



Climetrics

The Climate Rating for Funds

Climetrics Insights

**CDP Europe
June 2020**



The carbon footprint of a fund

This month Climetrics Insights looks at the role of the carbon footprint of an investment fund in climate risk analysis. This metric relates the invested capital to the greenhouse gas (GHG) emissions of investee companies. It indicates the volume of emissions the fund is responsible for.

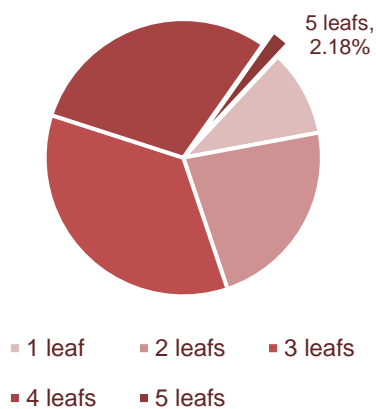
Whilst it may be an intuitive metric, the portfolio carbon footprint does not do justice to the complexity of a holistic climate assessment of a fund.



Facts & figures

June 2020

Ratings distribution



2.2% of all rated funds achieved a top 5-leaf rating.

Does Climetrics assess the carbon footprint of a fund?

Climetrics rates funds for their contribution to the transition of the economy to a lower carbon and climate-resilient model. This transition idea requires a future-oriented and holistic assessment.

The carbon footprint of a fund, however, is a static and even backward-looking metric. It does not reveal the extent investee companies, which might have high emissions, have strategies in place to reduce their impact and increase their climate change resilience in the future.

Furthermore, aggregated metrics at the fund level are less suitable for stock selection by the fund manager.

Asset manager performance

60 or 3.4% of all asset managers in the Climetrics universe had at least one top-rated fund.

Performance of ESG funds

9% of all funds with an explicit ESG policy achieved a top 5-leaf Climetrics rating.

For this reason, Climetrics uses, among other indicators, data on GHG emissions in the underlying climate assessment of companies: the higher the absolute or relative emissions of a company, the better it must show how it intends to reduce future risks from climate change through appropriate climate protection measures (materiality principle).

In addition, companies with high operational GHG emissions are assessed on whether they have reduced their GHG emissions intensity over the past 3 years.

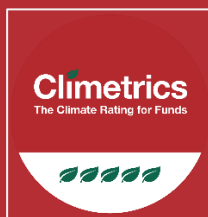
Hence, Climetrics applies indicators on GHG emissions very specifically to assess the transition performance of companies and funds.

For more information on the Climetrics rating methodology, please visit our website at cdp.net/en/investor/climetrics where you can request a free copy of the methodology document.

About Climetrics

Climetrics is the first rating that provides a holistic assessment of a fund's climate-related risks and opportunities. It independently rates thousands of actively managed funds and ETFs and its ratings are free-to-search, providing investors with transparency on climate change-related risks when comparing funds. Climetrics looks inside each fund, measuring its portfolio holdings' exposure to climate risks and opportunities, as well as the fund's investment policy and the asset manager's public action on climate change. It was developed by two recognized climate specialists, non-profit CDP and ISS ESG, the responsible investment arm of Institutional Shareholder Services Inc. It partners with yourSRI.com for fund data and assessments.

How you can use Climetrics



Asset managers

Use the Climetrics rating license to promote your fund's climate performance and catalyze growth in climate-conscious fund products.

Fund platforms

Use bespoke Climetrics data feeds to complement your fund data offering and better respond to growing market needs for sustainable investment solutions.

Asset Owners

Use the customised Climetrics portfolio screening service to gain insights into key climate-related engagement priorities across your portfolio.

Please contact us for more information



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