



**The Climate Rating for Funds**

## **Climetrics Insights**

**CDP Europe  
November 2020**



## The need for good climate governance

Ideally, electric cars are built by companies with a credible low-carbon strategy. Equally, climate-friendly funds should be run by asset managers with strong climate governance. In fact, some types of investor action can ultimately have a bigger real-world impact than reallocating capital away from high carbon assets.

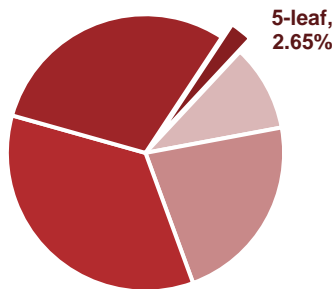
Opportunities for powerful investor collaboration are numerous: exercising voting rights, collective engagement or jointly requesting companies to disclose climate risks - asset managers have many ways to influence corporate climate action. This is why Climetrics integrates a separate asset manager score into its fund rating.



## Facts & figures

November 2020

### Ratings distribution



■ 1 leaf   ■ 2-leaf   ■ 3-leaf  
■ 4-leaf   ■ 5-leaf

**2.65%** of  
all rated funds or 510  
funds in total achieved a  
top 5-leaf rating.

## What is behind the Climetrics asset manager score?

Climetrics uniquely scores asset managers for their public action and statements on integrating climate change into their governance and investment processes. It considers the level of action taken by the asset manager to support climate disclosure and engagement initiatives.

The distinct asset manager score contributes 10% towards the final score of a fund, and top-rated funds must have an asset manager score of at least 60 of 100 points.

As a result, 5-leaf rated funds are run by managers with above-average climate governance.

## Asset manager performance

**73** or 3.9% of all asset managers in the Climetrics universe had at least one top-rated fund.

## Performance of ESG funds

**8.9%** of all funds with an explicit ESG policy achieved a top 5-leaf Climetrics rating.

The total number of funds rated in November was

**19,250** with approximately USD **20 trillion** in assets under management.

Each of the more than 2800 asset managers in the Climetrics universe is scored across up to five distinct categories:

- 1. Proxy voting:** Aggregate level of fund support for climate-related shareholder solutions. This KPI is weighted up to 25%, if available. The data is provided by ISS-ESG and sourced from SEC NPX filings and other public disclosures.
- 2. Collective engagement:** Membership in *any* one of the key global engagement initiatives, including the Global Investor Coalition on Climate Change, FAIRR and Climate Action 100+. This metric is weighted up to 35%.



- 3. Investor disclosure:** Public response to the climate change module of the PRI reporting framework and confirmation that climate change is considered an important investment risk (up to 35% weight).



**4. Corporate Disclosure Support:**  
Supporting



standardised climate disclosure by global companies as an Investor Signatory to CDP (up to 15% weight).

**5. Commitments:** Signatory to the Montreal Pledge or member of the Portfolio Decarbonization Coalition (up to 15% weight).

The indicators are rated binary with either 0 or 100 points and weighted accordingly. The underlying data is based on publicly available data and either sourced from third parties (ISS-ESG, UN PRI) or collected by CDP's own analysts. Climetrics asset manager scores are then mapped to asset manager codes in the Refinitiv Lipper database and applied in the fund rating.

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



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