

Inrate Climate Impact

The Inrate Climate Impact allows investors to assess the encompassing climate impact of their portfolios. We deliver carbon footprint and intensity data for 3'200 companies. The weighted average carbon intensity (WACI, in tCO₂eq/mUSD) of portfolios can then be calculated as the sum of the carbon intensity of each portfolio company, weighted by its share within the portfolio.

In order to obtain a complete picture of a portfolio's climate impact and related risks and chances, it is key to consider the entire value chains of a company's products and services: For the average company in the Inrate universe, indirect greenhouse gas (GHG) emissions associated with the

purchase of goods and services including disposal (upstream) account for 17% of total GHG emissions. 57% are caused during product usage (downstream; see figure 1).

The Inrate Climate Impact Model is able to calculate encompassing GHG emissions. It assesses direct GHG emissions resulting from production activities (Scope 1) as well as indirect emissions associated with the company's inputs and outputs (Scopes 2 and 3). This enables investors to analyze their portfolios for high and low emission industries and companies within a given industry. It also allows to evaluate the GHG exposure of companies and portfolios and to construct GHG optimized portfolios.

Key Benefits

- Based on an economic input-output life-cycle assessment and official statistics; therefore **consistent, comparable and reliable**
- Allows full **Scope 1, 2 and 3** GHG emission analyses
- Enables investors to
 - make a **meaningful contribution** to achieving the objectives of the Paris Agreement,
 - **report** on encompassing climate impacts,
 - **evaluate and reduce** transition-related climate **risks** of invested companies, such as reputation risks and market risks,
 - **evaluate and make use of** transition-related climate **opportunities** of invested companies
- Globally used key figure: **Weighted average carbon intensity (WACI)**
- **Coverage:** about 3'200 companies including the indices MSCI ACWI, SPI and SBI

Method

Inrate's Climate Impact Model is based on an economic input-output life-cycle assessment, instead of reported data. Thus it offers a complete and consistent assessment and ensures comparability.

Due to the assessment of full Scope 1, 2, and 3 emissions of each issuer, "double counting" occurs and is intentional: The Inrate Climate Impact data is not focused on revealing actual physical GHG emissions but encompassing GHG intensities and exposures of companies and portfolios.

The Inrate Climate Impact data is calculated within three major steps. Firstly, the carbon intensities for each of the 350 activities of the Inrate Business Activity Classification are modelled. Secondly, the companies are characterized by their

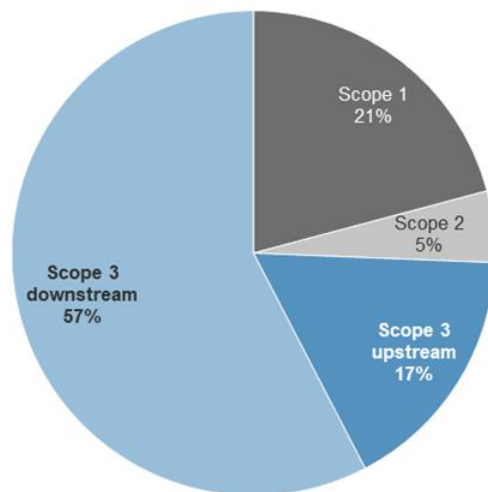


Figure 1: Contribution of all different Scopes to total GHG emissions. Source: Carbon Impact Model, 2019.

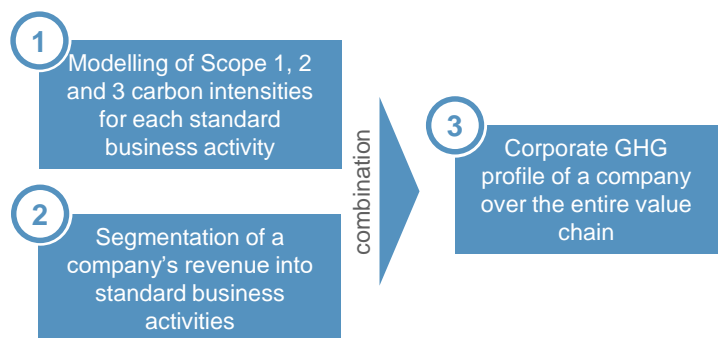


Figure 2: Three steps of research process.

activities, weighted by shares of turnover. Finally, these shares are multiplied with their respective intensities to calculate the companies' carbon intensities.

