



Climetrics

The Climate Rating for Funds

Climetrics Insights

**CDP Europe
September 2020**



The importance of assessing water security risks

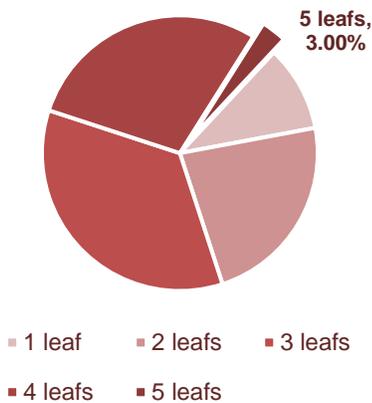
The world is running out of water much faster than we thought. The World Resources Institute has recently revised up its prediction of water stress by 2030 from 40 to 56%. One quarter of the world's population already live in areas of water stress, and this will rise to one half by 2050. Meanwhile, water pollution is being described by the World Bank as an “invisible crisis”, yet one which can slash economic growth. Whilst the awareness among global companies for water security risks is rising, the elimination, management and disclosure of corporate water pollution is far from mainstreamed. In 2019, for example, only 12% of companies responding to CDP reported having a pollution reduction target.



Facts & figures

September 2020

Ratings distribution



2.95% of all rated funds or 563 funds in total achieved a top 5-leaf rating.

How does Climetrics assess water security risks in funds?

Climetrics uses separate company water security scores from CDP in its underlying company scoring methodology.

CDP has been collecting water data from close to 2,500 global companies since 2009. The corresponding CDP water security scores reflect each company's level of progress towards water stewardship – in other words, how well a company identifies, discloses, and manages risks and opportunities linked to water security.

Asset manager performance

80 or 4.3% of all

asset managers in the Climetrics universe had at least one top-rated fund.

Performance of ESG funds

11% of all funds

with an explicit ESG policy achieved a top 5-leaf Climetrics rating.

The total number of funds rated in September was

19,100

with approximately USD **20 trillion** in assets under management.

In 2019 the reported value at risk from water issues was higher than ever before, between USD 188 and 425 billion. These risks are not felt equally by all companies, so CDP's team of water experts classify each company in a proprietary water materiality matrix.

Climetrics then integrates both the CDP water security scores and the water materiality factors, with similar metrics in the areas of climate (greenhouse gas emissions) and deforestation. A company's performance in each of these thematic areas is then weighted by their respective materiality to produce the final score.

As a result, the final Climetrics company score may be significantly driven by the CDP water security score if water security is the most material issue for that company. This is often the case for companies in the pharmaceuticals or food & beverage sectors.

However, the risks of water pollution and freshwater scarcity are also highly material for many companies in the fossil fuel and power sectors – over 70% of responding companies within these sectors identified water risks substantive to their business in 2019. But with the investor focus on greenhouse gas emissions, water risks in these industries are often overlooked.

Climetrics company scores are aggregated at the portfolio level to produce the portfolio score, which is a major component of the Climetrics fund rating. With its inclusion of CDP water security scores, Climetrics addresses a key issue of climate change

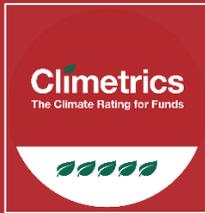
resilience and aims to drive stronger water action among global companies.

For more information on the Climetrics rating methodology, please visit our website at cdp.net/en/investor/climetrics.

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 Exchange Traded Funds (ETFs) and its ratings are free to search, providing investors with transparency on climate-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 recognised 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



climetrics@cdp.net
www.cdp.net



climetrics@iss-esg.com
www.iss-esg.com

© CDP 2020. This report and all Climetrics fund ratings are available from <https://www.cdp.net/en/investor/climetrics/>

Visit CDP on [LinkedIn](#) and [Twitter](#).