

2022

Clear Skies Climate Action Fund

# Climate Action Fund Impact Report

*Only Together*



INVESTMENT  
MANAGEMENT

A fund with a goal to amplify climate action efforts to keep global warming to 1.5°C and enable a sustainable tomorrow for all generations

# Only Together

As impact investors, we began with a Theory of Change to define our goal which determined the kind of investments that will help achieve this goal. Climate Action was naturally our first ambitious goal as a team and, only together, with rigorous planning and in-house tool development did we design our unique investment process to tackle the major issues that the world is facing, without compromising on market returns.

This fund invests in companies that enable our economy to keep global warming to 1.5°C. We are entering an era where energy demand will be shifting between clean energy, transitional resources, and hydrocarbons, and I believe that electrification, digitization, and energy efficiency will remain three relevant themes for our changing world. Leaders in emissions mitigation innovations are only the tip of the iceberg atop several industries that need to step up their efforts to decarbonize our planet. Investors have a role to play with corporations to amplify the emissions reductions needed.

We have set our course well this year with our clients, partners, and networks, and only together can we have achieved the impact results presented in this report.



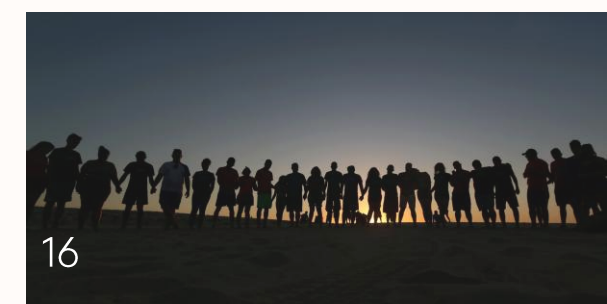
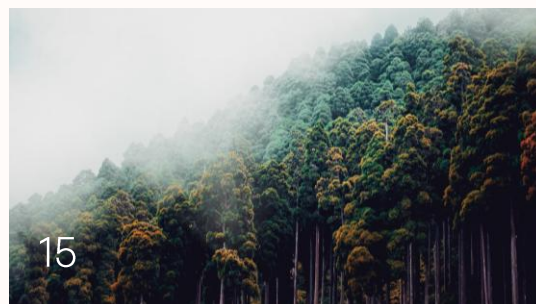
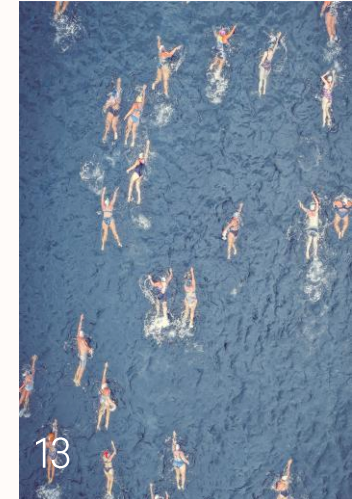
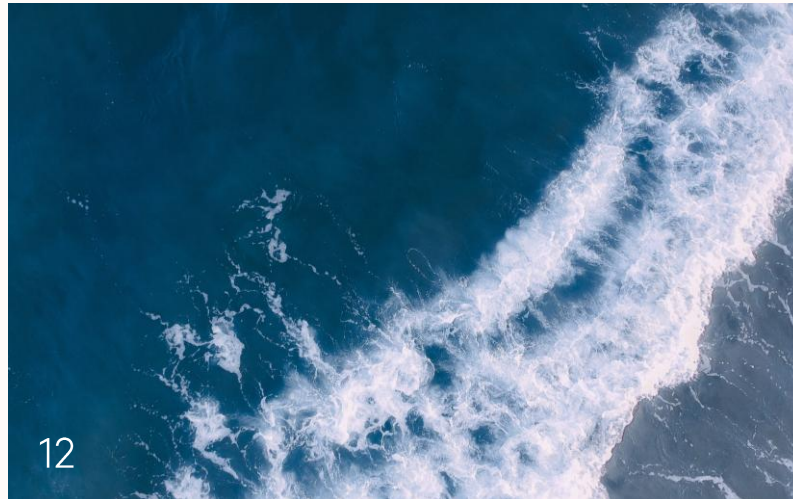
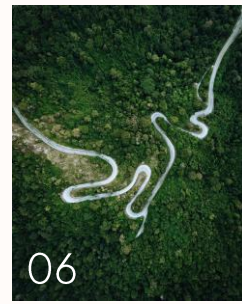
**Michel Brutti, CFA**

