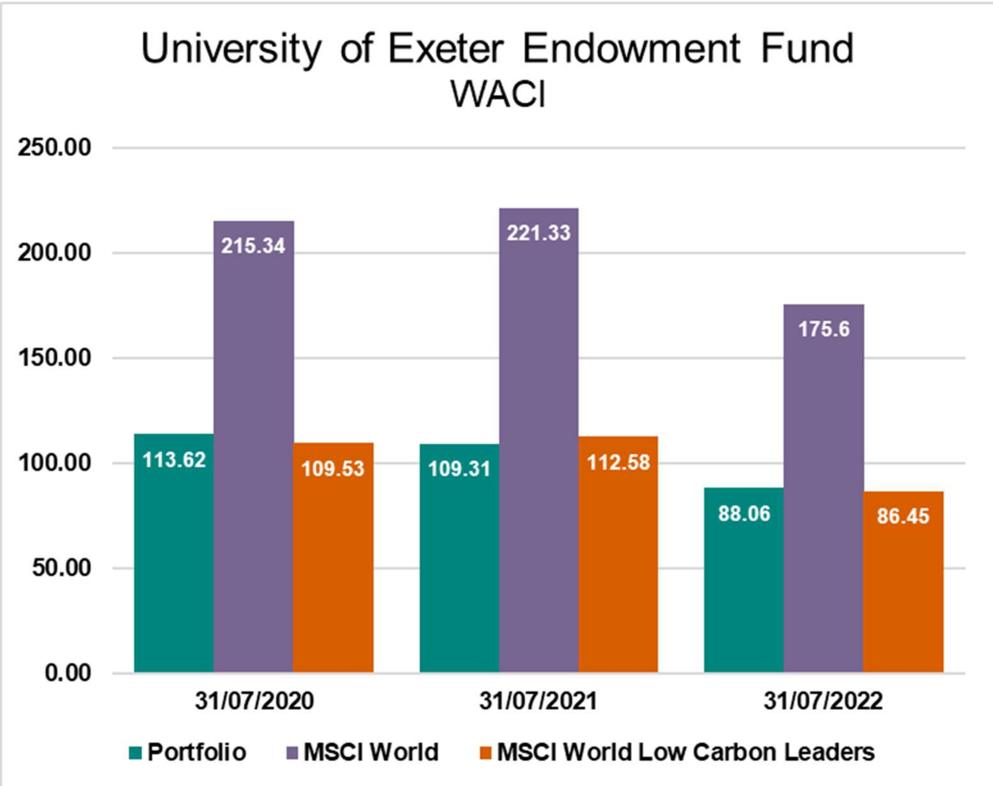
Rathbone Greenbank Investments
Dedicated to ethical and sustainable investment

University of Exeter – portfolio climate metrics

Weighted average carbon intensity

The Weighted Average Carbon Intensity (WACI) model calculates the portfolio's exposure to carbon-intensive companies, where carbon intensity is measured as scope 1 and 2 carbon emissions per £m sales in the previous year. This is then weighted according to the size of the holding within the portfolio.

All major asset classes can be measured and compared, including fixed income, equity and managed funds. However, there is not a consensus around how to quantify the carbon footprint of certain investments such as complex financial instruments, including derivatives and short positions, as well as sovereign bonds. As such, certain managed funds cannot be reliably estimated and are therefore excluded from the measurement. [1]



The significant reduction in the year is partly explained by a methodological change. The carbon data for renewable infrastructure has been withdrawn by Morningstar, a data provider, as they have encountered data quality issues while updating the figures for this year. Instead, we have collected the data directly from the fund managers. If we used the same data for renewable infrastructure in this year as previous, the WACI would be **104.09**.

Top contributors to this reduction include **SSE** – one of the most carbon intensive in the portfolio – reducing its intensity by over 7%, exceeding the rate required to meet net zero ambitions and **Ørsted** which achieved a 12.5% reduction and remains on track to become carbon neutral within scope 1 and 2 by 2025. Other companies that had a smaller impact on the portfolio level change that are nevertheless worth noting include **Vodafone** and **Unilever** who both recorded an above 20% reduction in intensity.

[1] Benchmark figures are provided by MSCI.

