

The logo for 'actiam' is positioned in the top left corner. It features the word 'actiam' in a white, lowercase, sans-serif font. A small blue square is placed above the letter 'i'. The background of the entire page is a photograph of an industrial facility, likely a power plant, with a large cylindrical tank on the left and a tall, grey smokestack with red and white horizontal stripes on the right. The sky is filled with grey, overcast clouds. A large, curved graphic element in shades of blue and purple is overlaid on the bottom half of the image.

actiam

An investment's carbon footprint

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1 Why does ACTIAM measure its investments' carbon emissions?

Climate change is one of the biggest challenges of the coming decades. That is why ACTIAM supports the Climate Agreement that was concluded in Paris in December 2015. Given that greenhouse gas emissions are among the main causes of climate change, reducing such emissions is a crucial step we have to take.

ACTIAM is not solely interested in its own carbon emissions - which it minimises as much as possible and in addition compensate with Gold Standard-certified activities - but is also and especially interested in the carbon emissions of the companies and other entities we invest in. By investing in shares, ACTIAM can represent its institutional clients and private investors as co-owners of a company, and it can disburse loans by issuing bonds. In this way, ACTIAM can take responsibility to encourage companies - on behalf of its clients - to conduct their businesses in a more environmentally friendly way. To reduce the carbon emissions of the investments it manages, ACTIAM first needs to know the extent of those emissions. This is why the carbon footprints of the investment portfolios are calculated.

The goal is then to at least halve the footprint by 2030 (compared to 2020) and to have reduced it by at least 75% in 2040, in line with the requirements of the '1.5 degrees scenario' calculated by the Intergovernmental Panel on Climate Change (IPCC). As with the Climate Agreement, ACTIAM will regularly review whether the goals are still sufficiently ambitious.

To determine the goal, both the emissions of carbon equivalents per euro that ACTIAM invests and ACTIAM's aggregate absolute carbon equivalent emissions are being looked at. Both give different insights into the progress of those goals. Relative emissions are addressed because it is likely that the amount of euros under ACTIAM's management may increase due to new money flowing in. As a result, the shares in or the loans it disburses to companies grow. Even if those companies' carbon emissions were to decrease, the absolute carbon emissions could still increase. And the other way around - if the assets under management at ACTIAM were to decrease, the carbon footprint would likewise decrease, meaning that the goal could be achieved without making any changes to investment choices or changing the conduct of the entities ACTIAM invests in. This is why it helps to focus on carbon emissions per euro invested to measure progress over time. At the same time, ACTIAM wants to find out whether the absolute carbon emissions of the entities it invests in are decreasing towards zero net emissions. The fact is that even if carbon emissions per euro invested decrease, actual carbon emissions could still be too high to combat climate change. That is why ACTIAM also looks at absolute carbon emissions.

2 What choices has ACTIAM made?

There are several ways of measuring an investment's carbon emissions. The result depends on the calculation method and also on the values used. It is therefore important to be transparent about how the carbon footprint is calculated. ACTIAM calculates carbon emissions using the methodologies developed by the Platform Carbon Accounting Financials (PCAF). ACTIAM made the following choices in this regard:

2.1 COMPANIES

- ACTIAM looks at a company's absolute carbon emissions. The effect on the environment can only be mitigated by reducing actual (absolute) emissions. If relative carbon emissions were to be used, that would give an indication of a company's efficiency, but a low figure would not necessarily mean that the effect on the environment is minor too.
- ACTIAM looks at a company's scope 1, 2 and 3 greenhouse gas emissions. It publishes the scope 1 and scope 2 emissions separately, to avoid double counting. ACTIAM publishes scope 3 emissions on the basis of estimated values, given that reported scope 3 emissions are not yet sufficiently reliable and available.
- ACTIAM looks at its ownership and/or the value of its loan relative to a company's enterprise value. To calculate the extent of a company's carbon emissions that ACTIAM can be held responsible for, it needs to know how much that company is worth. This is often determined through the value of listed shares on the basis of market capitalisation. But this is a problem if a company is not listed or if a company is financed by means of debt securities.

If you then only look at market capitalisation, the aggregate carbon emissions would be attributed to the shareholders, while the loan providers would be disregarded. ACTIAM therefore chooses an approach where both market capitalisation and debt securities (bonds) are taken into account: the enterprise value. This way, a company's value can be determined, regardless of how it is funded.

