

January 14, 2022

Dear DWA Environment Strategy Clients and Friends,

Glasgow is officially credited with having hosted the first international soccer match in world history (England vs. Scotland in 1872), which was observed by 4,000 spectators and ended in a 0-0 draw.

This past November, Glasgow upped the stakes just a tad by convening 40,000 people from 197 nations at the 26th round of United Nations' talks to try to negotiate a planetary rescue from accelerating climate change.

Expectations for progress were high after a major UN scientific report¹ in August escalated warnings about the stakes, just as climatic extremes were upending lives around the world.² So what was the score of this grander match, the signal event on the 2021 environmental calendar?

We'll break it down in this end-of-year letter and discuss what it means for the DWA Environment Strategy.

But first, lest we bury the lead, we are pleased to report that the Environment Strategy just crossed the five-year milestone, returning 24.11% annualized since inception, net of fees (versus 18.47% for the S&P 500 and 14.38% for the MSCI All Country World Index). This includes 26.76%, net of fees, in 2021. The full performance table is near the end of this letter. To clients, this is a fitting moment to express our appreciation for entrusting us with stewardship of your capital. To those of you considering an allocation, we welcome your interest and look forward to a discussion in 2022.

The Glasgow Score?

Now back to the question of the "score" of the Glasgow climate talks: the answer is elusive, since there were probably as many scorekeepers as attendees, each focusing on different elements of the outcome and using varying definitions of success. Like the long-ago soccer game on the same turf, we assess the talks as a draw: directionally positive, but not stringent enough, with true measure awaiting a re-match.

Ambitious commitments were made in the Glasgow Pact, but also hedged. A first-ever commitment to phase out coal was incorporated into the draft Pact, then weakened to a phase down by India and China in the waning hours of the talks. Signatories agreed to phase out fossil fuel subsidies (estimated at ~\$600 billion per year globally), but only "inefficient" subsidies, a qualifier that left ample room for those determined to perpetuate business-as-usual.

Promising side agreements outside the Pact were also struck, but many lacked key players. For example, 105 countries agreed to cut methane emissions from gas wells and animal feedlots 30% by 2030,³ but Russia and some other large emitters didn't join. Meanwhile 141 countries accounting for 91% of global tree cover agreed to "halt and reverse deforestation" by 2030,⁴ but then Indonesia qualified its commitment after signing.⁵

When all the formal national commitments for emissions reductions through 2030 were tallied as of the Glasgow round (including the enhanced U.S. commitment to cut its emissions 50 percent below 2005 levels by 2030), estimates put the world on a trajectory of a 2.4°C temperature increase,⁶ lower than the 2.7°C projected based on commitments beforehand, but still well into the danger zone.⁷

However, with side agreements counted, and fulfillment of challenging net zero pledges heroically assumed – by 2050 for the U.S. and EU, by 2060 for China and by 2070 for India -- estimates yielded a 1.8°C forecast, much less



dangerous than 2.4°C but still higher than the 1.5°C target that scientists and others have urged.⁸ And note that all projections above assume successful implementation of these varying policies and commitments, which has so far lagged, leaving much higher temperature increases of ~4.5°C still possible⁹ if global emissions continue to rise rather than decline, as they did +6% this past year in the U.S.¹⁰

Given these hedges and shortfalls, a deceptively important accomplishment of the talks was an agreement to simply play the re-match sooner, meaning that the 197 signatories to the Pact have agreed to submit new, ideally more stringent, national commitments within the subsequent year (2022) – a dramatically quickened ratchet cycle relative to the five-year intervals that had been prescribed in the 2015 Paris Agreement.¹¹

The goal? To tighten the 2030 commitments that will guide action over the decisive decade ahead and bring them into greater alignment with those faraway net zero pledges, thereby keeping alive the prospect of a 1.8°C rather than 2.4°C pathway.¹²

These temperature differences can sound minor to the non-specialist. But where we land on this really is the score that will determine the severity of climatic impacts ahead, and the consequences for human well-being. Each tenth of a degree will matter. And even small changes in the average planetary temperature smooth over much bigger changes at the poles (where we keep most of the planet's ice) and in the continental interiors (where we grow most of our food).

