

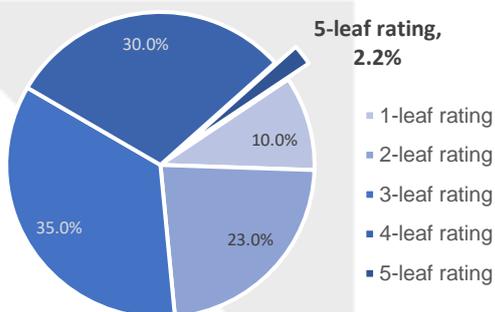
Climetrics Insights

May 2020

Monthly review

- ▼ In May, just above 2% of all funds rated by Climetrics achieved a top 5-leaf rating.

Ratings distribution, May 2020



- ▼ 57 or 2% of all asset managers in the Climetrics universe had at least one top-rated fund.
- ▼ The average *asset manager score* of top-rated funds was 88 out of 100 points, compared to an average of 32 across all asset managers.
- ▼ About 40% of all top-rated funds had a *dedicated ESG investment policy*.
- ▼ The average *portfolio holdings score* of top-rated funds was 63 out of 100 points compared to 50 points across all funds. The highest scoring fund had a portfolio holdings score of 81.

How does Climetrics assess the oil & gas exposure in funds?

With the COVID-19 pandemic fuelled slump in oil prices, funds may at some point start re-allocating to the energy sector in the expectation that the world economy goes back to business as usual.

Whilst Climetrics does not apply strict fossil fuel exclusion criteria at the *fund level*, it considers fossil fuel exposure in its bespoke *company-level scores*:

Companies from the oil & gas sector which own more than 1% of the total reserves held by the top 100 oil and gas reserve holders globally, receive a brown penalty score. The same applies to companies whose share of CO₂ emissions embedded in their *oil* reserves exceeds one third of CO₂ emissions embedded in their total oil & gas reserves.

As a result, Climetrics company level scores of oil & gas companies are on average lower compared to those of other sectors. Funds with no or limited exposure to the largest oil & gas companies have better chances of receiving a good rating.

In fact, the following table shows that all fossil free funds currently rated by Climetrics have either a 4 or a 5-leaf rating.

Fund Name	Rating
Candriam Fund Sust Europ Eq Fos Free	5
Candriam Fund Sust Eu Corp Bond Fos Free	5
BNP Easy - EUR Corp Bd SRI Fossil F 3-5Y Track	5
BNPP Easy-EURO Corp Bond SRI Fossil Free Track	5
BNP Easy - EUR Co Bd SRI Foss F 1-3Y Track	5
Protea Fund-OrcadiaEquitiesEMU SRI Ex-Fossil	4
SPDR MSCI EAFE Fossil Fuel Reserves Free ETF	4
Change Finance US Large Cap Fossil Fuel Free ETF	4
Lansforsakringar FossilSmart	4
Schroder ISF QEP GloESGexFossilFuels	4
SPDR S&P 500 Fossil Fuel Reserves Free ETF	4
Storebrand Norge Fossilfri	4

Data as of May 2020.

Climetrics FAQs

How does Climetrics work?

Each fund is scored across three different levels as shown in table 1. The most important element is the portfolio holdings score, where the actual investments of a fund *over time* are assessed. For this, a separate scoring methodology for companies was developed for Climetrics.

Funds are assigned a rating based on their score. Using a best-in-universe approach, each fund is compared to all other funds in the Climetrics universe. The ratings, symbolised by a green leaf icon, are assigned based on a normal distribution. Top rated 5-leaf funds must achieve minimum scores of 60 points at both the asset manager and the portfolio holdings levels.

Table 1: Climetrics fund scoring levels

	<p>Asset manager level – 10% weight</p> <p><i>Climetrics scores asset managers on their level of public action on climate change. The score looks at climate disclosure, commitments and participation in global engagement initiatives.</i></p>
	<p>Fund investment policy level – 5% weight</p> <p><i>Climetrics rewards funds with an explicit ESG investment strategy and / or ESG label.</i></p>
	<p>Portfolio holdings level – 85% weight</p> <p><i>Climetrics scores investee companies for how well they manage material risks related to climate, water security and deforestation. In addition, the scores reflect companies' involvement in providing low-carbon products, and they capture potential stranded asset risk linked to fossil fuel reserves.</i></p>

What does Climetrics measure?

Climetrics measures how well a fund supports the transition to a low-carbon, climate resilient

economy. Climetrics looks at climate-related issues more broadly, including water security and commodity-driven deforestation risks.

Funds with top ratings typically have significant exposure either to companies with good management of material climate-related risks or to those providing green products and solutions. Funds only investing low-carbon sectors will generally not achieve top-ratings.

How often is Climetrics updated?

The Climetrics ratings are calculated and updated on an ongoing basis and may change each time new fund holdings information or other data becomes available. New holdings data counts towards the calculation of the 12-month average portfolio holdings score, which is used in the calculation of the final Climetrics rating.

For more information about Climetrics, please visit our website at www.climetrics-rating.org or contact us at

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