

Solactive Sustainable Development Goals World MV Index

Benchmark : Vigeo World Large Cap Developed

Evaluation: January 2019

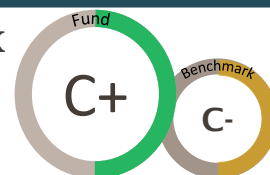


Chart Legend :

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

Scale => Carbon Footprint (t CO₂ eq)

A Moderate

B Significant

C High

D Intense

Scale => Energy Transition Strategy

++ Advanced

+ Robust

- Limited

-- Weak

Coverage:

	Fund	Benchmark
Portfolio coverage by Investments	100%	100%
Portfolio coverage by holdings	30/30	2688/2688

Carbon Footprint & Energy Transition

Carbon Footprint	Fund	Benchmark
Weighted average carbon footprint	3 565 409.44 t CO ₂ eq.	7 110 298.12 t CO ₂ eq.

Energy Transition Strategy	Fund	Test
Energy Transition Score	Robust (+) 55/100	Limited (-) 35/100

Performance attribution	CF	ETS
Sector allocation effect	269.32 %	4.29 %
Value selection effect	-368.74 %	31.19 %
Global performance attribution	-99.42 %	35.48 %

Focus on key fund issuers

Iberdrola (5%)

Iberdrola displays an intense carbon footprint (D) and an advanced energy transition strategy (++) with a score of 74/100. The Spanish energy group ranks among the sector leaders in terms of renewable energy: 60% of its installed capacity and 35% of its energy generation were from renewable sources in 2017. Iberdrola commits to invest 11.5bn euros in renewable energy over the 2018-2022 period and to reduce its emissions intensity by 30% by 2020 and by 50% by 2030, compared to 2007. The company appears to be largely involved in technologies aimed at improving thermal plants' efficiency (combined cycle gas turbine, cogeneration), and its carbon factor has decreased between 2013 and 2017, as well as its particulates, SO₂ and NO_x emissions. Iberdrola also displays a positive performance regarding the energy consumption of its customers, with extensive measures in place such as energy-saving devices, smart meters and tailor-made rates based on consumption patterns. However, energy savings from energy audits and plans have decreased between 2015 and 2017. As part of its "Electricity for all" programme, Iberdrola commits to provide electricity access to 16 million people by 2030. Iberdrola is involved in various projects, notably as a member of the Global Sustainable Electricity Partnership, including rural electrification programmes and provision of photovoltaic systems to indigenous communities in Brazil. The company is also working to reduce fuel poverty in developed countries through, among other things, specific tariff schemes and customer assistance programmes in collaboration with public authorities.

Orange (5%)

Orange has a high carbon footprint (C) and an advanced energy transition strategy (++) with a score of 71/100. The French telecom operator is committed to reducing its energy consumption by 15% and its CO₂ emissions by 50% over the 2006-2020 period. Among the measures reported, Orange has put in place tools to monitor its energy consumption, installed energy-efficient IT equipment and solar stations to supply certain sites in Africa. Normalized to turnover, Orange's energy consumption and CO₂ emissions have decreased over the 2013-2017 period.

Methodological focus

Carbon footprint

Emissions

Scope 1 covers 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.

¹The 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.

²The 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.

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

⁴Due 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

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