Founder and CEO



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# The 5 Clear Skies Impact Investment Themes



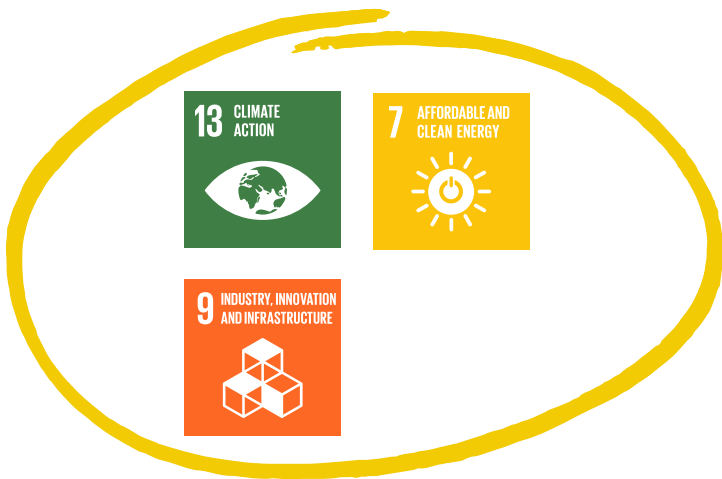
Preserving the Planet



Smart and Resilient Infrastructure



Fundamental Human Needs



Sustainable Energy and Climate Action



Shared prosperity

Our Climate Action Fund is aligned with the **Sustainable Energy and Climate Action** Impact Investment Theme

To mitigate the effects of climate change, it is necessary to assess both the climate risks and opportunities that translate into a carbon-resilient economy.

We aim to address these effects by targeting investments into **clean-tech innovations and clean energy that reduce GHG emissions** and facilitate responsible energy production and consumption.

In doing so, we will address the growing global energy demands by increasing energy access and efficiency and advancing energy transition through sustainable and renewable power.

# Our Theory of Change

Our pillar of amplifying efforts to keep global warming to 1.5°C by mitigating tons of carbon dioxide emissions (tCO<sub>2</sub>e)

## VISION

Boost global climate action efforts to keep global warming to 1.5°C above pre-industrial level



## STRATEGIC ASSET MIX

### Public Equity

Meet today's closing window of opportunities by investing in corporations dealing with climate change.

### Private Investments

Meet tomorrow's needs by seeding innovation



### Leaders

Large organizations maximizing emissions reduction and offsetting efforts

### Visionaries

Large and growing organizations which can scale climate action efforts through enhanced engagement

### Startups and Private Funds

Impact driven long-term investments



## Emissions Pathway Reduction Trajectory

### IRIS + CLIMATE INDICATORS

- Greenhouse Gas Emissions Avoided ( PI2764)
- Energy Generated for Sale: Total (PI8706)
- Greenhouse Gas Emissions Mitigated (OI5951)