Here is where it gets interesting for the world, and for our investment process. That score will, in turn, arise from a multi-level chess game, one composed not just of successive pledges on the international stage, but also of three variables that shape the risks and opportunities for companies and private capital:

1. **Policy** – how commitments at events like Glasgow are translated into binding domestic policies (fiscal and regulatory) after the heads of state fly home and confront a different constellation of pressures – for example, see President Biden and the extended limbo of the climate provisions in the Build Back Better bill;¹³
2. **Consumer Expectations** - how citizens/consumers prod their elected leaders to strengthen those policies (including through fervent youth protests in Glasgow and elsewhere¹⁴ and ongoing legal challenges¹⁵), while driving companies to compete to meet their rising expectations for sustainable products and services;
3. **Technology Disruption** - how companies navigate the risks and opportunities of technology disruption amidst the transition to a low-carbon world, by investing in R&D and new innovations to meet the demands of regulators and consumers alike.

Assessing the quality of corporate play in this high-stakes chess game is a key part of what we do, and we believe a source of our competitive edge as investors. It gives us a different, often revealing, lens through which to evaluate long-term corporate strategy, management skill, product/market fit, operational excellence, capital allocation, innovativeness, risk management and other drivers of shareholder returns over our comparatively long holding periods. Let's illustrate with examples from the Environment Strategy portfolio (holdings in boldface).

1. Deforestation and L'Oreal

As noted, one of the major side agreements in Glasgow was a bold commitment to end deforestation by the end of this decade. Previous such global pledges – such as the New York Declaration on Forests in 2014 – missed their interim target to halve deforestation by 2020,¹⁶ inviting legitimate skepticism that this time would be different.



However, the Glasgow deal encompassed more countries, more of the planet's forests, more recognition of underlying issues like land tenure, a public/private pot of ~\$19 billion to incentivize forest preservation and perhaps most importantly, a stronger emphasis on redirecting the much larger flows of private capital and cleaning up deforestation in corporate supply chains.

How would it do this? For one thing, 30 financial institutions managing over \$8.7 trillion in assets agreed in Glasgow to eliminate agricultural commodity-driven deforestation risks in their investment and lending portfolios by 2025.¹⁷ In addition, 28 countries committed to removing deforestation from supply chains into their respective markets.

Then, just after Glasgow disbanded, the European Commission published a landmark draft law requiring that agricultural products sold in the EU are free of both legal and illegal deforestation.¹⁸ If finalized, it will obligate companies importing beef, soy, palm oil, wood, cocoa and coffee into the single market to conduct rigorous due diligence to ensure they were not produced on newly deforested land. Tropical deforestation accounts for about 10% of global greenhouse gas emissions,¹⁹ and EU imports are in turn responsible for 16% of the tropical deforestation associated with international trade²⁰ – making this a material play on the global decarbonization chessboard. The EU move should induce some multi-national companies to sell deforestation-free products not just in the EU but worldwide so they can avoid segregating supply chains for different markets. Path-breaking regulation can, in this way, spill over from one region to the world and create a race to the top.

This EU proposal was responsive to consumer expectations: 4 in 5 Europeans had said that governments should oblige supermarkets to act on deforestation.²¹ A letter to Glasgow negotiators signed by Greta Thunberg and other climate activists called for an end to 'creative carbon accounting' by businesses, meaning their disclosures should no longer exclude emissions from supply chains. U.S. regulators appear poised to act too: last July, SEC chairman Gary Gensler began exploring whether to ask companies to reveal their suppliers' emissions.

Forward-looking corporations had created important space for these regulatory advances: last May, 70 companies, including **L'Oreal** had urged the EU to take a step forward on deforestation.²² Before investing in L'Oreal, we considered its outstanding financial and operating results, while also discovering clues as to future value creation in its favorable performance on sourcing palm oil and other forest risk commodities more sustainably than its large cosmetics peers.²³ We saw further that technology disruption was poised to create a step-change in accountability, in the form of open-source satellite data²⁴ that would enable watchdog NGOs to gain unprecedented visibility down to the hectares of forest being cleared by specific ranchers to feed supply chains, and to make this available to consumers on a near real-time basis. We anticipated that L'Oreal's lighter environmental footprint would be authentically good for ecosystem and climate protection, while also translating to competitive economic advantage.

Indeed the drive for greater supply chain accountability is extending to non-forest commodities such as fish. **Alphabet** helped to create Global Fishing Watch to boost visibility of fishing fleets²⁵ and The Economist wrote about other open-source advances such as nanosatellites tagging the automatic identification system of vessels that are fishing illegally.²⁶ As part of our "active ownership" program, the DWA Environment Strategy has been engaging **Costco** management to further improve the sustainability of its fish procurement. It is a large-scale seafood buyer that will need viable fish stocks to ensure long-term supply, and its membership-centric business model also depends on customer loyalty, including among a rising generation of sustainability-oriented young consumers.



