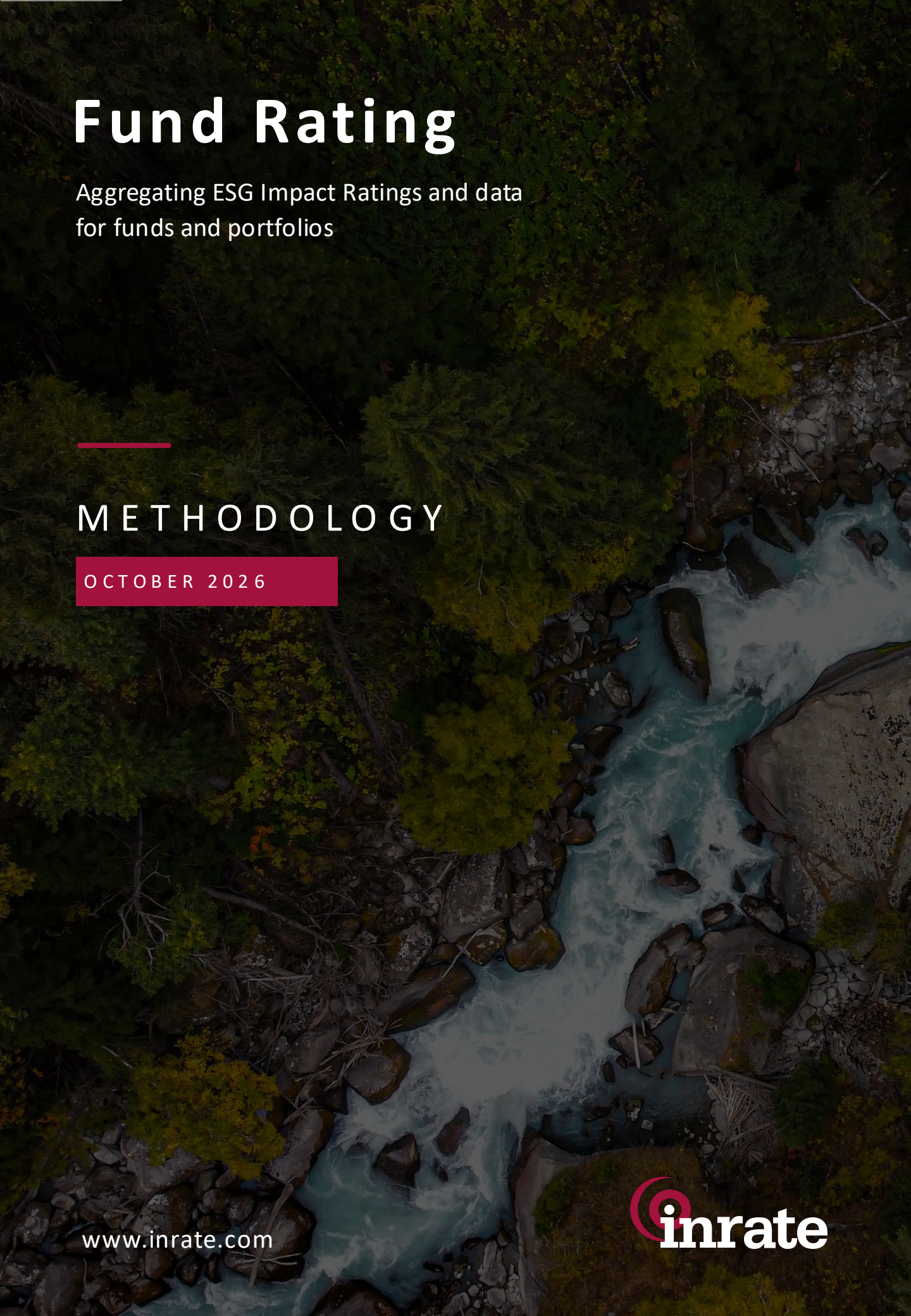
Fund Rating

Aggregating ESG Impact Ratings and data for funds and portfolios



METHODOLOGY

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Overview and purpose



The Inrate Fund Rating expresses the sustainability performance of an entire fund or portfolio as a single rating on Inrate's 12-step scale (A+ to D–), derived from the holdings-weighted average of the grades of its rated equities and bonds and supported by aggregated data on its constituents.

What the Fund Rating measures

Investors want to see how their portfolio performs on sustainability collectively, in proportion to the amounts invested, rather than security by security. Many also invest through funds rather than individual securities and need to assess a fund as a single asset.

The Fund Rating meets both needs: it shows how an investor's own investments perform together on sustainability parameters, and lets any fund be assessed and compared as a collective asset. It is a bespoke service rather than a repository of pre-rated funds.

How the Fund Rating is calculated

The methodology produces one fund rating and two families of supporting metrics, each aggregated with the method best suited to its type of data.

