British International Investment

Climate-related metrics table

The metrics recommended for fund managers starting their climate journey are grouped together and shaded in **green**, those more mature are shaded in **orange** and those regarded as transformative are shaded in **red**.

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
Absolute emissions	**Absolute emissions:* • Total Scope 1 and 2 emissions • Total Scope 3 emissions[1]	Portfolio companies, funds, GPs	Allows comparison between emissions year on year for a single company, fund or GP Identify hotspots within a portfolio or fund	tCO_2e	GHG Protocol
Absolute financed emissions	*Total carbon emissions (financed emissions)* $\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{issuer's\ market\ capitalisation_i} \times\ issuer's\ scope\ 1\ \&\ 2\ GHG\ emissions_i\right)$ Financed emissions: Company emissions could be Scope 1 and 2, or Scope 3.	Funds, GPs	Allows fund managers to report attributed emissions	tCO_2e	PCAF

[1] Under the GHG Protocol, all organisational footprints must include Scope 1 and 2 emissions and fund managers should focus their attention initially on the Scope 1 and 2 emissions of their portfolio companies. Reporting on Scope 3 emissions is becoming best practice and fund managers should begin the process of building Scope 3 emissions data over time.

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
	Separate metrics should be calculated to cover portfolio companies' Scope 1 and 2 emissions, and portfolio companies' Scope 3 emissions				
Emission intensity - physical	*Emissions intensity* Select suitable denominator for the company e.g. tonne product, kWh electricity production, m^2 of real estate $\frac{Scope\ 1\ and\ 2\ emissions}{Activity\ unit\ appropriate\ for\ sector}$	Portfolio companies	Compare intensity of production over time	tCO_2e/ activity unit	GHG Protocol
Transition risk	*GHG emissions* Proportion of portfolio companies calculating Scope 1, 2 and 3 emissions	Funds, GPs	Determine fund's progress on reporting on GHG emissions	Percentage	TCFD for PE Guidance
Transition risk	**Transition risk* Amount and extent of assets or business activities vulnerable to transition risks	Portfolio companies, funds, GPs	Understand, track, and estimate potential (financial) exposure of a portfolio to transition risks *Examples:* • *Percent of revenue from coal mining or*	Amount or percentage	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			oil and gas production • *Percent of portfolio companies in jurisdictions with carbon pricing*		
Transition risk	*Mitigation assessments* Proportion of portfolio companies that have carried out an energy / carbon assessment or audit for Scope 1 and 2 emissions	Funds, GPs	Determine fund's progress on actions to address reducing its carbon footprint	Percentage	TCFD for PE Guidance
Transition risk	**Mitigation plans* Proportion of portfolio companies with action plans for reducing their Scope 1 and 2 emissions	Funds, GPs	Determine fund's progress on reducing its carbon footprint	Percentage	TCFD for PE Guidance
Physical risk	**Physical risk* Amount and extent of assets or business activities vulnerable to physical risks	Portfolio companies, funds, GPs	Understand, track, and estimate potential (financial) exposure of a portfolio to physical risks, such as business interruptions *Examples:* • *Proportion of property, infrastructure, or other alternative asset portfolios in*	Amount or percentage	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			an area subject to flooding, heat stress, or water stress		
Physical and transition risk	*Engagement* Number of climate risk engagement meetings or training sessions with portfolio companies	Funds, GPs	Build capacity with portfolio companies on climate change	Number	TCFD for PE Guidance
Opportunities	×**Opportunities* Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	Portfolio companies, funds, GPs	Demonstrates fund manager initiative in recognising and realising climate-related opportunities *Examples:* • *Proportion of revenue from renewable energy or adaptation solutions (e.g., climate risk analytics; water efficiency technologies)* • *For agri-sector-focused fund managers, proportion of*	Percentage	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			holdings invested in climate-smart agricultural products or services. • *Proportion of investments in direct or nature-based atmospheric carbon reduction technologies*		
Emission intensity - economic	*Portfolio carbon intensity* $\frac{\sum_n^i \left(\frac{current\ value\ of\ investment_i}{issuer's\ market\ capitalization_i} \times\ issuer's\ scop\right.}{\sum_n^i \left(\frac{current\ value\ of\ investment_i}{issuer's\ market\ capitalization_i} \times issue\right.}$ or $\frac{\sum_n^i \left(\frac{current\ value\ of\ investment_i}{issuer's\ market\ capitalization_i} \times\ issuer's\ scop\right.}{\sum_n^i (current\ value\ of\ investme}$ Please note: Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach. Therefore for private equity, total debt and equity should replace market capitalisation	Calculated by GPs or funds, portfolio companies or their whole portfolio	Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tCO2e/$m revenue; or volume of carbon emissions per million dollars invested, expressed in tCO2e/$m invested	tCO_2e/ revenue or tCO2e/ amount invested (in millions of unit of currency)	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
Transition risk	*Internal carbon prices* Price on each ton of GHG emissions used internally by an organisation	Portfolio companies, funds, GPs	Assess potential climate related financial impacts that could arise from carbon pricing or restrictions	Price in reporting currency, per MT of CO_2e	TCFD
Physical risk	*Weather variables* Weather variables (temperature, rainfall, wind speed, etc.)	Portfolio companies	Understand track, and estimate potential impact of weather variables and associated changes	Depends on weather variable, e.g., mm of rainfall	
Physical and transition risk	***Capital deployment* Amount of capital expenditure, financing, or investment deployed toward managing climate-related risks and opportunities	Portfolio companies, funds, GPs	Understand and track expenditure, capital investment, or financing for new technologies, infrastructure, or products to manage climate-related physical and transition risks and opportunities *Examples:* • *Percent of annual revenue invested in*	Relevant currency	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			R&D of low-carbon products or services • *Investment in climate adaptation measures (e.g., soil health, irrigation, technology)* • *Costs associated with setting up climate-focused funds*		
Physical and transition risk	*Remuneration* Proportion of executive management remuneration linked to climate consideration	Portfolio companies, funds, GPs	Remuneration policies are important incentives for achieving an organisation's goals and objectives and signal governance, oversight, and accountability for managing climate-related issues *Examples:* • *Portion of employee's annual*	Percentage, weighting factor or total amount (currency)	TCFD