## FINANCIAL ANALYSIS ALONG WITH ROBUST ANALYST ASSESSMENT OF IMPACT INTENTIONALITY



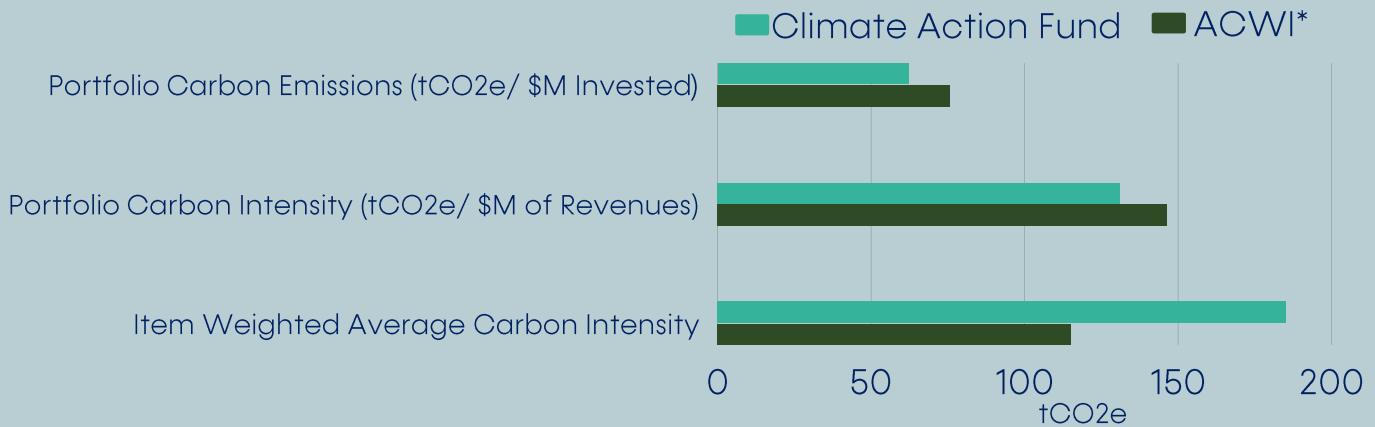
## IMPACT RADAR

An investable universe (the Clear Skies Universe) identified through various tools such as the Impact Radar, an in-house tool designed to map and score the Environmental Social and Governance (ESG) activities of a company to the United Nations Sustainable Development Goals (SDGs)



# Portfolio Emissions at a Glance

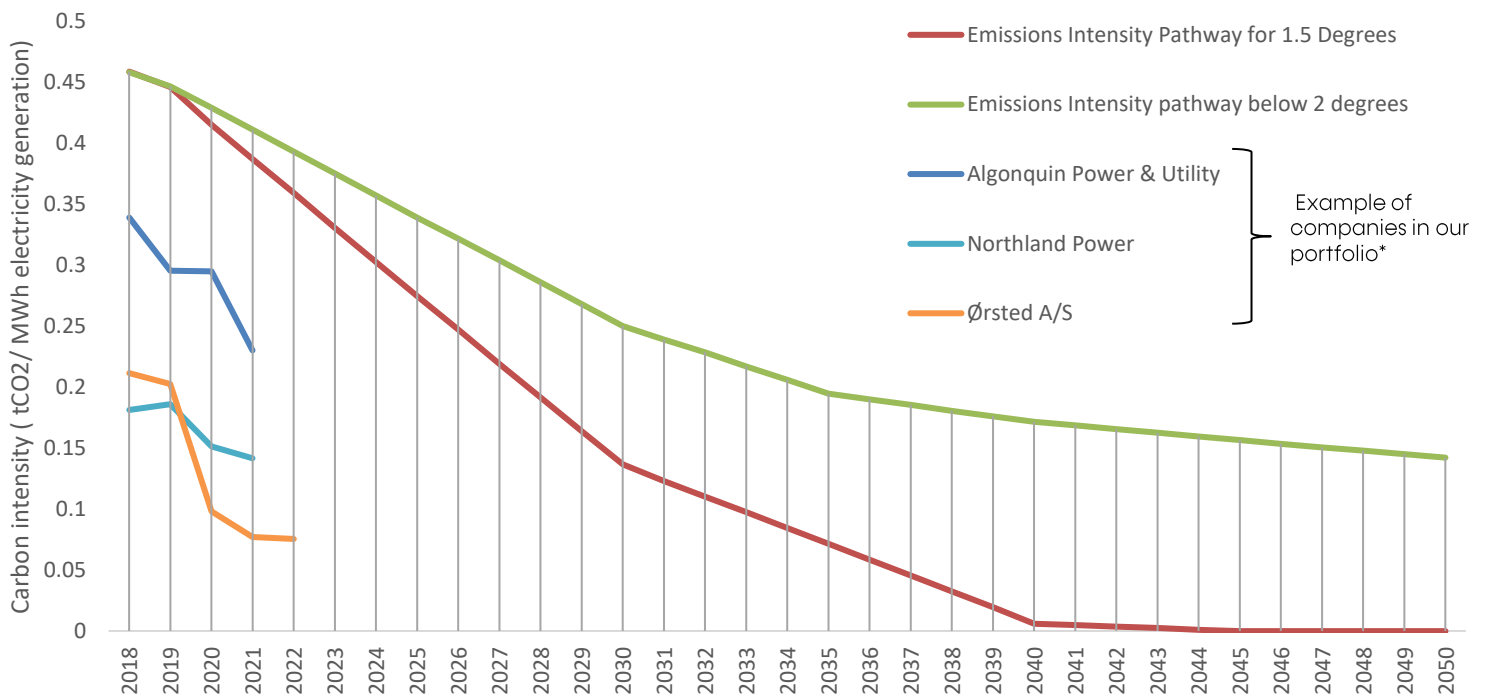
## Portfolio Emissions for August 2022



\*ACWI is MSCI's flagship global equity index which is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets, 90% of the global economy. Some companies in the Climate Action fund have a higher footprint compared to the emissions/revenue of MSCI ACWI because of their business operations. Compared to other companies, our investees have business operations that provide impactful solutions for the energy transition despite their carbon footprint.

