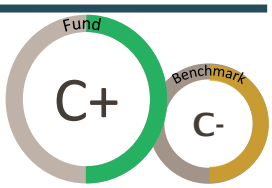
Portfolio Analysis
Summary Report –Carbon Footprint & Energy Transition

vigeo eiris Rating

Ethical Europe Climate Care Index - ENG



Benchmark : Solactive Europe Total Market 675 Index

Evaluation: April 2018

Chart Legend :

Carbon Footprint : **CF** ; Energy Transition Strategy : **ETS**

Scale => Carbon Footprint (t CO_2 eq)

A Moderate	**B** Significant	**C** High	**D** Intense

Scale => Energy Transition Strategy

++ Advanced	**+** Robust	**-** Limited	**--** Weak

Coverage:

	Fund	Benchmark
Portfolio coverage by investment	100%	98.3%
Portfolio coverage by holdings	30/30	621/663

Carbon Footprint & Energy Transition

Carbon Footprint	Fund	Benchmark
Weighted average carbon footprint	1 865 281.87 t CO_2 eq.	7 886 804.79 t CO_2 eq.

Energy Transition Strategy	Fund	Test
Energy Transition Score	Robust (+) **56/100**	Limited (-) **45/100**

Performance attribution	CF	ETS
Sector allocation effect	-115.95 %	0.48 %
Value selection effect	-206.87 %	18.99 %
Global performance attribution	-322.82 %	19.47 %

Focus on key fund issuers

Nestlé (4.1%)

Nestlé has a high carbon footprint (C) and an advanced strategy for energy transition (++) with a score of 64/100. The company obtains advanced scores with regard to the management of environmental impacts from transportation and packaging's disposal. Nestlé aims to achieve zero waste for disposal in its sites and to reduce GHG emissions per ton of product by 10% in its distribution operations by 2020, compared to 2014 level. In terms of transportation, the company has put in place relevant measures such as the adoption of optimized loads and route planning, shift of long distance transportation from roads to rail and sea, optimization of truck efficiency, investment in alternative vehicles. As a result, CO2 emissions from transportation, normalised to production, have decreased by 14% between 2012-2014 and the transportation mix steadily improved. In terms of packaging and eco-design, Nestlé undertakes lifecycle assessments and increases the amount of recycled or renewable materials in primary and secondary packaging (recycled paper, cardboard, bioPET, glass). The company also supports initiatives towards packaging recyclability and recovery and collaborates with local authorities and other stakeholders in the US, UK, France and Canada. As a result, the company's recycled material in its packaging has slightly increased from 26.8% in 2014 to 28.1% in 2015. Finally, Nestlé achieves a robust performance concerning the management of its energy consumption and related emissions. the company aims to reduce by 35% its GHG emissions per ton of product in its manufacturing operations over the 2010-2020 period. While the last target concerns every product category, Nestlé's target to reduce its energy use by 20% per ton of product over the 2010-2020 period only concerns its soluble coffee. In addition, the company's commitment to procure 100% of its electricity from renewable sources does not mention any clear target. Nestlé invested in renewable energy systems such as the use of sustainable biomass source to fuel the boilers or wind turbines implemented in some of its plants. The company also switched to LED lighting in several of warehouses and improved the use of natural light. Its energy consumption, normalized to turnover, and its CO2 emissions, normalized to production, have decreased by 2% and 13% respectively over the 2011-2015 period.

Galp Energia (3.3%)

Galp Energia displays a high (C) carbon footprint and a robust (+) Energy Transition strategy with a score of 54/100. The performance of the Portuguese oil company is positively impacted by its management and its commitment - notably with the definition of quantified targets – towards the reduction of its CO2 emissions and its energy consumption. Galp Energia uses innovative measures, including through the modernisation of its refineries and cogeneration units. Normalised to production, Galp Energia's CO2 emissions and energy consumption related to refinery operations have decreased between 2014 and 2016 but increased in its exploration and production activities. The group invests in biofuels and in solar and wind energy, and displays an increasing associated production over the 2012-2016 period. However, Galp Energia's performance is penalised by a lack of formalised commitment towards renewable energies.

Methodological focus

Carbon footprint

Emissions

Scope 1covers direct GHG emissions occur from sources that are owned or controlled by the issuer, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment.

Scope 2 covers indirect GHG emissions caused by the organization's consumption of electricity, heat, cooling or steam purchased or brought into its reporting boundary.

Scope 3 covers other indirect emissions from all the value chain: business and commuting travels, transportation, scope 1 and 2 emissions from suppliers, emission from waste treatment, from customers use of sold products, etc.

Data and Footprint

The carbon data is provided by the CDP and completed with other sources collected by Vigeo (Annual reports, CSR reports, corporate websites, issuer contacts, etc.).

When no data is available from any source, Vigeo's analysts build a carbon footprint estimation relying on the size of the issuer and the nature of its activities. More precisely, for each sector, 3 ratios are calculated: average emissions per employee, average emissions per million euro of revenue and average emission per million euro of capitalization. We measure the correlation between emissions and the number of employees, the revenue and the capitalization. Depending on the correlation value, we select the most relevant ratios for each sector. We use thus one, two or the three ratios to estimate the emissions of the issuer.

The Carbon Footprint is then defined from A - Moderate to D - Intense according to the scale presented in the tab below.

Energy Transition Strategy

Vigeo's scoring of issuers' energy transition strategy is based on specific criteria tied to climate change in Equitics research.
[1]The financed emissions indicator is a proportional sum of a constituents' carbon emissions. For each constituent, the proportion of carbon emissions accounted corresponds to the proportion of capital or shares held in the fund.

[2]The fund's average carbon footprint is calculated as the average of constituents' total carbon emissions, weighted according to their respective importance in the fund or reference index.

[3]The higher the carbon footprint of an issuer and the weaker its energy transition strategy, the greater its level of eligibility for an engagement strategy.

[4]Due to the nature of their activities, companies which belong to the financial sector usually have lower scope 1 and scope 2 emissions than in other sectors. However, their biggest impact on climate change is performed through their investments in other companies, which are accounted in scope 3 emissions. The energy transition strategy of the financial sector is deeply linked to its investment strategy, i.e. to which companies and projects are financed. Hence our focus on the management of scope 3 emissions for key finance issuers.

Grade	Emissions (t CO2 eq)	Category
A	<100 000	Moderate
B	>=100 000 and < 1 000 000	Significant
C	>= 1 000 000 and < 10 000 000	High
D	>=10 000 000	Intense

Grade	Energy Transition score	Category
++	60 - 100	Advanced
+	50 - 64	Robust
-	30 - 49	Limited
--	0 -29	Weak

Disclaimer

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