned.[2]

Why does this matter? To hit the goals laid out by the IPCC, large declines in carbon emissions must come from these companies at the top. As investors, we have a unique ability to influence those that are publicly-traded. Walden Asset Management, whom North Woods utilizes to provide US Equity exposure in our sustainable portfolios, highlights their carbon exposure below:

Weighted Average Carbon Intensity (tCO_2e/$million sales) as of 12/31/17

	Small Cap	SMID Cap	Mid Cap	Large Cap	FFF Large Cap
Weighted Average Carbon Intensity—Walden	77	54	59	112	126
Weighted Average Carbon Intensity—Benchmark	166	246	308	211	211
Carbon Intensity *(relative to benchmark*)*	**-54%**	**-78%**	**-81%**	**-47%**	**-40%**

Source: Boston Trust/Walden, MSCI

North Woods, and in turn you, are shareholders of the Large Cap, Mid Cap, and Small Cap funds. On average, the carbon exposure of our US Equity holdings is 61% less than the benchmark average. This is important not only because it aligns our investments with our morals and ethics, but because it incentivizes companies to change. Public companies are incredibly sensitive to investor demands. By letting companies know that in addition to traditional financial metrics, their carbon footprint is a factor we are watching and including in investment decisions, we are giving them an incentive to improve their carbon footprint to attract our dollars.

This is one great example of the impact created by sustainable investing. Next quarter, we will go into greater detail to explain how lower carbon exposure can correlate to stronger long-term returns. As always, please do not hesitate to reach out to either one of us – we look forward to speaking with you soon!

Sincerely,

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[1] http://waldenassetmgmt.com/wp-content/uploads/2018/04/ESG-Research-Engagement-Brief-Q1-2018.pdf
[2] https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1499691240