## Emissions Pathway

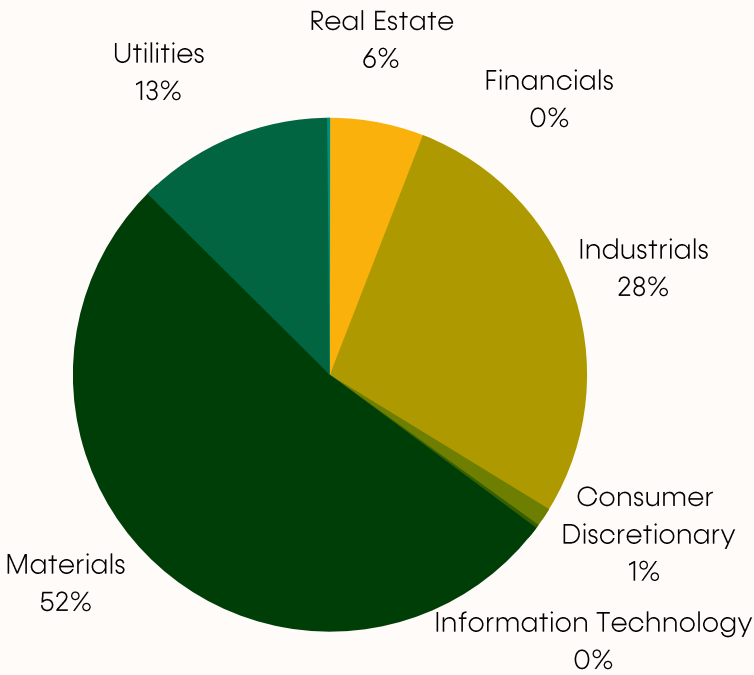
Our portfolio companies are in line with science-based emission reduction pathways of the Utilities sector.



\*Note: Utility companies make up 16% of the portfolio

# 2022 Clear Skies Owned Total Carbon Emissions

## Sector contribution to scope 1 + 2 (tCO2e)



80% of portfolio companies disclose on scope 1 & 2 emissions

## Owned

**3,734**

tCO2e Emissions Avoided

**560,114,759**

Total Emissions Avoided tCO2e by reporting companies

**188**

Owned Emissions Scope 1&2 tCO2e of Portfolio

41% of portfolio companies disclose emissions avoided

**3,734 tCO2e**  
emissions avoided

=

**805 passenger vehicles**  
driven for one year



A **\$10M** investment  
in the fund would avoid:

**12,281 tCO<sub>2</sub>e**

=

**2500**

passenger vehicles  
driven in one year

**\$150M** of fund assets  
under management  
would avoid:

**184,203 tCO<sub>2</sub>e**

=

**203,803,989**

pounds of coal  
burned



# Portfolio Climate Policy

## Policy Snapshot

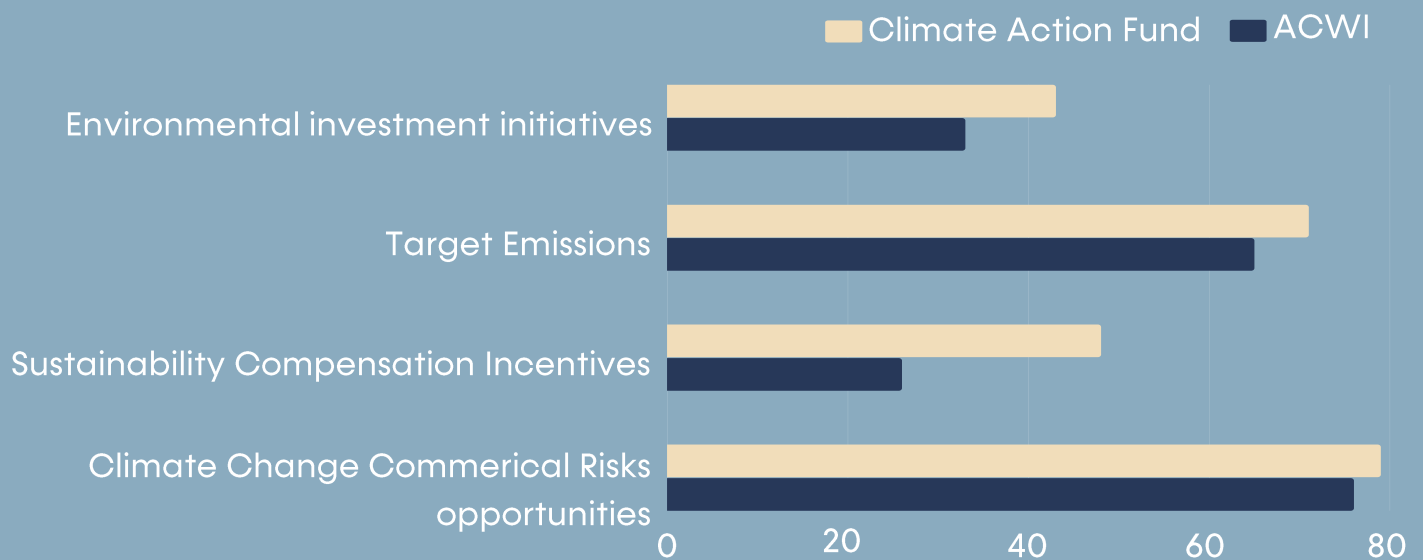
28%

Of holdings in the portfolio have a clear **1.5 °C commitment** by 2030-2040

49%

Of holdings in the portfolio have a clear **net-zero commitment** by 2030-2050

Portfolio Policy Disclosure for August 2022



# A GLANCE INTO OUR PORTFOLIO



vestas.com

## VESTAS

As of 2020, about 29% of electricity currently comes from renewable energy and Clear Skies is committed to accelerate this share of energy production through the Climate Action Fund.

Vestas Wind Systems is a Denmark based wind power company that designs, manufactures, installs and services wind turbines across the globe.

Through their energy solutions they have installed more than **157 Giga Watts of wind turbines in 88 countries.**

### Vestas Turbine production in 2021:

**535M tCO2e** avoided during the estimated lifetime of the turbines

Carbon avoided by a forest **5x the size of Spain**

As the world’s largest supplier of wind energy technology, Vestas has been a pioneer in emissions removal for the past four decades by removing **17 billion tons CO2e** (equivalent to the CO2 emissions from more than 3.9 billion barrels of oil) compared to the average carbon footprint of electricity in the countries where the turbines were installed.

Leading the space in R&D, a single Vestas wind turbine generates around 30 to 50 times more energy than it consumes during its lifecycle. Furthermore, a single offshore wind turbine can power more than 20,000 European households while avoiding 30,000 tons of CO2e/year.

Ranked as the world’s most sustainable company in the world by Corporate Knights in 2022, the company has sourced **100%** of its electricity from renewables in 2021 and is committed to being carbon neutral by 2030 and have zero waste wind turbines by 2040.

# A GLANCE INTO OUR PORTFOLIO



[bluevisioncapital.com](http://bluevisioncapital.com)

## BLUE VISION CAPITAL

Blue Vision Capital is a venture capital firm investing in capital light seed stage startups whose mission is to mitigate climate change.

The investments focus on the dire need to lower global emissions through the unmet potential of climate technology driven solutions and the financial returns associated.

BVC is currently looking at a number of software deals that can reduce emissions by **15-20%** in commercial transport (freight trains, trucking etc.).

Future investments will concentrate on reducing emissions through climate tech driven solutions in renewable energy, circular economy, agriculture, and water management all with the goal to reduce emissions.

### Climate Tech Investment: FTEX

A precision motor control systems manufacturer in Canada that will improve current electric vehicles to be more compact and energy efficient by having improved technologies for power loss and higher output by providing up to 20% higher autonomy.

**20%**  
**HIGHER MOBILITY  
RANGE**

# Impact Management

## Framework



## IMP

Clear Skies uses the Impact Management Framework (IMP) to measure the positive and negative impacts that a company has on people and the planet. The IMP is composed of five dimensions : What, Who, How Much, Contribution and Impact Risk. This framework is applied at our Climate Action fund level.