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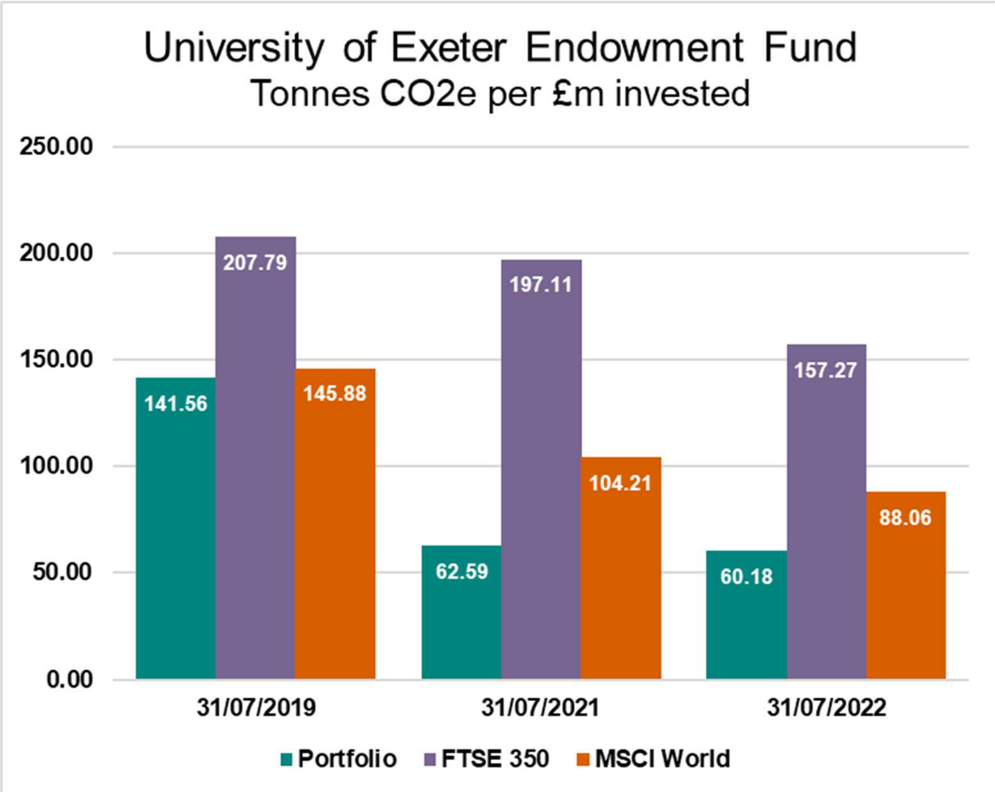
Portfolio carbon footprint

This shows the carbon 'owned' by the equity portion of investment portfolios. It looks at the scope 1 and 2 carbon emissions reported by companies, either to the CDP (Carbon Disclosure Project) or in their annual reports, and the percentage of each company's shares owned within a portfolio. These are then aggregated to determine the amount of carbon 'owned' by a portfolio through its specific shareholdings.

Comparison benchmarks are calculated by allocating the portion of the portfolio invested in equities and covered by carbon data across index constituents according to their respective market cap weightings. The FTSE 350 and MSCI World Indices are used as comparators.

It is also possible to compare the carbon footprint of different sized portfolios by using a measure of carbon 'owned' per £1m invested.



Again, the most carbon intensive companies in the portfolio, namely **SSE**, **National Grid** and **Renewi**, all recorded a reduction in their 'owned' carbon emissions as they continue to decarbonise at the required rate.

This metric is tied to valuations so significant swings in equity markets can result in changes to the carbon footprint. When a company's value reduces, £1m invested buys a greater share of the company causing this figure to increase. A good example from the year is **DS Smith**, which saw its carbon emissions remain relatively flat while decreasing in value by around 33%, causing it to contribute to the portfolio figure by a greater degree than last year.

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Portfolio exposure to climate solutions

The University's investment managers recognise key global sustainable development trends and seek to identify investable companies with exposure to these.

