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ethical investing

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SLI Glo SICAV II Global Eq Impact A Acc EUR – Example Ethical fund Carbon Report

Carbon Ranking

Identifier: LU1697922752 | Report created on: Apr 30, 2020 | Benchmark: Equity - MSCI ACWI Index

Currency: EUR | Industry Classification: ICB | Company breakdown metrics: relative carbon footprint (tCO_2e / Mio. invested) | Value: 19'626'792.29 EUR

	Coverage		Carbon				
	Disclosing Titles	by Weight	Total Carbon	Total Carbon	**Relative Carbon**	Carbon Intensity	Weighted Average
			Emissions 1+2	Emissions 1+2+3	**Footprint**		Carbon Intensity
		market value	tCO_2e	tCO_2e	**tCO_2e / EUR Mio**	tCO_2e / EUR Mio	tCO_2e / EUR Mio
					invested	revenue	revenue
Portfolio	84.10%	93.30%	1'098.4	2'791.7	**52.2**	108.9	143.1
Benchmark	58.30%	99.00%	3'071.1	12'602.3	**154.9**	235.1	220.6
Difference					**102.7**		

This report analyses a portfolio of securities in terms of the carbon emissions and other carbon related characteristics of the underlying portfolio companies. It compares this data to the performance of a relevant respectively chosen market benchmark. The data below represents a high-level subset of the information found in the following pages.

The headline metrics provided in the table above includes absolute and relative figures for portfolio carbon emissions as well as intensity measures: The total carbon emission answers the main question “What is my portfolio’s total carbon footprint?” as it measures the carbon footprint of a portfolio taking scope 1-2 as well as scope 3 emissions into account The relative carbon footprint is a normalized measure of a portfolio’s contribution and is defined as the total carbon emissions of the portfolio per million EUR invested. It enables comparisons with a benchmark, between multiple portfolios, over time and regardless of portfolio size.

Carbon intensity is expressed as the total carbon emissions per million EUR of revenue and allows investors to measure how much carbon emissions per dollar of revenue are generated. It therefore measures the carbon efficiency of a portfolio per unit of output.

The Weighted Average Carbon Intensity is disconnected from ownership and thus does not capture the investor's contribution to climate change, but rather measures the portfolio's exposure to carbon-intensive companies. Therefore it is applicable for comparison across asset classes, including fixed income.

Carbon

Fossil fuel companies and those emitting large quantities of CO2 have come under increasing levels of scrutiny for their large and direct responsibility for climate change. For investors, such companies are increasingly seen as potentially risky investments, as they are likely to face increasing costs, shrinking profits, and a need to fundamentally redesign their business models.

"Carbon footprinting" a mutual fund means accounting for the quantification and management of GHGs. It is the first step towards understanding an investor's impact on climate change. A carbon footprint is calculated by measuring and/or estimating the quantities and assessing the sources of various GHG emissions that can be directly or indirectly attributed to the activities of the underlying holdings.

To independently analyze and calculate carbon footprints for the mutual funds, the powerful "Carbon Footprint Analysis Tool" of yourSRI.com is used, which partners with South Pole Group to provide the information on corporate emissions worldwide - comprised of more than 40,000 companies.

The concept of financed emissions

The basis for a carbon footprint is the annual GHG emissions of each company within the respective fund. All direct operations, as well as energy and heat consumption, are measured in metric tonnes of carbon dioxide equivalent (tCO2e). The footprint is based on the full holdings of each fund per the most recently available Lipper data, and the corresponding greenhouse gas emission data.

To allocate company GHG emissions to a fund, the value of shares held by the fund is set in relation to the company's market capitalization. This ratio is multiplied with the emissions of the company, resulting in the emissions "owned" by the investor. By aggregating the information on a fund level, an investment carbon footprint for the fund is established and expressed in absolute and relative terms.

The described approach allows for the direct association and quantification of the emissions per investment and per fund. It also enables investors to compare the climate-intensity of one fund with another. For the ranking of the assessed funds, a relative metric has been applied to avoid any bias resulting from the size of the funds. South Pole Group's company GHG data covers the entire investable universe. This is achieved through collecting data from different data sources, data validation and estimation of missing data points with 800 proprietary models. Thorough stress tests of the data are conducted to ensure accuracy.

Relative carbon footprint

The relative carbon footprint expresses the greenhouse gas footprint of an investment sum. It is a normalized measure of a portfolio's contribution to climate change that enables comparison with a benchmark, between portfolios, and between individual investments. The relative carbon footprint is measured in Total Carbon Emissions expressed as per currency invested.

Scope 1, 2, and 3 emissions

Greenhouse gas (GHG) emissions are classified as per the Greenhouse Gas Protocol and are grouped in categories called Scope 1, Scope 2 and Scope 3.

Scope 1 GHG emissions are those directly occurring "from sources that are owned or controlled by the institution, including: on-campus stationary combustion of fossil fuels; mobile combustion of fossil fuels by institution owned/controlled vehicles; and "fugitive" emissions."

Scope 2 emissions are "indirect emissions generated in the production of electricity consumed by the institution."

Scope 3 emissions are all the other indirect emissions that are "a consequence of the activities of the institution, but occur from sources not owned or controlled by the institution" such as commuting; embodied emissions from extraction, production, and transportation of purchased goods; outsourced activities; contractor-owned vehicles; and line loss from electricity transmission and distribution". In the data, Scope 3 emissions are conceptually divided into (a) upstream emissions, i.e. emissions stemming from a company's supply chain and (b) downstream emissions, i.e. emissions from product "use phases" during their life cycle.

Source: https://yoursri.com/

yourSRI's "Carbon Fund & Portfolio Screening" tools enable investors and investment specialists to identify the carbon footprint of a fund or a portfolio by tracking and measuring the greenhouse gas emissions of all underlying holding companies. By doing so, clients can compare a fund's carbon performance versus the sector and optimize their carbon portfolio by adjusting their sector benchmark profile on a dynamic level.

Investing in a company also means owning that company's greenhouse gas emissions. Knowing one's carbon footprint is the first step in evaluating hotspots that impact on the climate. With the powerful Portfolio Carbon Screening Tool by yourSRI and South Pole Carbon, investors and investment specialists alike can assess the entire greenhouse gas footprint of a fund as well as the carbon footprint of individual investment portfolios.