## Fund Objective

Avoid emissions to keep global warming below **1.5°C**

### Dimension

### Fund outcomes

#### WHAT

- The outcome to reach the fund objective is measured by **Emissions Avoided**.
- The fund objective is to contribute to avoided emissions to keep global warming to 1.5°C above pre-industrial level. This objective is aligned with the Clear Skies Impact Investing Theme of Sustainable energy and Climate Action

#### WHO

- The planet is the main stakeholder affected by the emissions we can avoid through our Climate Action Fund

#### HOW MUCH

- The portfolio is monitored on a YoY basis for Emissions Avoided and will be compared in the next reporting cycle.

#### CONTRIBUTION

- Our Climate Action fund would contribute to avoiding 184,203 tCO2e with \$150M assets under management.

#### RISK

- Evidence, External and Execution risks may affect the impact our fund objective.

# Proxy Voting

Active ownership to move industries towards the same direction



As part of our portfolio monitoring, Clear skies tracks and reports proxy voting activity. We partnered with "Groupe Investissement Responsable (GIR)", a Canadian leader in extra-financial strategic services aligned with ESG issues.



Our voting decisions are aligned with our adopted proxy policy, the Shareholders Association for Research and Education (SHARE) proxy voting guidelines. SHARE supports social and environmental disclosure and reporting on standards, targets, plans and performance.

## We vote for proposals that address the following issues:

### Transparency:

Responsibility to disclose potential risks on operations based on TCFD recommendations

### Employees and workers in the supply chain:

Upholding minimum labor rights standards in direct operations and supply chains, including occupational health and safety, contributes to the financial success of companies.

### Human Rights:

For the adoption, implementation and reporting of human rights, due diligence systems should be based on the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises.

### Relations with indigenous peoples:

All projects on indigenous lands must respect the provisions of the United Nations Declaration on the Rights of Indigenous Peoples. The projects must require companies to obtain the free, prior and informed consent of local indigenous communities.

### Climate Change:

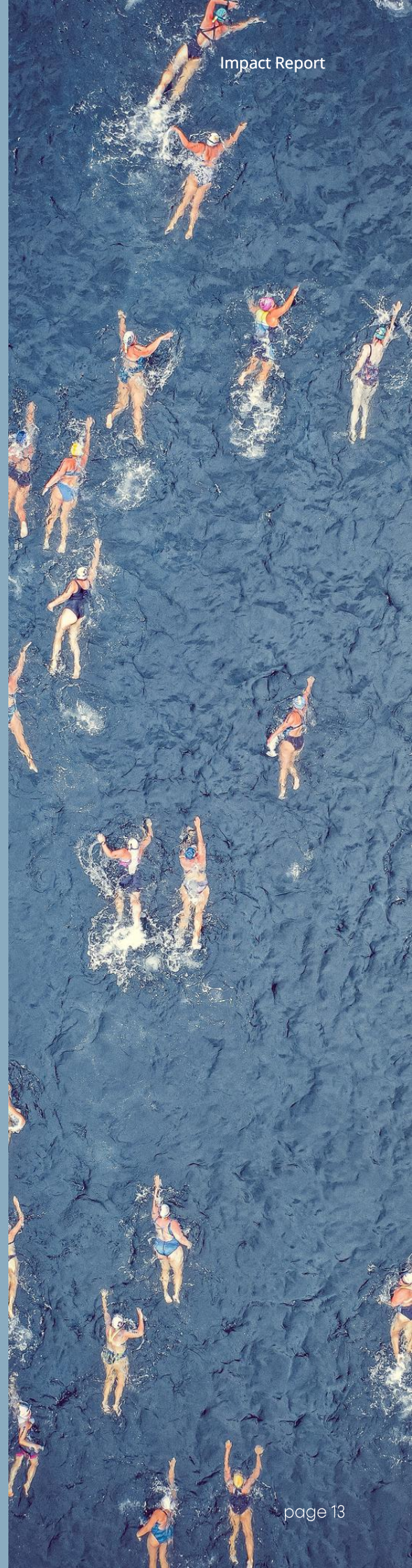
Disclosure of goals and action plans should be aligned with the Paris Climate Change Agreement, as well as reporting consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

### Digital rights and ethics:

Adoption of codes of conduct relating to digital rights and ethics as well as online security and privacy.