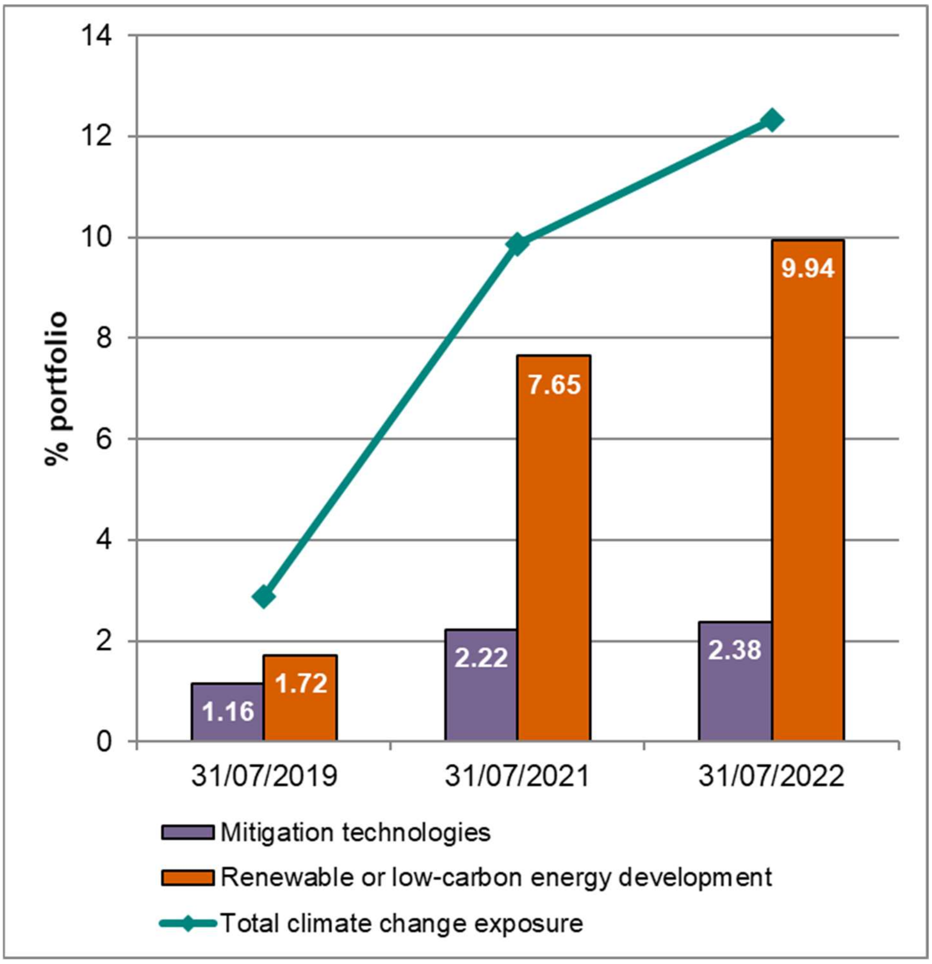
Below, we show the percentage of the portfolio which is invested in companies that directly support a low carbon transition.

We define these as investments with a major link to climate mitigation technologies or renewable/low-carbon energy development.

The portfolio also contains many investments that indirectly support a low carbon economy.

For example, those which are reducing their own GHG emissions year-on-year, those which have committed to sourcing increasing amounts of renewable energy, or those which provide technology, products or services that facilitate the transition. The chart overleaf shows the breakdown of the full portfolio by primary ethical and sustainability characteristic.

Baseline data relating to our previous fund manager is not available. However, these data points will continue to be reported in the future to demonstrate the positive climate impact of the investment portfolio over time.



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Portfolio sustainability attributes

In addition to the focus on carbon and fossil fuel reductions, the overall shape of the investments has moved towards more socially responsible investments.

The following chart shows the primary ethical activity of the investments held in the funds.

