



Investment Consultants Sustainability Working Group ESG Metrics – November 2021

This document sets out a list of 12 Environmental, Social and Governance (ESG)-related metrics that we expect all public equity and public credit investment managers to be able to report on, or working towards being able to report on as soon as possible. We would also like investment managers to be able to report equivalent metrics for other asset classes, to the extent relevant.

This document has been prepared by the Investment Consultants Sustainability Working Group (ICSWG). This list will be updated by the ICSWG on an annual basis.

These are based on metrics that the institutional clients of our member firms are increasingly seeking to collect from asset managers. By aggregating these into one guidance document, we hope to assist managers in focusing their efforts to produce appropriate data and, ultimately, support investors in obtaining the desired level of transparency. We would strongly encourage all public equity and public credit investment managers who do not yet report on these metrics to work towards being able to do so.

The ICSWG is a collaboration between 19 firms formed in 2020 taking action to support and accelerate sustainable investment initiatives in the UK. The current ICSWG members are:

Aon	Buck	Isio	Momentum	SEI
Barnett Waddingham	Cambridge Associates	LCP	Punter Southall Aspire	Willis Towers Watson
bfinance	Cardano	Mercer	Redington	XPS Investment
Broadstone	Hymans Robertson	MJ Hudson Allenbridge	River and Mercantile	



ESG Metrics – November 2021

Metric	Description
Absolute carbon emissions (and equivalents) Scope 1 & 2	$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \times \text{Investee company's scope 1 and 2 CO}_2\text{e emissions}_i \right)$ <p>Along data source and % of portfolio by weight for which data is available</p>
Carbon footprint (and equivalents) Scope 1 & 2	$\frac{\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \times \text{Investee company's scope 1 and 2 CO}_2\text{e emissions}_i \right)}{\text{Current value of all investments (£ millions)}}$ <p>Along with data source and % of portfolio by weight for which data is available</p>
Weighted Average Carbon Intensity (and equivalents) Scope 1 & 2	$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Current value of all investments (£ millions)}} \times \frac{\text{Investee company's scope 1 and 2 CO}_2\text{e emissions}_i}{\text{Investee company's revenue (£ millions)}_i} \right)$ <p>Along with data source and % of portfolio by weight for which data is available</p>
Exposure to companies active in the fossil fuel extraction sector	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value of companies active in the fossil fuel sector, this means have revenues of 10% or more linked to the following activities:</p> <ul style="list-style-type: none"> • exploration and extraction of fossil fuels • processing/refinement of oil • transport of fossil fuels • essential and specific products or services for the exploration, extraction or processing of fossil fuels <p>Along with % of portfolio by weight for which data is available</p>
Investments in companies with SBTi (Science Based Targets initiative) targets in place	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value with carbon emission reduction targets listed on the Science Based Targets Initiatives database, with break down across: 1.5 degrees, well below 2 degrees, 2 degrees classifications. The SBTi data point should be supplemented with forward looking climate transition data from other initiatives where practical and possible</p> <p>Along with % of portfolio by weight for which data is available</p>



ESG Metrics – November 2021

Metric	Description
Climate-related engagements	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value for which engagement or voting on climate-related risks and opportunities has been a substantive topic over the course of the previous 12 months. An engagement is defined as a purposeful, targeted communication with an entity on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement</p> <p>Along with % of portfolio by weight for which data is available</p>
Violators of UN Global Compact (UNGC) principles	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value that have been involved in violations of the UNGC principles</p> <p>Along with data source and % of portfolio by weight for which data is available</p>
Board gender diversity	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value with 30% or higher of board members being female</p> <p>Along with % of portfolio by weight for which data is available</p>
Sufficient board independence	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value with 50% or higher of board members being independent directors</p> <p>Along with % of portfolio by weight for which data is available</p>
Insufficient board independence	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value where no member of the Board is fully independent of management</p> <p>Along with % of portfolio by weight for which data is available</p>
CEO/Chair independence	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value with a different CEO and Chair</p> <p>Along with % of portfolio by weight for which data is available</p>
ESG ratings	<p>Number of companies within the portfolio AND total weighting of companies as a percentage of total portfolio value that fall within the lowest quartile of the ESG rating range of the ratings provider used (external or internal ratings provider source) e.g. if the ESG rating range is 0-10 then those companies rated below 2.5</p> <p>Please specify which data provider you use for ESG ratings or if this is based on your own propriety ESG ratings. Please provide % of portfolio by weight for which data is available</p>



ESG Metrics - Looking forward

This list will be maintained and updated by the ICSWG on an annual basis.

There are a number of metrics that will be considered in the future but currently aren't included due to coverage and/or methodology issues, these include (this is not an exhaustive list):

- Scope 3 emissions (emissions, footprint and weighted average carbon intensity)
- Implied temperature rise
- Natural capital/biodiversity measures
- Just transition metrics
- Broader social metrics: e.g. Living wage, Gender pay gap, Modern slavery, Supply chain standards policy, Broader board diversity (e.g. race)