Output

With the Inrate Climate Impact Model we are able to provide the GHG footprint and intensity by Scope of about 3'200 companies. Figure 3 shows example data for five companies. Besides the carbon data, we provide additional company data such as sector and revenue.

Company Name	ISIN	Inrate Sector	Total GHG emissions [tCO ₂ e]					Carbon intensity [tCO ₂ e/mUSD]				
			Encompassing	Scope 1	Scope 2	Scope 3 upstream	Scope 3 downstream	Encompassing	Scope 1	Scope 2	Scope 3 upstream	Scope 3 downstream
Accor	FR0000120404	Leisure	1'752'115	199'761	76'495	544'408	931'451	411	47	18	128	218
Continental	DE0005439004	Transportation	56'095'209	6'229'386	4'352'059	18'577'564	26'936'200	1'070	119	83	354	514
Nice	IL0002730112	Software	509'415	47'504	31'195	141'207	289'508	353	33	22	98	200
Tencent	KYG875721634	Communication	14'604'251	1'580'317	1'045'420	4'535'300	7'443'215	309	33	22	96	157
Zoetis	US98978V1035	Health	1'353'370	85'200	254'866	990'491	22'813	232	15	44	170	4

Figure 3: Example of Total GHG emissions and carbon intensity for single companies per Scope. Example of Total GHG emissions and carbon intensity for single companies per Scope. Source: Carbon Impact Model, 2019.

We furthermore provide portfolio analyses based on our climate impact data. We calculate the WACI of portfolios and compare them with a suitable benchmark. Figure 4 shows an example in which the portfolio has a lower total WACI than the benchmark. The separate assessment of the Scopes reveals that the difference is mainly due to Scopes 1 and 3 downstream. Further insights are gained by illustrating the WACI per sector for a portfolio in comparison to the benchmark, and the sector weights in the portfolio (see figure 5). The example reveals the low intensity sector selection of the portfolio; sectors with low WACI tend to have a higher share in the portfolio than sectors with high WACI. Furthermore, it shows that especially within the highly intensive sectors the portfolio contains less intense companies than the benchmark.

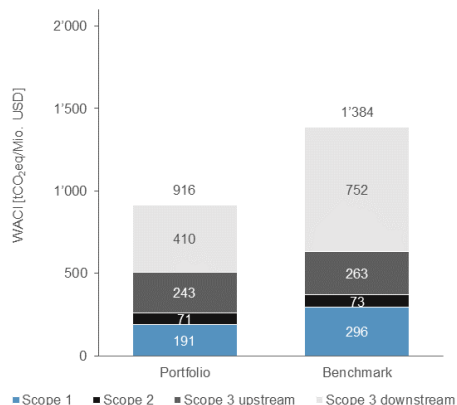


Figure 4: WACI per Scope. Source: Carbon Impact Model, 2019.

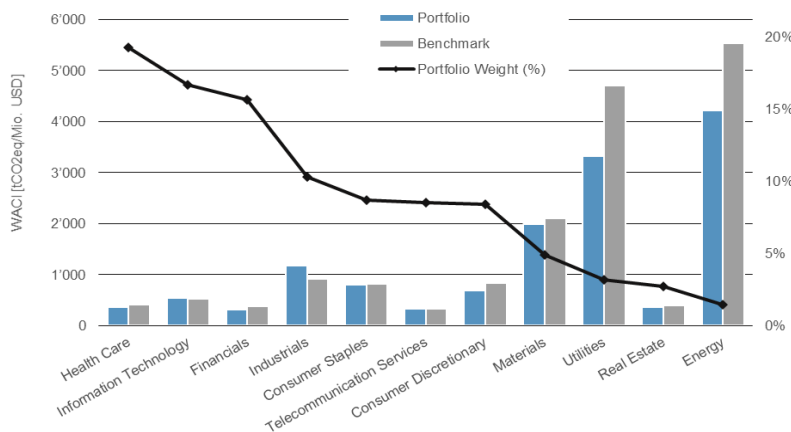


Figure 5: WACI and portfolio weight per sector. Source: Carbon Impact Model, 2019.

About inrate

Inrate is a leading independent sustainability ratings provider based in Switzerland. Since 1990, we link our in-depth sustainability analysis with innovative investment solutions for the financial markets. Our ratings are a measure of the impact companies have with their behavior and products on society and the environment as well as their willingness and ability to effectively tackle the corresponding challenges.

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