2. Flood Insurance and Asset Re-Pricing: AON and Moody's

Tuvalu's foreign minister, Simon Kofe, filmed a speech that was played before the Glasgow plenary while standing in suit and tie at a lectern, knee-deep in the ocean off the island nation's capital, Funafuti. The rate of global sea-level rise in past decade doubled compared to prior decades and has risen 2-3 times faster in the Western Pacific. This is imperiling the survival of his country and other island states, who have been especially vocal in the global climate talks.²⁷ As 2021 closed, the Thwaites Glacier in Antarctica – the size of Florida – was alarming scientists who now see the risk of rapid loss on its ocean-facing front within a matter of 5-10 years, which could eventually add an additional two feet of sea level rise.

While Tuvalu may seem far off (bonus points if you can find it on a map!), sea level rise is now affecting Americans from mansion owners tangling over seawall politics in Palm Beach²⁸ to Nebraskans whose flood insurance is starting to lose its longtime federal subsidy. On October 1, 2021, FEMA's National Flood Insurance Program, the main provider of flood coverage in the U.S., began phasing in new homeowner premiums to reflect the true costs individual properties face based on sea-level rise, exposure to intense rainfall, rebuilding costs and other factors that had formerly been left out of the subsidized premiums.

Under its "Risk Ratings 2.0," some premiums may eventually rise 10x, adversely influencing property affordability and valuations not only on the coast, but in inland states such as Iowa, Missouri and Nebraska, where creeks, streams and rivers overflow during heavy rains (just as they did in the historic European flooding last summer, which submerged entire towns and killed hundreds). A backlash to FEMA's subsidy withdrawal is underway, with some affected owners calling it an unfair game-changer and politicians like former Florida Governor Charlie Crist describing it as "callous."

As one climate finance friend of ours wagged on Twitter in contemplating the merger of topography and finance, it's time to "buy high, sell low." Apparently Blackrock CEO Larry Fink wasn't kidding when he wrote in January last year that we're on the edge of a "fundamental reshaping of finance" due to climate change.

Like L'Oreal, **Aon** got ahead of regulatory change emerging on its turf. Its private flood insurance brokerage, Aon Edge, helps clients identify and transfer risk. As a risk consultant and insurance broker the company takes on zero underwriting risk itself, instead laying this off through the Lloyd's of London syndicate. In a time where climate risk models are still being updated, we prefer this value-creating, risk-mitigating spot in the value chain.

The market opportunity for this pocket of Aon's sprawling global business appears material. Flooding is the most common and costly natural disaster, and many Americans don't have flood insurance. In 2017, Hurricane Harvey caused ~\$125 billion in total losses,²⁹ and an estimated 70% of the residential flood damage portion of that total was uninsured.³⁰ Models similar to the confidential ones used in FEMA's updates produced a stunning find: 6 million homes in states like Utah, Idaho, Vermont and Tennessee that were considered safe from flooding and not requiring insurance are at risk due to climate change, with another 2 million homes slated to join this at-risk group in the next 30 years.³¹ As one insurance analyst put it, "It doesn't matter if you believe in climate change; your insurance company does."³²

We think of the landmark FEMA de-subsidization as only one example of the economy-wide unwinding of a big market inefficiency (and mispricing) that is still in its early innings as climate change intensifies. And Risk Ratings 2.0 reflect only current climate risks, not yet projections of how climate change will worsen those risks in the future.



One of our other holdings in the financial sector, **Moody's**, addresses all sectors and does look ahead to how risks will worsen. It made strategic acquisitions in 2021, strengthening its ability to support an orderly re-pricing of global assets in light of climate risks. In August it announced the acquisition of RMS, a provider of climate and natural disaster risk modeling and analytics, for ~\$2bn in cash and debt. With over 400 risk models covering 120 countries, RMS serves the global property and casualty (P&C) insurance and reinsurance industries. In September, Moody's acquired a minority stake in Fathom, whose UK flood model is the first of its kind to factor in multiple climate change scenarios to predict the future impact of flooding and enable the calculation of incumbent financial losses for its customers in insurance, banking, engineering and corporate risk management, including **Microsoft**, Nasdaq, **Aon**, and The World Bank.

