



# ESG Portfolio Management

A bridge to effective sustainable investment solutions



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## About ESG Portfolio Management

ESG Portfolio Management GmbH is grounded on the belief that attractive risk-adjusted returns can be achieved while integrating sustainability. Our economy must transition to true sustainability and our vision of a sustainable economy underlies every aspect of our work: how we invest, engage with companies, and operate our own company.

ESG Portfolio Management was founded in 2018 by the investment professional Christoph Klein to provide asset owners and private investors with a differentiated way to invest in our rapidly changing world. We use various sustainability criteria to find the most sustainable companies in our investment process and utilize proprietary quantitative rating models in our credit forecasts. Focusing on companies that support the transition and generate positive SDG impact are priorities in our work.

For further information, see: <https://www.esg-portfolio-management.com>

Frankfurt am Main, Germany



Partnership for Carbon Accounting Financials



Deutscher NACHHALTIGKEITS Kodex



Signatory of:



Principles for Responsible Investment



Transparenz. Qualität. Wachstum.



For Nature, People & Planet

Mitglied im Petersmann Institut  
DURCH WERTE VERBUNDEN

## Our Partnership for Carbon Accounting Financials (PCAF)

In 2022, ESG Portfolio Management GmbH joined PCAF and industry-led effort to harmonize the measurement and disclosure of financed GHG emissions.

PCAF’s global Financed Emissions Standard provides requirements and recommendations for measuring financed emissions across a variety of asset classes. In ESG Portfolio Management’s case we used the listed equity and corporate bonds guidance.

By joining PCAF, we seek to promote transparency in our reporting practices, as well as to aid comparability and progress tracking industry-wide.

### Measuring Financed Emissions

An investment manager’s share of its portfolio companies’ emissions (e.g., the manager’s emission from investing activities), is referred to as its “financed emissions”.

In 2022 ESG Portfolio Management aligned its financed emissions measurement with the emerging best practice standard developed by PCAF. In June 2023 ESG Portfolio Management published its first PCAF report which is followed by this second PCAF report.

### Methodology

ESG Portfolio Management’s financed emissions calculations are based on the publicly available guidelines in. See:

[PCAF \(2022\): The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.](#)

PCAF is an industry partnership that has developed standardized methodologies for financial firms to measure their financed emissions: the emissions associated with their investing and lending activities.

The GHG Protocol has reviewed the PCAF Standard to be in conformance with its expectations for reporting Scope 3 – Category 15 (emissions from investing activities). We have included Scope 3 for the sake of transparency.

The key figures of PCAF are the financed emissions, see formula below:

$$\text{Financed emissions} = \sum_c \text{Attribution factor}_c \times \text{Company emissions}_c$$

(with  $c = \text{borrower or investee company}$ )

\*Notes:

- 1.) The “attribution factor” approximates the % of total debt and equity value owned by ESG Portfolio Management at that point in time. By multiplying our percentage ownership of each portfolio company by the portfolio company emissions, we estimate ESG Portfolio Management’s share of its emissions. Summing across all our portfolio company holdings results in our “financed emissions” estimate.
- 2.) Our Scope 1-3 emission data is obtained from MSCI ESG.
- 3.) PCAF provides a data quality score from 1 to 5, with 1 being the best. Our Scope 1 and 2 emissions have the score 1 as they constitute verified emissions. Our scope 3 emissions have the score 4 as they are estimated.
- 4.) The portfolio constitution is as of 31<sup>st</sup> of May 2024. The emission data from MSCI ESG is the last published data from the company. The same holds for the total debt and equity value owned by ESG Portfolio Management at that point in time which is also obtained from MSCI ESG.

## Results for ESG Portfolio Management

Financed Emissions PCAF Methodology	May-24
SDG Evolution Flexibel	Tons CO2e
Financed Emissions (Scope 1)	19
<i>Data Quality Score (Scope 1)</i>	<i>1.0</i>
Financed Emissions (Scope 2)	14
<i>Data Quality Score (Scope 2)</i>	<i>1.0</i>
<b>Financed Emissions (Scope 1 &amp; 2)</b>	<b>33</b>
Financed Emissions (Scope 3)	606
<i>Data Quality Score (Scope 3)</i>	<i>4.0</i>
<b>Financed Emissions (Scope 1, 2 &amp; 3)</b>	<b>639</b>

Notes:

- 1.) AUM SDG Evolution Flexibel as of 31<sup>st</sup> of May 2024: €2.7 Mio.
- 2.) In the calculation for the SDG Evolution Flexibel one holding does not carry emission data.
- 3.) Currently we do not report on emissions removal in our PCAF report but we actively engage with companies to reduce their emissions and emissions removal is an integral part of our investment strategy.