The Magazine for Clean Capitalism

Corporate Knights

Introducing the 2019 Clean200

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2019 CLEAN200

Which company steals 1st place? Who got screened out for bad behavior? How well did the Clean200 perform?

Since our first Clean200 report was launched in the summer of 2016, *Corporate Knights* and *As You Sow*have released a list of the world's 200 largest companies ranked by their clean revenues every six months. In that time a great deal has changed in the world. The march away from the high carbon economy has accelerated in tandem with the march toward a clean economy.

Fossil fuels fading away

Since Trump's inauguration, a U.S. coal plant has been shut down every 15 days, with 2018 being the nation's top coal-plant closing year ever. This is happening for the same reason that China and the entire developing world installed more new renewables than fossil power last year for the first time ever and why 42 percent of global coal fleets are unprofitable: Renewables are now cheaper in many major power markets. And we're just at the beginning of the innovation S-curve for renewables and storage.

In other portents for the future, according to Accenture, 2018 likely marked the peak production of internal combustion engine vehicles which are imminently set to be made obsolete by cheaper electric and fuel cell vehicles. Meanwhile, at least nine countries including China and India have telegraphed they will be banning fossil fuel burning vehicles and other jurisdictions around the world are beginning to put policies in place to make it so. In addition, as a result of the march of technology, zero-emission vehicles will be cheaper right off-the-lot before accounting for the fuel savings and any subsidies, as soon as 2024 according to Bloomberg.

In terms of oil and gas stocks, they are rapidly fading away. In 1980, oil and gas stocks made up 25 percent of the S&P 500. By 2009, the sector had halved to 12 percent, and since 2009 they have halved again to just over 6 percent. At the current rate of decline, Energy stocks may be less than a rounding error of major benchmarks inside the next decade.

Redefining what it means to be Clean

In line with these changes in the world, beginning in this version of the Clean200, we have adapted our methodology to reflect the broadening of this cross-sector grouping of companies. These changes mean that we are now applying a **new carbon-free definition** that captures a larger portion of the economy beyond energy efficiency, green energy, and zero emission and hybrid vehicles. **This resulted in a relatively high turnover, with 87 new companies added from the last update on July 1, 2018.**

We will now include:

- Banks that are financing the low-carbon solutions
- Real estate companies leading the way on low-carbon buildings
- Forestry companies protecting carbon sinks
- Responsible miners of critical materials for the low carbon economy
- Food and apparel companies with products that are primarily made of raw materials with a significantly lower carbon footprint
- Energy-hungry Information and Communications Technology (ICT) companies that are leading the way on renewable energy while also being best-in-sector according to currently accepted privacy benchmarks.

The biggest surprise on the Clean200

The updated criteria has broadened the Clean200 so it is now more diverse from a sector perspective and more representative of the breadth of the low carbon economic transition.

It has also resulted in what may be a surprise at the top of the Clean200 list: Alphabet, the holding company for Google.

As per the updated methodology, Internet and Data Services companies (a subset of ICT) are considered "green" or "clean" if they fulfill two tests. Number 1: They must derive 100 percent of the energy they consume from renewable sources. Number 2: They must rank in the top quartile among peers on privacy, according to the best available benchmark, Ranking Digital Rights. Alphabet has invested billions of dollars over the past few years to meet its renewable energy target.

Also, Google ranks number one among its peers on privacy – we acknowledge that being number one on privacy is far from perfect and are looking for ways to improve this benchmarking.

From a carbon emissions perspective, Google's decision to go 100 percent renewable as compared to a business-as-usual scenario, removes five million tonnes of carbon emissions from the atmosphere every year. That is no small beans. It is equivalent to taking one million cars off the road or shutting down a quarter of Suncor's operations, one of the largest oil sands companies in the world.

