Business Questions & Workflow Steps

* Where are the concentrations of climate-related risks?
  1. How does the fund’s carbon intensity compare to the benchmark?
  2. What sectors are the largest contributors to carbon emissions?
  3. Which securities are top contributors to carbon emissions?
* Are transition risks properly managed and opportunities being explored?
  1. Is the fund disproportionately exposed to low-carbon transition risks and opportunities?
  2. Which sectors offer opportunities to mitigate transition risk or enhance opportunities?
  3. Which companies in the sectors identified in step 5 warrant further analysis?
* How does the fund’s net-zero alignment compare to the benchmark?
  1. What sectors provide opportunities to increase net-zero alignment?
  2. Which companies are misaligned and not managing related risks?
* What’s the resiliency of the portfolio across a range of potential climate scenarios?

1. How does climate risk vary across scenarios and how does this compare to the benchmark?
2. How do the drivers of climate risk vary across sectors?
3. Which holdings are the greatest contributors to climate risk under each scenario?

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Deep learning–based language models can also be used to detect corporate greenwashing (e.g., fact checking in Exhibit 8, Panel C), that is, claims of sustainable activity for marketing purposes without true sustainability efforts (Cojoianu et al. 2020), a widespread problem in ESG (environmental, social, and governance) investing.