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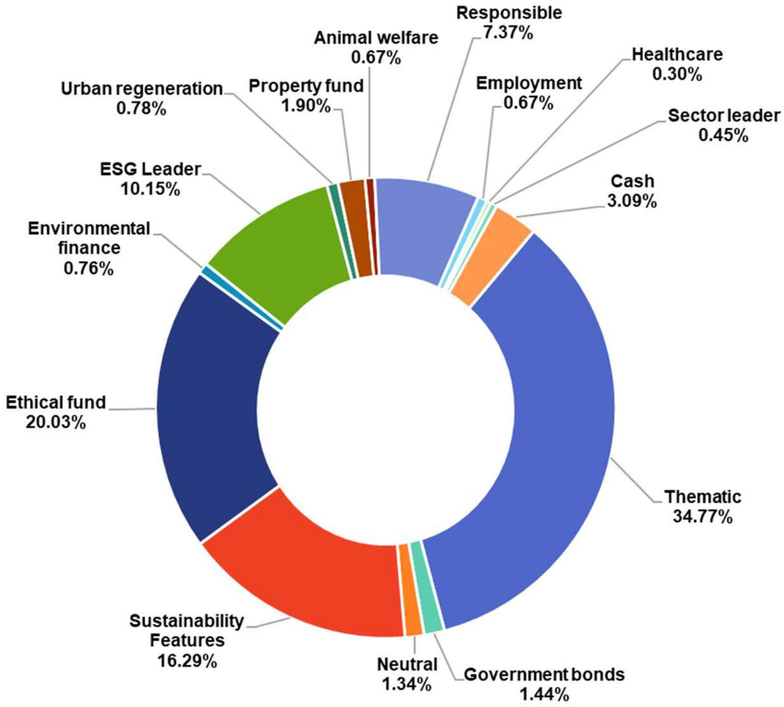

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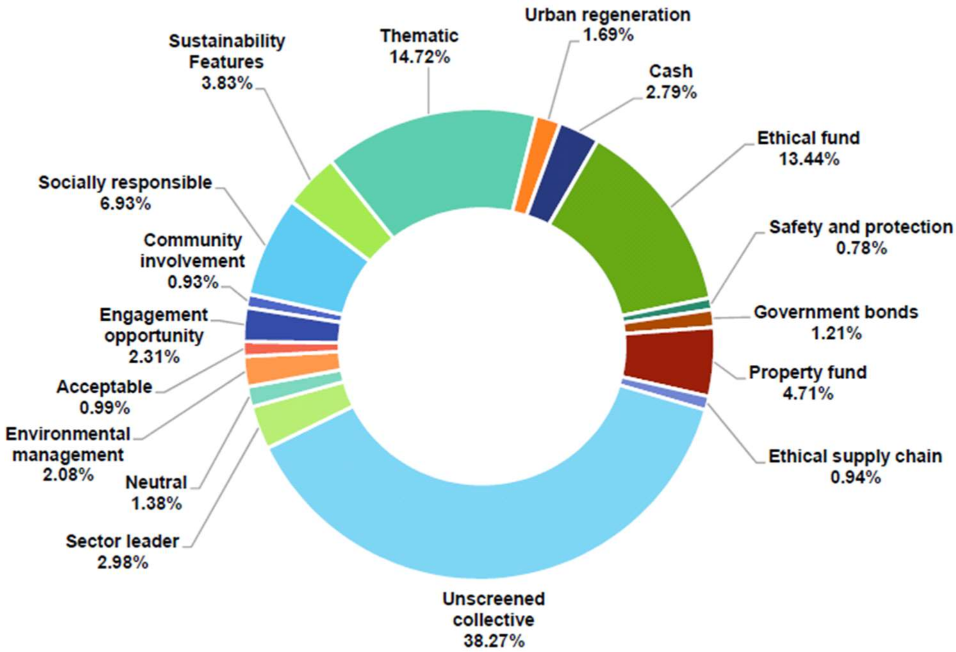

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Explanatory notes

♦ The weighted average carbon intensity method measures a portfolio's exposure to carbon-intensive companies based on CO_2 emissions (Scope 1 and 2) per million pounds of sales, adjusted according to each holding's weighting within a portfolio.

♦ Carbon data for equities and bonds is sourced from: CDP, formerly the Carbon Disclosure Project; MSCI, a financial data provider; and companies' own disclosures. Estimates are based upon sector carbon intensity averages. Where there is insufficient sector data, the relevant company is not included in the calculations. Government bonds are also not included.

♦ Carbon data for managed funds is sourced from the fund manager, MSCI and Morningstar, another financial data provider. For estimates, the fund category average in Morningstar is used. Any gaps are filled using an average taken from all funds in MSCI's universe.

♦ MSCI World is an index comprised of large and mid-cap companies from developed markets. MSCI ACWI includes large and mid-cap companies from emerging markets as well as from developed markets. MSCI World Low Carbon Leaders is the MSCI World index overweight in companies with a low carbon exposure. MSCI provides the carbon intensity data for these benchmarks.