- The downside of this approach is that the denominator (the figure by which the carbon emissions are divided) can be higher than looking at market capitalisation; and carbon emissions per unit would thus be lower. ACTIAM mitigates this downside by formulating its goal as a relative decrease over time.
- ACTIAM received its carbon data from MSCI ESG Research. The information MSCI ESG Research provides, pertains to ‘carbon equivalents’. This means that a company’s emissions of various greenhouse gases are converted into the environmental impact of carbon. This enables ACTIAM to work with one figure instead of one emissions figure per type of greenhouse gas.

2.2 GOVERNMENT BONDS

The methodology applied to calculating the carbon footprint for government bonds is largely identical to the methodology applied to corporate bonds and shares: ACTIAM looks at absolute carbon emissions and we measure scope 1 and scope 2 emissions.

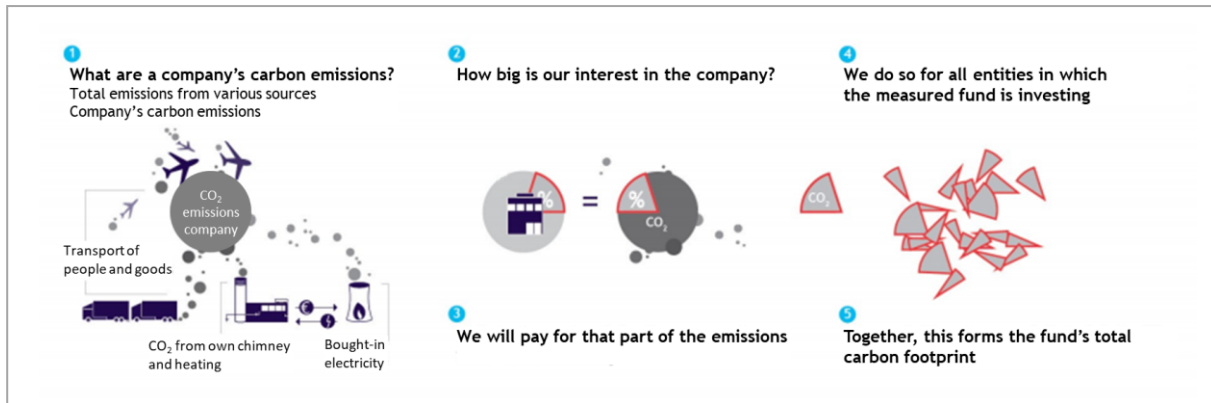
The government’s scope 1 emissions come from direct activities; scope 2 emissions come from energy use by government buildings. ACTIAM regards scope 3 as the carbon emissions of an economy financed by the government through subsidies or as a shareholder in companies. Given that this will overlap with the footprint of shares and corporate bonds, it will disregard scope 3 emissions for the time being.

It is relatively easy to determine a company’s enterprise value. Determining a country’s “enterprise value” is more complex. The main challenge is determining a country’s assets. ACTIAM therefore takes government debt as a proxy for the enterprise value.

ACTIAM receives its government-related carbon data from Eurostat. As is the case with the information used to measure the corporate footprint, the information Eurostat provides also pertains to ‘carbon equivalents’.

3 How is an investment portfolio’s carbon footprint calculated?

Based on the choices referred to above, an investment portfolio’s carbon footprint is calculated as follows:



4 Which funds have been measured to date, and what were the results?

ACTIAM has calculated the carbon footprints of all of its investment funds, except for its Impact Investing funds. The results are published at least once a year on ACTIAM's website, in the investment funds' annual reports and/or in the ESG quarterly reports. A fund's footprint is compared to the relevant benchmark to measure the environmental impact.

5 What are the next steps?

Over the last few years, ACTIAM has taken various steps to reduce its carbon footprint, such as implementing an energy transition policy and focusing on the material drivers of fossil fuels and land use. In this way, ACTIAM is mitigating the risks that accompany climate change. Other important cornerstones of its strategy are engagements to reduce corporate carbon emissions and actively investing in companies that offer solutions to the problem, by means of green bonds among other things.

ACTIAM is aiming for agreement on the methodology applied to measure the carbon footprint, so that results can be compared. To achieve this, it joined the Platform Carbon Accounting Financials (PCAF), where financial institutions from around the globe come together. Within that initiative, ACTIAM will be working on the further harmonisation of methodologies in the coming period.

The next important step is monitoring whether the carbon intensity of ACTIAM's investments are on the right path to achieve the goal of halving carbon emissions by 2030 (compared to 2020).

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