



Fondbolagens förening

SWEDISH INVESTMENT FUND ASSOCIATION

Guidance for fund management companies' reporting of funds' carbon footprints

Adopted by the Board of Directors of the Swedish Investment Fund
Association in May 2016

Introduction

This guidance apply to those fund management companies who report the carbon footprint of their funds. The aim of the guidance is to coordinate the way in which fund management companies calculate and report CO₂ emissions for the companies in which the fund has invested, i.e. not the fund management company's own emissions. Fossil reserves are not included in this metric.

Measurement methodology

The calculations should be made using greenhouse gas emissions data that complies with a globally accepted model, such as the GHG Protocol.¹

The data shall comprise Scope 1 (the companies' direct emissions) and Scope 2 (the companies' indirect emissions from electricity, heating, or steam consumption).²

The emissions should be expressed in terms of carbon dioxide equivalents (CO₂e).³

Asset classes

The carbon footprint should primarily be calculated and reported for the fund's holding of listed shares. To produce the metric for mixed funds, calculate the carbon footprint for the equities component of the fund. It should be clearly stated, in such cases, that the calculation refers solely to this component of the fund.

Key ratios

An intensity metric that shows the fund's proprietary share of the portfolio companies' carbon dioxide emissions relative to the fund's proprietary share

¹ Greenhouse Gas Protocol Corporate Standard (abbreviated to GHG Protocol).

² Reliable data is not, as yet, available for other emissions, such as emissions in conjunction with manufacturing by subcontractors, transportation via vehicles not directly owned by the company, outsourced operations, waste management, and energy consumption not covered by Scope 2.

³ Carbon dioxide equivalents (CO₂e) are a unit of measurement that enables different greenhouse gases to be measured in the same way. Expressing emissions of a greenhouse gas in CO₂e shows the amount of carbon dioxide required for the same climate impact.

of the portfolio companies' income shall be used when reporting the equity portfolio's carbon footprint.

$$\frac{\sum_i \frac{Investment(SEK)_i}{Company\ value\ (SEK)_i} * Company\ emissions\ (CO_2e,\ tonnes)_i}{\sum_n \frac{Investment\ (SEK)_i}{Company\ value\ (SEK)_i} * Company\ income\ (MSEK)_i}$$

The key ratio shows the fund's proprietary share of all of the portfolio companies' emissions (CO₂e over one year) relative to the fund's proprietary share of all of the portfolio companies' income (annual income converted to MSEK). The emissions are reported as CO₂e, tonnes, per MSEK.

Coverage ratio

The calculations should have a coverage ratio of a least 75% of the market value of the equity portfolio.

Measurement date

The calculations should be updated at least once per year and should be carried out for the fund's holdings on 31 December of that year. Any additional calculations conducted should be performed in conjunction with an external presentation by the fund manager of the accounts for the portfolio that enables the following up of the calculations.

Reporting

The fund management company's sustainability report may state that carbon dioxide calculations are being carried out.

The carbon footprint should be reported on the fund management company's website along with details of the data source, measurement methodology, coverage ratio, and information on the date and frequency of the calculations, if they are conducted more than once a year. The following text box, or a text section with a corresponding content, should also be included together with this information:

The carbon footprint provides a basis for evaluating certain climate-related financial risks, such as the price of carbon dioxide, and facilitates influencing companies towards reduced emissions, e.g. as a result of requirements in relation to emission reduction goals, risk management, business strategies, and transparency. The metric shall be viewed in the context of the fund management company's overall sustainability work.

The carbon footprint provides a historic snapshot of the emissions from the companies that make up the fund's equity portfolio. The values will vary as the companies' emissions change, and as the composition of the portfolio changes. Exchange rate fluctuations also affect the metric.

Please note that the carbon footprint does not show the investments' total climate impact, in that, amongst other things:

- only some emissions are included. Indirect emissions from suppliers are not always included in the calculations, nor are the oftentimes substantial emissions that may result from the use of a company's products;
- emissions data from companies is not comprehensive;
- measurements are only performed for some asset classes;
- emissions savings through products and services are not included;
- information on fossil reserves is not included;
- the metric says nothing about how well a portfolio is positioned in relation to, or its contribution to, a transition to a low-carbon society.

Carbon footprints should be used with restraint in marketing. If a discrete carbon footprint is, nonetheless, reported, whether in isolation or in combination with other key ratios, e.g. in information leaflets, advertisements, on websites, or in other forms of marketing, the following information, or a text with a corresponding content, should always be presented, at a minimum, together with the footprint data:

"The carbon footprint provides a historic snapshot of the emissions from the companies that make up the fund's equity portfolio. The calculations are not comprehensive and do not include indirect emissions. The metric says nothing about how the portfolio contributes to a low-carbon society. For further information about the metric, see [www.xxx](#)" (reference to the comprehensive information above).

Entry into force

This guidance should be implemented no later than for calculations reported after 31 December 2016.