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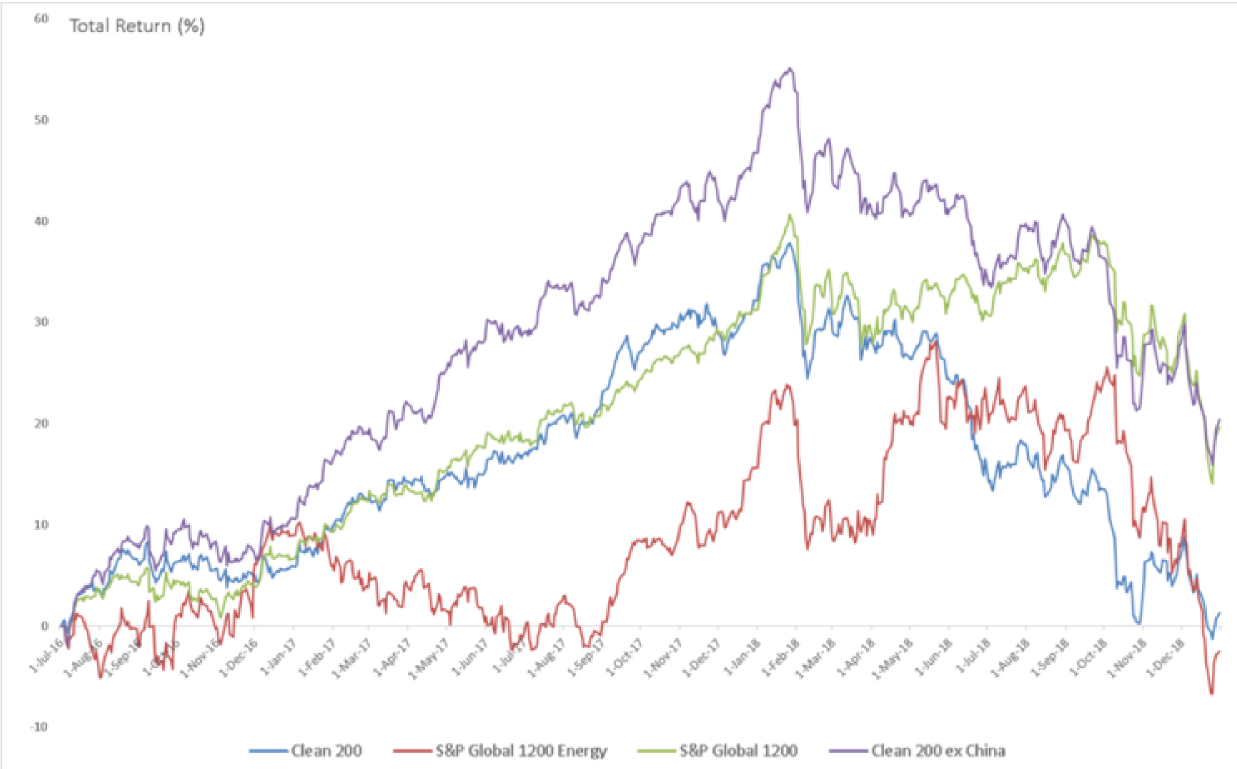
From a big picture perspective, it matters a lot what kind of energy ICT companies choose because they are projected to account for 20 percent of the entire global electric grid by 2025. We encourage and challenge all ICT companies, many of which have cash burning a hole in their pockets, to go 100 percent renewable and to up their game on privacy, which will only become more important as data replaces oil.

Clean200 companies are more profitable

While fossil fuels have been burning out, the current crop of the **Clean200 companies has been experiencing higher growth than the Forbes 2000 list of the world's largest stocks**. Over the past ten years the Clean200 companies' market value grew at a 13 percent compound annual growth rate versus 11 per cent for the Forbes 2000 over the same time period.
The trendlines are clear. Fossil fuels are disappearing and carbon-free business lines have stepped out of the clean energy niche and now touch the entire economy.

Returns

Since inception (July 1, 2016), the Clean200 is ahead of its fossil fuel benchmark (S&P Global 1200 Energy), but behind the broad market benchmark (S&P 1200), mostly due to sub-par China performance amidst the simmering trade war with the U.S.
When excluding the Chinese stocks from the Clean200, the Clean200 ex-China moves into pole position ahead of its broad market benchmark.



Source: Bloomberg, Corporate Knights

Overall, the model presented in the form of the Clean200 continues to indicate that demand and market forces are driving growth for low carbon companies. Since its inception two and a half years ago, the Clean200 has outperformed by 3.78 percent against the S&P Global 1200 Energy Index. The Clean200 ex-China which returned 20.4 percent since inception beats the S&P Global 1200 Index by 0.73 percent over the same time period. It will be very interesting to see how the trends unfold over the next few months.

Clean200 sector breakdown

GICS Sector	# of Clean200 Companies
Industrials	78
Information Technology	40
Utilities	20
Consumer Discretionary	20
Materials	18
Consumer Staples	8

GICS Sector	# of Clean200 Companies
Energy	5
Financials	3
Health Care	1
Communication Services	4
Real Estate	3

Where do the Clean200 come from?

As nations, China and the United States clearly top the list. But, all combined, European countries dominate with a total of 64 companies in the Clean200.

Country	# of Clean200 companies
China	36
United States of America	34
Japan	19
Germany	11
Finland	10
Korea; Republic (S. Korea)	10
Brazil	9
Canada	9
France	8
Spain	6
Switzerland	5
Netherlands	5
Hong Kong	5
Taiwan	4
Sweden	4

Country	# of Clean200 companies
United Kingdom	4
Ireland; Republic of	4
Denmark	3
Belgium	2
Austria	2
Singapore	2
Italy	2
Bermuda	1
Norway	1
Luxembourg	1
India	1
Turkey	1
Mexico	1

So which companies made the list?

Read our full Clean200 results here.

Who didn't make the cut?