	Module	What it produces
A	Fund Rating	One rating on the 12-step scale (A+ to D–), converted from the holdings-weighted average of their Inrate grades
B	Quantitative metrics	Fund-level value for each numerical metric: a portfolio-weighted average or, for absolute metrics such as tCO_2e, an ownership-based total
C	Qualitative metrics	Share of eligible companies answering yes or no to a policy or practice question, by count and by weight

Note: the Fund Rating draws on the existing Inrate grades of the underlying securities at the time of calculation; it does not re-rate individual companies or add other fund-level characteristics. Because it is recalculated on every access, results change as holdings, weights and underlying grades change.

Inputs and rules common to all modules

All three modules use the same holdings, data and rules, set out below.

Aspect	Detail
Eligible securities	Equities and bonds held in the fund or portfolio for which Inrate holds the relevant data: a grade (A), a value for the metric (B) or a yes/no answer (C). Cash, derivatives and holdings in other funds are excluded.
Holdings and weights	Each security's portfolio weight (its share of fund or portfolio value) and, for ownership-based metrics, the value held.
Weight rescaling	In all modules, weights are rescaled by the total weight of the eligible securities, so they sum to 100%. Ownership-based totals sum over eligible securities only.
Minimum coverage	Results are calculated only when eligible securities make up at least 67% of the portfolio weight, a threshold based on academic research.
Sources	Inrate ratings and company data; EVIC data; client holdings supplied through the platform or the Inrate fund catalogue.

A —Fund Rating

The Fund Rating summarises the sustainability performance of a fund or portfolio in a single rating on Inrate's 12-step scale (A+ to D−). No additional layer or adjustment is applied, so the fund rating can be traced directly to the grades and weights of its constituents.

Aspect	Detail
Calculation	Fund score = Σ (rescaled weight × Inrate numerical grade), where each grade runs from 0 to 1.
Rating conversion	The fund score is converted into a rating on the 12-step scale (A+ to D−) using the Inrate mapping scale.
Worked example	X: 30% weight, grade 0.60; Y: 20%, grade 0.45; Z: 50%, grade 0.80 → (0.3 × 0.60) + (0.2 × 0.45) + (0.5 × 0.80) = 0.67 fund score → A− rating.

B — Quantitative metrics

Quantitative metrics are numerical data points reported for each company. Relative metrics, such as carbon intensity or the share of revenue from an activity, are aggregated as a weighted average. For absolute metrics, such as GHG emissions or renewable energy generated, the platform provides both methods below.

Aspect	Weighted average	Ownership-based
Applies to	All quantitative metrics, relative and absolute.	Absolute metrics only, e.g. tCO_2e or MWh.
Calculation	Fund value = Σ (rescaled weight × company value).	Fund value = Σ [(value held ÷ company EVIC) × company metric value], for equity and bond holdings.
What it shows	The profile of the average holding in the fund.	The fund's share of each company's metric value. EVIC = market cap + total debt + minority interests, with no deduction of cash.
Example	Carbon intensity (tCO_2e per €m revenue): X 30%, 120; Y 20%, 80; Z 50%, 40 → 72.	€3m held in a company with an EVIC of €1,000m and emissions of 500,000 tCO_2e → 0.3% owned → 1,500 tCO_2e.

C — Qualitative metrics

Qualitative metrics are data points usually collected as binary yes/no answers, for example whether a company has a particular policy, commitment or practice in place.

Step	Detail
Classification	Each constituent is flagged yes or no for the metric, using Inrate's underlying company data.
Share by count	Number of companies with the relevant answer ÷ number of eligible companies.
Share by weight	Sum of the rescaled weights of those companies.
Worked example	If X and Z from the example in section A answer yes: 2 of 3 companies = 66.7% by count; 30% + 50% = 80% by weight.
Outputs	Both proportions reported side by side, showing breadth (how many companies) and exposure (how much capital).

How the outputs work together

The methodology matches the aggregation method to the type of data. Grades and quantitative metrics are averaged by portfolio weight, so the results reflect where capital is invested; absolute metrics can also be attributed by ownership share, so the fund is counted only for its stake in each company; qualitative metrics are expressed as proportions, so binary data remain easy to read at fund level.

A client's own portfolio and any fund from the catalogue can therefore be compared like for like.

Fund Rating scale

The fund score is mapped to a 12-step rating from A+ to D–. The rating is an absolute measure, so funds can be compared across sectors, regions and asset classes.

Rating band	Grades	What it means for the fund
A High positive impact	A+ A A–	Invested mainly in companies whose products and practices help solve social and environmental issues, supporting the move to a sustainable economy.
B Positive impact	B+ B B–	Holdings are broadly compatible with a sustainable economy but do not yet meet all sustainability requirements.
C Negative impact	C+ C C–	Holdings on balance place a burden on the environment and society, though their companies show some capacity to improve.
D High negative impact	D+ D D–	Holdings on balance place a heavy burden on the environment and society, with little sign of improvement.

ESG to the Core: Since 1991

Inrate, a Sustainability Data and ESG Impact rating company, helps financial institutions view sustainable finance from an 'impact' lens. The contemporary responsible investor needs data that supports a variety of use cases and stands up to scrutiny. Inrate scales the highest quality and standards and deep granularity to a universe of 10,000 issuers, allowing portfolio/fund managers and research and structured product teams to make confident decisions.

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