Quick Take: Is Carbon Relevant to Your Investments?

ACADIAN

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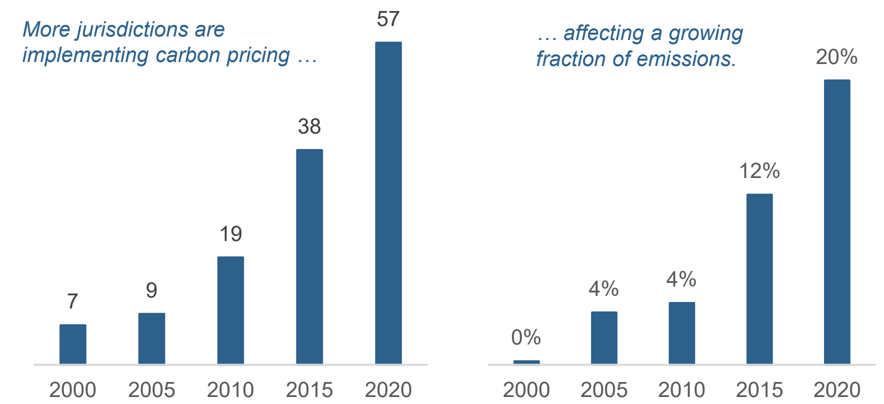
Not to be overlooked: Carbon matters to your portfolio now, and its impact will likely increase

- The Paris Agreement was seminal. In 2015, world leaders came together to agree to limit carbon emissions globally. Each country will determine its own approach.
- A growing number of jurisdictions have implemented carbon pricing mechanisms, via either regulatory or market-based means.
- Moreover, in markets across the globe, we observe an implicit tax being applied to high-emitting companies. Rates vary. We anticipate that market-implied carbon taxes will increase over time as the global economy transitions toward a low-carbon future.

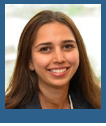
How has Acadian responded to the low-carbon transition?

- Modeling: We factor carbon risk into our assessment of security valuations; it affects all of our alpha forecasts.
- Data enhancement: While nearly 3,000 companies disclose their carbon emissions profile, we extend our climate coverage to our full universe with proprietary data science tools.
- Engagement: Given the materiality of a carbon tax on corporate valuations, we encourage companies to disclose material climate-related information, including their carbon emissions data and carbon risks (e.g., TCFD reporting on a 2-degree warming scenario).

Emissions Trading and Taxation is Growing



Source: The World Bank. Initiatives implemented since 2000. 2020 includes scheduled initiatives.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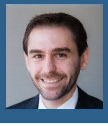
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