3. The EV Race: Aptiv and Siemens

In Glasgow, 39 governments, 11 automakers and other industrial companies and financial institutions signed a major pledge to work towards making all passenger cars and vans sales 100% zero-emissions no later than 2035 in leading markets and then in the rest of the world by 2040.³³ The U.S. (along with Germany and China) notably refrained from signing, though a number of sub-national governments around the world signed on their own, including the states of New York, Washington, and California (whose Governor Gavin Newsom had signed an executive order a full year earlier requiring that all new cars and passenger trucks sold in his state would be zero emissions by the same year, 2035³⁴).

A couple months before Glasgow, in a ceremony including senior executives of all major U.S. automakers, President Biden signed an Executive Order targeting that 50% of U.S. auto sales be electric in 2030 (up from ~2% in 2020).³⁵ At the same time, Biden's Environmental Protection Agency and Department of Transportation proposed new fuel efficiency standards requiring model 2023 cars to emit 10% less greenhouse gas emissions compared to the previous year, with further reductions of 5% a year mandated until 2026.

In Europe, regulators worked on similar draft emissions standards for vehicles starting in 2025, while also undertaking steps to ensure that private capital will be part of the solution through its green finance taxonomy³⁶ that will govern what asset managers can invest in if they want to market their products as sustainable. These standards say that by January 2026, all cars sold in Europe will need to emit zero grams of CO2 per kilometer in order to be considered sustainable. So yes, they're counting carbon by the gram, and accountability is rising for automakers and investors.

The targeted penetration rates, and regulatory teeth to back them up, vary across the world, but in nearly all scenarios, we are headed for accelerating transformation of the transportation sector. All three drivers we assess are pushing in the same direction: 1) the policies and pledges, international to domestic; 2) consumer demand (some people favor the climate benefits of EVs, others the near-instant torque and other performance delighters!); and 3) technology disruption, as seen in the continuing drop in lithium ion battery costs that will help make EVs price competitive with internal combustion cars in the next few years (many models have already achieved life cycle cost parity given lower fueling and maintenance costs). We believe **Aptiv** will benefit from EV penetration as a top supplier of high-voltage electrical architecture and software intelligence to nearly all major automakers. We continue to assess others in the automaker supply chain and the automakers themselves for other attractive opportunities to participate in the coming surge in EV sales through this decade.

The other gating factor on EV penetration is the availability of charging stations. The EU estimates it will need 3 million public charging stations by 2030 (versus 200,000 today). The U.S. has about 46,000 stations today, and



\$7.5 billion of the \$1.2 trillion infrastructure law enacted last fall was targeted to co-fund a 500,000 station network.³⁷ We have assessed pure-play EV charging companies, including several that went public via Special Purpose Acquisition Companies (SPACs) last year, but have been concerned by their lack of profitability and defensible moats as well as rising competitive intensity with 50 utilities, for example, setting out to install chargers in their service territories.³⁸ So in 2021, we invested in **Siemens**, a diversified company with many profitable businesses providing solutions to climate change, including a robust e-mobility offering – from AC and DC charging hardware to software.³⁹ Siemens announced last year it will manufacture over one million electric vehicle chargers for U.S. deployment alone over the next four years.⁴⁰ As part of its “Green Deal” drive to net zero, Europe is also aiming to double high speed rail traffic by 2030 and triple it by 2050,⁴¹ and we value Siemens’ leading position in rail, both electric locomotives and advanced rail intelligence for asset optimization.

Summary: What Glasgow Means for the DWA Environment Strategy

Events like Glasgow heighten and harmonize the objectives of diverse actors across the planet. Such gatherings are no longer just about intergovernmental negotiations. NGO watchdogs show up, empowered by increasingly advanced technologies to promote corporate accountability. Activists show up, brandishing their political power as citizens and their buying power as consumers. Finance and industry show up, as they did in force in Glasgow,⁴² agreeing to help finance the Pact’s goals and joining the side agreements we’ve discussed.

