

# EDENTREE CARBON FOOTPRINT REPORT UK EQUITY GROWTH 2018

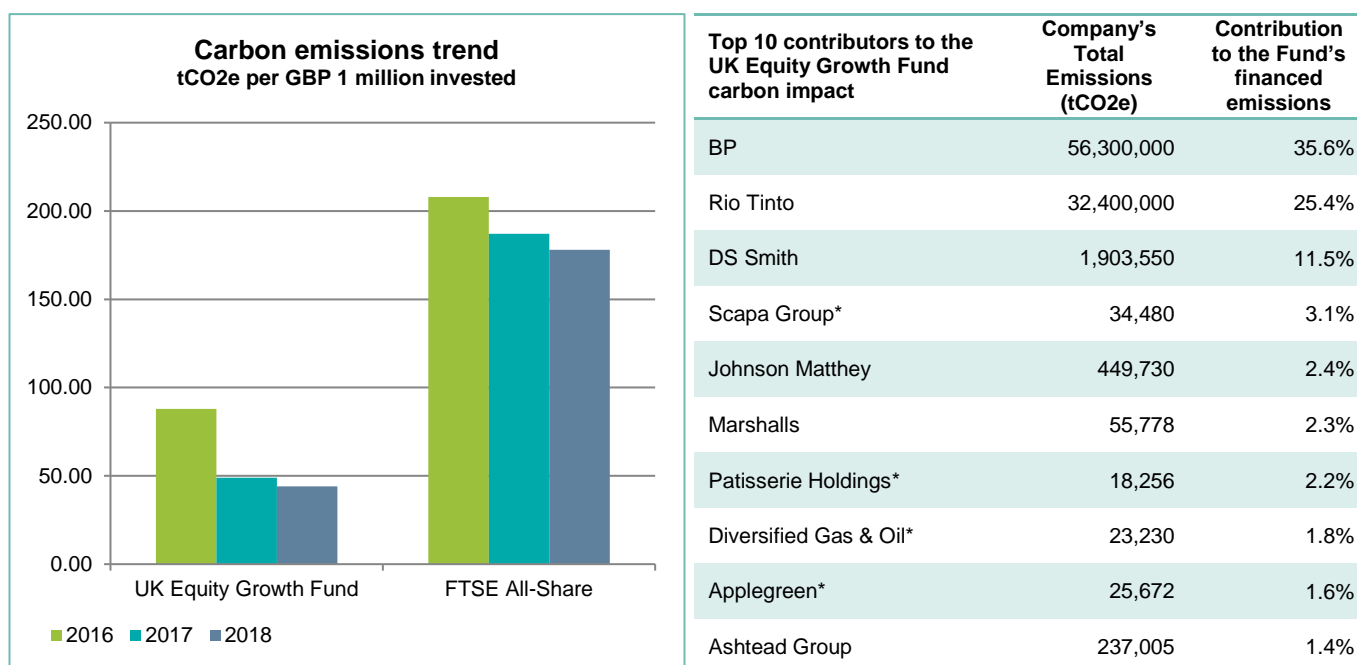
## KEY RESULTS

- The UK Equity Growth Fund is 75% less carbon intense than the FTSE All-Share benchmark
- The Fund's emissions intensity (per GBP 1million invested) has decreased by 10% compared to 2017
- The 10 largest positions in the Fund, accounting for 29% of the Fund's holdings are responsible for 41% of the emissions

	UK Equity Growth Fund	FTSE All-Share
Total emissions scope 1 & 2 (tCO <sub>2</sub> e)	7,133	28,660
% of disclosing holdings <sup>1</sup>	60%	93%
Fund emissions (tCO <sub>2</sub> e) per GBP 1 million invested	44	178

AUM, holdings and sector allocations as of 31.03.2018. Carbon data reported for FY2016.

Total investment excluding cash and investment trusts (GBP): 161,175,289



\* Indicates the company has not disclosed emissions, data is estimated

## SECTOR ANALYSIS AND CARBON EXPOSURE

46.1% of the portfolio emissions come from the materials sector and 37.4% from energy. The fund's allocation to these two sectors is 12.5% and 3.6% respectively. Fossil fuel reserves of energy companies will potentially be exploited and burned in the future and are thus associated with potential future emissions. The companies in the portfolio are associated with a total of 417,595 tCO<sub>2</sub>e of potential future emissions based on an ownership logic, compared to 1,657,043 tCO<sub>2</sub>e in the benchmark. This amounts to burning the equivalent in fossil fuels of driving 89,421 average cars for a year compared to 354,827 cars for the benchmark.

## SCIENCE BASED TARGETS

Science based targets are emission reduction targets that are in line with the 2 degree scenario as pledged by the Paris Agreement. At the time of the analysis only 422 companies globally had set science based targets (SBT) and registered those as SBTs. In terms of invested value, companies committed to SBTs are equivalent to 4.6% of the value of the portfolio, compared to 23.8% in the Benchmark.

<sup>1</sup> 60% of data has been reported by the companies, 40% of data is modelled by ISS Ethix Carbon Solutions.

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## CARBON FOOTPRINTING METHODOLOGY

As a shareholder we own the carbon emissions of the companies we invest in. A portfolio carbon footprint measures total carbon ownership as well as carbon intensity of a fund. Our carbon footprint has been conducted by ISS Ethix Carbon Solutions.

Emissions per GBP invested: This metric displays how many tonnes of CO<sub>2</sub>e an investor would finance in relation to the respective ownership in a certain company or portfolio. The metric describes the carbon intensity of an invested amount. A company's share of emissions is determined by the value of shares held / the company's market cap.

The data covers scope 1 and 2 emissions for 2016 reported in 2017, these represent the direct emissions of the business (scope1) and emissions from electricity sourced (scope 2). Data comes from a variety of sources:

- Company annual reporting
- Company submissions to the Carbon Disclosure Project (CDP)
- ISS estimates where company data is not available

The carbon footprint has been commissioned to measure risks and identify high emitters within the Fund. Engagement has been conducted with the outliers based on either incomplete carbon disclosure, where carbon intensity trend is not reducing and/or the company has not set emissions reduction targets.

## THE MONTRÉAL PLEDGE

EdenTree became a signatory to the Montréal Carbon Pledge in June 2016. This means we are voluntarily committed to measure and disclose the carbon footprint of part or all of our equity portfolios on an annual basis. We believe that it is the responsibility of all businesses to have a clear strategy to tackle greenhouse gas (GHG) emissions. We consider risk associated with climate change to have a material impact on our investments and therefore we monitor closely the emissions of our holdings.

## CLIMATE CHANGE AT EDENTREE

EdenTree's Amity process leans positively towards portfolios being carbon aware. Positive screens of Environmental Management, Human Rights and Business Practices exclude mining and oil majors as not suitable for the portfolios. The Amity process also avoids oil sands and Arctic drilling. We continue to collaborate with the Institutional Investor Group on Climate Change (IIGCC) on public policy, such as lobbying the G20, to encourage government leadership on climate change and to support the Paris Agreement.

## WHAT ELSE IS EDENTREE DOING?

Engagement with companies is a key part of our responsible investment strategy and helps us better to understand the carbon risks within the portfolio while encouraging companies to improve practices. In 2016 we started engaging on climate change with companies to encourage them to provide transparent carbon disclosure, to reduce their emissions and to set quantified reduction targets. This year we will also discuss with companies whether the targets they have set are in line with a two degree scenario, i.e. are they science based targets, and we will encourage companies to report their approach to climate change in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD).

## EDENTREE'S CLIMATE CHANGE PARTNERS



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