

Transparency principles for asset management companies

Among the tools at the disposal of asset management companies for measuring the impact of their investments on global warming is the calculation of the portfolio carbon footprint.

Considering the emergent nature of company practices in this field, this measurement is still imperfect and can't summarise in itself the impact of a fund with regard to the fight against climate change. This however is a useful measurement tool.

While the measurement of portfolio carbon footprint is still not widespread in all asset management companies, it will certainly develop in the coming years given the growing interest that clients take in it and the improvement of the measurement techniques.

To accompany this change, the AFG proposes to its members some transparency principles regarding the presentation of the methodology they use to calculate the carbon footprint of their portfolios.

→ Warning

Considering the wide variety of carbon quantifications and their limitations, asset management companies are strongly advised to show a warning stating the limitations of the figures produced. These limitations may be quite different depending on the methodological choices of the entities and on the aggregation level (issuers, portfolios, aggregation of portfolios or indices).

Example: *"The carbon impact presented here is the weighted average of the greenhouse gas emissions corresponding to scopes 1, 2 and part of scope 3, which includes emissions of first-tier suppliers. This data does not take into account all the emissions induced by the company, in particular neither those caused downstream by the use of the products and services marketed nor the emissions avoided"*.

1. Presentation of the asset management company's general approach

- 1.1 Present the asset management company's general approach on the measurement of the carbon footprint.
- 1.2 Specify the assets under management taken into account in the calculation (in billion euros and in percentage of the total assets under management).



2. Scope and method of the carbon footprint calculation

For each category of fund showing a carbon footprint measurement:

- Equity funds
- Government/*corporate* bond funds
- Diversified funds
- Funds of funds

Answer the following questions:

2.1 Do you use an external service provider for the calculation of the carbon footprint?

If yes, which one?

2.2 Which scopes⁽¹⁾ do you take into account?

Scope 1	Scope 2	Scope 3 (Specify upstream, downstream...)

2.3 Do you take avoided emissions into account? If yes, please specify.

2.4 How is the measurement reported?

Emissions in absolute terms	Per year and per million euros invested	Per million euros turnover	Per functional unit	Other

2.5 In average, which is the percentage:

- of data published by the issuers?
- of data estimated by the asset management company or its service provider?

2.6 Does your asset management company have its own estimation methodology? If yes, please specify.

For example: extrapolation on the basis of public data, estimation based on sector averages, or other extrapolation/approximation techniques.

2.7 Do you benefit from information allowing to qualify the carbon footprint calculation?

For example: underlying assumptions, sources and dates of data, reference scenarios in the case of relative emissions (avoided emissions). If possible, an indication of the margin for error and at least a presentation of figures with no decimal places in order to avoid any false sense of precision.

3. Target objectives and future prospects

3.1 Is the measurement of the portfolio carbon footprint published? If so, at which frequency?

Please include a link to the publication.

3.2 Does the measurement of portfolio carbon footprint have an impact on your investment policy?

Portfolio composition, exclusion, commitment...

3.3 What are your future prospects regarding the carbon footprint of your portfolios?

For example: methodology, publication, scope...

(1) Please refer to the Greenhouse Gas Protocol (GHP) Initiative:

- *Direct greenhouse gas emissions (scope 1): emissions arising from sources which belong to or are controlled by the company.*
- *Indirect greenhouse gas emissions (scope 2): greenhouse gas emissions resulting from the importation or exportation of electricity, heat or steam.*
- *Other indirect greenhouse gas emissions (scope 3): other indirect emissions resulting from the activities of the company, but arise from sources which belong to another company.*



The French Asset Management Association (AFG) represents professionals in the asset management industry. It includes all the players in the asset management industry, either individual (discretionary mandates) or collective. The latter manage assets worth 3,600 billion euros, including 1,700 billion euros in French funds and 1,900 billion euros in mandates and foreign funds.



www.afg.asso.fr