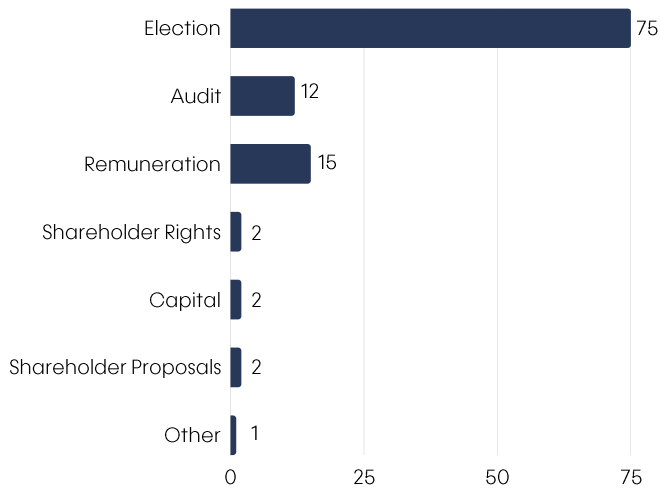
### Political contributions and positions:

Companies should avoid engaging in political activities. When they do, activities related to influencing public policy must be disclosed, including expenditures. Companies should align lobbying activities with the goals of the Paris Climate Change Agreement.

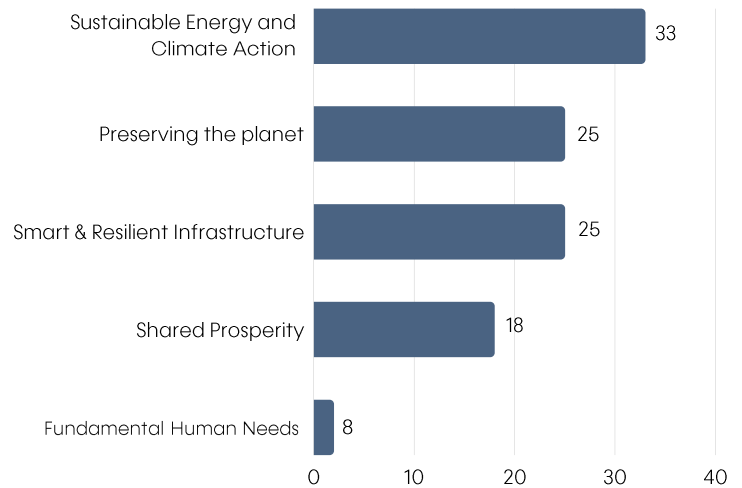


# Portfolio Proxy voting Results

**Number of proposals voted by Clear Skies (per category)**



**Number of proposals voted per our 5 Impact Investment Themes**



## Climate-Driven Shareholder Proposals

### Waste Management Inc.

Shareholder proposal: A Request that the board of directors oversees an independent audit to analyze the negative impact of the company's policies and practices on the civil rights of its stakeholders and to provide recommendations to improve this impact.

Proposer: International Brotherhood of Teamsters General Fund

Board Recommendation: AGAINST

Clear Skies recorded vote: FOR

Result: 54.46% of the votes were in favor of the shareholder proposal.

### Linde Plc.

Shareholder proposal: The greatest possible number of proposals require, for their adoption, only a simple majority vote of the shareholders.

Proposer: John Chevedden

Board Recommendation: AGAINST

Clear Skies recorded vote: FOR

Result: 52.32 % of the votes were in favor of the shareholder proposal.

# 2022 Engagement Highlights



## Science Based Targets Campaign

Clear Skies participated in this campaign which called around 1200 of the most impactful companies globally to set 1.5 degrees aligned to the science-based emissions reduction targets and achieve net zero value chain emissions before 2050.

This year, 1061 companies were targeted including some of our Climate Action Fund portfolio companies

**Looking forward:** The letters will be sent out on October 11<sup>th</sup>, 2022.

**274**

financial institutions participated in this call for action

**36.5T USD**

total assets under management addressed



## Non-Disclosure Campaign

The CDP non-disclosure campaign allows investors to actively engage with companies that have not provided a response yet on the CDP disclosure.

**Looking forward:** Clear Skies participated as a Co-signer for a letter targeting a company that we currently hold in our Climate Action Fund. The campaign will launch in October of 2022 and last until October 2023. The next step is for CDP to send the letters, start proactive engagement and encourage direct engagement from campaign supporters in early October.

**1400+**

companies targeted (11% more than in 2021)

**4800 MT**

of total emitted CO<sub>2</sub> emissions by these companies

ONLY **ALL**  
Together



# THANK YOU

to **all** our clients, teams, partners, collaborators and networks



Michel Brutti, CEO, Portfolio Manager



Dan Chacko, Director of Sustainable Investments



Saphira Suoi, Impact and Financial Analyst Team Lead



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