The “score” of each round of international talks is unpredictable, as are the rate and quality of implementation thereafter. So we studiously refrain from investing in companies whose prospects we consider dependent on certain policy outcomes or ambition levels in international agreements. Our conviction is that climate change will continue to intensify under all plausible scenarios and that private capital is going to be a big part of the solution, accounting for a disproportionate share of the ~\$5 trillion annually that will need to be invested globally in decarbonization from now to 2050.⁴³ We will continue to track how policy, consumer expectations and technology interact and create powerful opportunities for the most agile companies. And we will do so across all nine categories of the DWA E-Map,⁴⁴ not just the handful covered in this letter. As active managers running a concentrated strategy, we have no obligation to invest in any sector or decarbonization theme; rather we invest selectively in only those companies that we believe will benefit from the kinds of drivers we’ve covered in this letter while also fulfilling the demanding criteria embedded in Douglass Winthrop’s longstanding tenets of fundamental economic analysis.

Performance

We were pleased to deliver another year of strong performance in 2021, though we continue to maintain that long-term investing is best practice and encourage clients to join us in evaluating our Environment Strategy on this basis. U.S. equity indexes were especially strong this year, fueled in part by a \$1.9 Trillion fiscal-stimulus package to cushion the continuing pandemic, as well as a central bank that remained persistently accommodative. It was a bumper year for corporate earnings and P/E multiples also expanded, both of which benefitted our returns, while creating risks ahead of difficult year over year comparisons and reversion to long-term average valuation multiples, something we factor into our models. The S&P 500 saw only one pullback of more than 5 percent all year, though volatility picked up in Q4 and we won’t be surprised to see more of the same in 2022.

We made several moves in 2021 to add non-U.S. domiciled companies, where we saw better value as well as dividend yields that could help stabilize total returns going into 2022. We recognize that earlier Fed tightening may strengthen the dollar and create adverse currency effects for some overseas earnings. These buys took us to a 21% non-U.S. weighting at the end of the year. Given that our portfolio guidelines specify that we may invest up to

30% in non-U.S. domiciled companies, we are sometimes considered a Global ESG strategy; as such we are adding the MSCI All Country World Index as an additional reference benchmark in the performance table. Please keep in mind that past performance is no guarantee of future results.

DWA Environment Composite Performance Since Inception (1/1/2017-12/31/2021)

	Reference Indexes				
	DWA Environment (gross)	DWA Environment (net)	MSCI SRI TR Index	S&P 500 Total Return Index	MSCI ACWI TR USD Index
Annualized Returns					
1Yr	27.79%	26.76%	27.04%	28.71%	18.54%
3Yr	33.73%	32.65%	25.48%	26.07%	20.36%
5Yr	25.14%	24.11%	17.91%	18.47%	14.38%
Inception	25.14%	24.11%	17.91%	18.47%	14.38%
Cumulative Returns					
1Yr	27.79%	26.76%	27.04%	28.71%	18.54%
3Yr	139.16%	133.39%	97.59%	100.37%	74.46%
5Yr	206.87%	194.49%	127.87%	133.41%	95.92%
Inception	206.87%	194.49%	127.87%	133.41%	95.92%

As usual, we welcome any referrals you might wish to make to individuals, endowments or other institutions who you think might benefit from an allocation to the DWA Environment Strategy. Please reach out to Mary Kush (mary@douglasswinthrop.com) or Dan Abbasi (dan@douglasswinthrop.com) if you would like to set up a call with the team. Mary leads our institutional engagement and Dan serves on the Environment Strategy Portfolio Management Committee along with Josh Huffard and Bowdy Train.

Best regards,

The Douglass Winthrop Environment Strategy Team

Please see footnotes and important disclosures on the following pages..



¹ <https://www.ipcc.ch/report/ar6/wg1/>

² Hurricane Ida's remnants drowned New Yorkers in their basements; anomalous rainfall occurred two miles above sea level at the summit of Greenland ice sheets; a megadrought drained vital water reservoirs in the U.S. West; record-breaking heat and wildfires broke out from Siberia to Canada; torrential rains triggered landslides and killed hundreds across Europe. See: <https://www.cnn.com/2021/12/22/us/top-climate-weather-stories-of-2021/index.html> and <https://www.bbc.com/news/science-environment-59761839>

³ <https://www.globalmethanepledge.org/>

⁴ <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

⁵ <https://www.nytimes.com/2021/11/02/climate/cop26-deforestation.html?referringSource=articleShare> and

<https://news.mongabay.com/2021/11/11/glasgow-declaration-what-countries-are-leaders-in-reducing-deforestation/> and <https://www.wri.org/insights/cop26-key-outcomes-un-climate-talks-glasgow>

⁶ <https://climateactiontracker.org/global/temperatures/>

⁷ Note that the 2.4°C is inclusive of the 1.16°C increase we've already experienced since the pre-industrial era, especially since 1970. 2°C alone would likely be sufficient to kill off 99% of coral reefs around mid-century, among other devastating impacts. The projected 2.4°C that would be delivered by current commitments may sound like a small temperature increase given the swings from day to day in any given location. But convert 2.4°C to 4.3°F and then consider that this is a planetary average that aggregates all the local day/night swings in all locations. Perhaps the best way to grasp the significance of this increase is to think of it as a planetary fever. If a human being runs a +4.3°F fever, they are in the 103°F range, the beginning of the mortality danger zone.