The Clean200 uses a variety of negative screens. It excludes all oil and gas companies and utilities that generate less than 50 percent of their power from green sources, the top 100 coal companies measured by reserves, the top 100 oil & gas companies as measured by reserves, as well as all fossil fuel companies, majority fossil-fired utilities, pipeline and oil field services companies, and other fossil fuel-related companies screened on *As You Sow's* Fossil Free Funds. In addition, the Clean200 excludes weapons companies including major military arms manufacturers found on the SIPRI Top 100 arms-producing and military services list, as well cluster munitions, nuclear weapons, and civilian firearm manufacturers screened on *As You Sow's*Weapon Free Funds. The Clean200 also exclude palm oil producers that are screened on *As You Sow's* Deforestation Free Funds, companies using child or forced labor, and companies who engage in negative climate lobbying are not included. The full list of exclusionary screens is provided below.

Clean200 Negative Screens	Criteria	Companies Excluded
Farm Animal Welfare	Identifies company laggards (Tier 5 or 6) on Farm Animal Welfare practices, based on the Benchmark for Farm Animal Welfare.	0
Industrial Meat	Identifies meat companies, according to FactSet RBICS.	0
Corporate Fines, Penalties or Settlements	Identifies laggard companies (bottom quartile) with high monetary fines, penalties and settlements paid as a percentage of total revenue.	BT GROUP PLC
Tobacco	Identifies companies which earn more than 5% of revenue from tobacco using FactSet's RBICS.	0
Controversial Weapons	The SIPRI Top 100 arms-producing and military services companies in the world (Link); Cluster munitions and landmines, nuclear weapons, gun manufacturers screened by *As You Sow Weapon Free Funds tool (Link)*	HONEYWELL INTL
Conventional Weapons	The SIPRI Top 100 arms-producing and military services companies in the world (Link); Cluster munitions and landmines, nuclear weapons, gun manufacturers screened by *As You Sow Weapon Free Funds tool (Link)*	HONEYWELL, GENERAL ELECTRIC, BHARAT ELECTRONICS LTD, DOOSAN CORP
Small Arms (Hand Guns)	Identifies companies which earn more than 5% of revenue from sale of handguns using FactSet's RBICS.	0
Blocking Climate Policy	Identifies laggards (scored less than E) in climate regulation readiness according to InfluenceMap.	0

Clean200 Negative Screens	Criteria	Companies Excluded
Severe Environmental Damage	Identifies companies which meet NBIM exclusion for “Actions or omissions that constitute an unacceptable risk of the Fund contributing to severe environmental damages”.	BHARAT HEAVY ELECTRICALS
Thermal Coal	The FFI Carbon Underground Top 100 companies by coal reserves (Link); Morningstar coal industry company industry classification (Link); Companies which derive at least 30% of revenue from thermal coal as provided by Oxford Smith School, supplemented by corporate financial disclosures.	TBEA
Non-Green Utilities	Any utility that derives less than 50% revenue from green sources; Macroclimate Top 30 public company owners of coal-fired power plants (Link)	36 utilities including Hydro One and Algonquin Power
Tropical Deforestation	Scores less than 2 on Forest 500 scale; Palm oil producers screened by the *As You Sow/Friends of the Earth Deforestation Free Funds tool (Link)*	8 including BUNGE LTD, SHANGHAI ELECTRIC GRP CO, GOLDEN AGRI-RESO
For-Profit Prison	Identifies companies which own or operate private prisons according to FactSet RBICS and two aggregated private prison divestment lists, from American Friends Service Committee (Quaker) and Enlace International’s National Private Prison Divestment Campaign.	0
Repressive Regime	Identifies companies which derive at least 5% of their revenue from countries listed as “worst of the worst” by Freedom House.	MOBILE TELECOMMU
UN Global Compact Principles Violators	Companies identified by the RepRisk UN Global Compact Violator Flag as having a high risk of violating one or more of the ten principles related to human rights,	0

Clean200 Negative Screens	Criteria	Companies Excluded
	labour, environment, or anti-corruption in their operations.	
Gambling	Identifies companies which earn more than 5% of revenue from gambling using FactSet's RBICS.	0
Pornography	Companies classified by "Adult Entertainment" by at least one of the cohort of large pension funds with exclusion lists that Corporate Knights monitors.	0
Excess of conventional over clean energy financing	Based on Bloomberg BNEF data and/or corporate disclosures. Companies who sum of conventional energy financing exceeds new energy financing are removed.	0
Child/Forced labour	Source: Know the Chain. Companies which scored in bottom half of Know the Chain rating are removed	9 including ARCHER-DANIELS, AMAZON.COM, HITACHI LTD & WILMAR
Oil &Gas	The FFI Carbon Underground Top 100 companies by oil/gas reserves (Link);	BASF
Ratio of fossil cap-ex to renewables cap ex is greater than 2:1	Where an oil& gas company derives a minority of revenue from renewable energy sources, those whose capital expenditure towards renewable energy business to fossil-fuel energy business is less than 25% (or not disclosed) are removed	SPRAGUE RESOURCE