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			discretionary bonus linked to investments in climate-related products • *Weighting of climate goals on long-term incentive scorecards for executive directors*		
Emission intensity – weighted	*Portfolio Weighted Average Carbon Intensity (WACI)* $\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} \times \frac{issuer's\ scope\ 1\ \&\ 2\ GHG\ emissions_i}{issuer's\ \$M\ revenue_i}\right)$ Scope 1 and scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach	Calculated by GPs for funds, Portfolio companies or their whole portfolio	Portfolio exposure to carbon-intensive companies. Allows comparison between funds and GPs and over time	tCO_2e/ revenue (in millions of unit of currency)	TCFD
Transition risk	*SBTi accredited transition plans*	Funds, GPs	Understand extent to which the existing portfolio is	Number or	TCFD for PE Guidance

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
	Portfolio companies that have SBTi-accredited transition plans in place, or are planning on aligning to an SBTi target		decarbonising over time	percentage	
Transition risk	*Paris-alignment* Alignment with the objectives of the Paris Agreement	Portfolio companies, funds, GPs	Assess whether a fund or portfolio company's operations are consistent with countries' low emissions, climate-resilient development pathways and with the overall climate change mitigation, adaptation, and resilience objectives of the Paris Agreement	Degree of alignment	MDB Assessment Framework for Paris
Physical and transition risk	*Climate Value at Risk (CVaR)* CVaR quantifies the potential financial loss on a portfolio of assets due to climate change	Funds, GPs	Value-at-Risk (VaR) is a common metric for measuring financial risks and estimates the risk of loss for investment. CVaR quantifies, over a given time horizon, the	Relevant currency	TCFD for PE Guidance

Type	Metric and formula	Applicable for	Purpose	Unit of measure	Source
			potential financial loss on a portfolio of assets due to climate change and aims to assess the potential sensitivity of investment to climate-related risks and opportunities		

* Fund managers should include metrics such as absolute emissions, transition risk, physical risk and opportunities in their investment decision-making processes. See the terms of reference for completing a GHG emissions calculation, transition risk assessment and physical risk assessment as part of a due diligence for further detail.

** Capital Deployment is also used as a metric for tracking opportunities as well as risks.

× Opportunities are regarded as a metric for all fund managers starting out but may not be relevant for certain industries or sectors.