⁸ <https://www.ipcc.ch/sr15/>

⁹ There is considerable debate about the plausibility from here of the high-emissions scenario. See:

<https://www.sciencetimes.com/articles/26786/20200807/worst-climate-scenario-rcp-8-5-appears-realistic.htm> but also <https://phys.org/news/2020-08-worst-case-co2-emissions-scenario-climate.html> but also <https://www.nature.com/articles/d41586-020-00177-3>

¹⁰ <https://www.washingtonpost.com/climate-environment/2022/01/10/us-emissions-surged-2021-putting-nation-further-off-track-its-climate-targets/>

¹¹ Next year's submissions should also be more reliable, given the enhanced transparency rules agreed in Glasgow.

¹² By contrast, the path of rising emissions that we are still on as of today, and which could persist should the national commitments for future action not be fulfilled due to political backlash, financing limitations or other reasons, temperatures could rise to a catastrophic 3.0°-4.5°C (or 5.4°-8.1°F). See:

<https://www.washingtonpost.com/weather/2020/01/30/we-may-avoid-very-worst-climate-scenario-next-worst-is-still-pretty-awful/> and <https://www.theguardian.com/environment/ng-interactive/2021/oct/14/climate-change-happening-now-stats-graphs-maps-cop26>

¹³ As of this writing, the stalled \$1.7 trillion Build Back Better Act contains \$555 bn in climate action including \$320 bn in tax credits for wind, solar and nuclear power, but the Clean Energy Payments Program that would have incentivized utilities to deploy renewable generation was stripped out; the previous \$1 trillion bipartisan infrastructure law that did pass included comparatively limited climate funding, beyond clean energy research funds and disaster resilience funds.

¹⁴ <https://news.un.org/en/story/2021/11/1105042>

¹⁵ See Our Children's Trust: <https://www.ourchildrenstrust.org/> and the Sunrise Movement: <https://www.sunrisemovement.org/> and Greta Thunberg's Fridays for Future: <https://fridaysforfuture.org/>

¹⁶ <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

¹⁷ <https://racetozero.unfccc.int/system/nature-and-tackling-deforestation/>

¹⁸ <https://www.reuters.com/business/environment/eu-commission-proposes-imports-curbs-goods-linked-deforestation-2021-11-17/>

¹⁹ <https://www.ucsusa.org/resources/tropical-deforestation-and-global-warming#:~:text=The%20consensus%20among%20climate%20scientists,percent%20of%20global%20warming%20pollution>

²⁰ <https://www.wwf.eu/?2831941/EU-consumption-responsible-for-16-of-tropical-deforestation-linked-to-international-trade>

²¹ <https://www.mightyearth.org/2021/11/17/eu-makes-unprecedented-move-no-more-illegal-or-legal-deforestation-for-eu-products/>

²² <https://drive.google.com/file/d/1xQLvYEuzIMGz5kZMxNhj02UOgdYBsrZ/view>

²³ <https://globalcanopy.org/> and www.forest500.org

²⁴ <https://www.economist.com/leaders/2021/08/07/the-promise-of-open-source-intelligence>

²⁵ <https://sustainability.google/progress/projects/fishing-watch/> and <https://globalfishingwatch.org/map/?latitude=19&longitude=26&zoom=1.5&start=2021-10-04T23%3A00%3A00.000Z&end=2022-01-05T00%3A00%3A00.000Z>

²⁶ <https://www.economist.com/leaders/2021/08/07/the-promise-of-open-source-intelligence>

²⁷ <https://news.sky.com/story/cop26-record-sea-level-rise-and-past-seven-years-to-be-warmest-ever-un-climate-report-finds-12456154>

²⁸ <https://www.bloomberg.com/news/articles/2021-06-12/palm-beach-real-estate-planners-navigate-mansion-politics-and-climate-floods?srnd=green-culture-design>



²⁹ <https://coast.noaa.gov/states/fast-facts/hurricane-costs.html>

³⁰ <https://money.cnn.com/2017/09/01/news/hurricane-harvey-cost-damage-homes-flood/index.html> and <https://www.corelogic.com/intelligence/hurricane-harvey-identifying-the-insurance-gap/>

³¹ <https://www.washingtonpost.com/climate-environment/2021/10/01/price-living-near-shore-is-already-high-its-about-go-through-roof/>

³² <https://www.washingtonpost.com/climate-environment/2021/10/01/price-living-near-shore-is-already-high-its-about-go-through-roof/>

³³ <https://ukcop26.org/cop26-declaration-on-accelerating-the-transition-to-100-zero-emission-cars-and-vans/>

³⁴ <https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-dramatically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/>

³⁵ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/08/05/fact-sheet-president-biden-announces-steps-to-drive-american-leadership-forward-on-clean-cars-and-trucks/>

³⁶ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en and

https://ec.europa.eu/info/sites/default/files/business_economy_euro/events/documents/finance-events-190624-presentation-taxonomy_en.pdf

³⁷ <https://abcnews.go.com/Business/evs-coming-infrastructure-support/story?id=81502192>

³⁸ <https://www.theverge.com/2021/12/7/22822454/power-companies-utilities-ev-fast-charging-network>

³⁹ <https://new.siemens.com/global/en/products/energy/medium-voltage/solutions/emobility.html>

⁴⁰ <https://new.siemens.com/us/en/company/press/press-releases/smart-infrastructure/siemens-to-expand-us-electric-vehicle-charging-manufacturing.html>

⁴¹ <https://www.reuters.com/article/us-climate-change-eu-transport/eu-to-target-30-million-electric-cars-by-2030-draft-idUSKBN28E2KM>

⁴² <https://www.gfanzero.com/>

⁴³ <https://news.yahoo.com/fighting-climate-change-a-150-trillion-battle-bank-of-america-report-163422676.html>

⁴⁴ The DWA E-Map is a proprietary tool that the research team uses to structure the investable space in alignment with the transition to a low-carbon, sustainable economy. It supports our full-integration approach for analyzing the financial and operational implications of environmental advantages as well as the addressable markets for key solution sets.

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The **DWA Environment Composite** (the "Composite") contains all fee-paying, discretionary accounts that are managed according to the Strategy. DWA also manages accounts outside of the Strategy. A composite of all DWA accounts would have higher or lower performance over different time periods, with increased dispersion among accounts due to meaningful differences in holdings.

Reference Index Disclosure: The Strategy is not managed to a benchmark. The benchmarks most commonly chosen by our clients based on the Strategy are the MSCI World SRI Index, the S&P 500 Total Return Index and the MSCI All Country World index. The MSCI World SRI Index is a capitalization-weighted index that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes



companies whose products have negative social or environmental impacts. The S&P 500 Total Return Index includes reinvested dividends. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 25 Emerging Markets countries. With 2,966 constituents, the index covers approximately 85% of the global investable equity opportunity set. Index figures do not reflect the deduction of any fees, expenses, or taxes. Investors cannot invest directly in an index. The indices' performance results are intended to illustrate the general trend of the equity market for the Strategy's investable universe and are not intended as a benchmark for the Composite.

Risk Disclosure: Investing involves risk, including the possible loss of principal. There may be market, economic, or other conditions that affect client account performance, or the performance of the referenced market indexes. The Strategy may invest in small-and medium-capitalization companies. Investments in these companies, especially smaller companies, may carry greater risk than is customarily associated with larger companies. A client account invested in the Strategy will hold fewer securities and have less diversification across industries and sectors than a diversified portfolio, such as a portfolio based on an index. Consequently, a client account and/or the composite performance may diverge significantly from the referenced market index, positively or negatively.

Net Performance: Net returns are calculated net of actual management fees incurred and transaction costs. Fees for accounts in a composite may differ at the firm's sole discretion from the stated fee schedule for new accounts. Performance is calculated on an asset weighted, time weighted return basis. Valuations and performance are reported in U.S. dollars. Returns are not audited.

GIPS Documentation: Douglass Winthrop Advisors claims compliance with the Global Investment Performance Standards (GIPS®). A compliant presentation is available at www.douglasswinthrop.net/gips (password: DWAGIPS2020). A list of the composite descriptions and/or our DWA GIPS Policies and Procedures is available upon contacting our New York office.