Portfolio Analysis

Summary Report –Carbon Footprint & Energy Transition

Solactive Sustainable Goals Europe MV Index

Benchmark : Solactive Europe Total Market 675 Index

Evaluation: July 2019

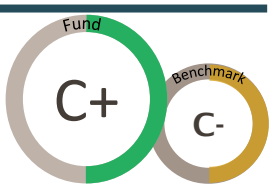

Chart Legend :

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%	99,3%
Portfolio coverage by holdings	30/30	644/662

Carbon Footprint & Energy Transition

Carbon Footprint	Fund	Benchmark
Weighted average carbon footprint	3 506 854.70 t CO_2 eq.	7 018 388.48 t CO_2 eq

Energy Transition Strategy	Fund	Benchmark
Energy Transition Score	Robust (+) 52/100	Limited (-) 48/100

Performance attribution	CF	ETS
Sector allocation effect	204.08 %	4.95 %
Value selection effect	-304.22 %	2.90 %
Global performance attribution	-100.13 %	7.85 %

Focus on key fund issuers

Naturgy Energy Group (5%)	*Naturgy Energy Group (NEG), previously traded as Natural Gas Fenosa, displays an intense (D) carbon footprint and a robust (+) energy transition strategy with a score of 56/100. The company stands out with advanced scores on three issues: promotion of access to energy and prevention of fuel poverty, energy demand-side management and management of energy consumption and air emissions from fossil-based generation activities. In addition to quantified targets to reduce its total direct CO2 emissions over the 2013-2025 period, the company is involved in the development of carbon capture and storage (CCS) and in technologies aimed at improving thermal plants' efficiency (combined cycle gas turbines) and reducing air emissions (SOx, NOx, particulates). In terms of energy demand-side management, the company allocates significant means towards all type of customers – promotion of energy-saving devices and renewable energy offers, smart metering, consumption monitoring –. CO2 emissions saved have increased over the 2015-2017 period. The company is also working to reduce fuel poverty and improve access to energy notably through specific tariff schemes, financial support or customer assistance programmes (investment to extend access to gas network for impoverished neighbourhoods in Argentina and in Chile for example). Finally, regarding renewable energy development, the company has set targets to increase its installed capacity and invests in the main technologies (hydro, wind, solar) but remains behind its peers in terms of results. In 2017, renewable energy represented for 22% of its installed capacity and 10% of its energy generation.*
Telefonica (5%)	*Telefonica displays a high carbon footprint (C) and an advanced energy transition strategy (++) with a score of 66/100. The company has set ambitious targets, compared to its sector, to tackle its environmental impacts from energy use. Indeed, the company commits to reduce its energy consumption in networks per unit of traffic in 2020 by 50% vs. 2015 levels. In addition, it has set quantified targets in terms of reducing its energy-related emissions: 30% for Scope 1 and 2 by 2020 and 50% by 2050. Telefonica has also joined the RE100 initiative, which aims to promote the transition to a low-carbon economy by using renewable energy. In order to support these commitments, the company implemented significant measures at a majority of sites, such as the monitoring of its energy consumption and related emissions through smart meters, the use of virtual hosting, and the purchase of renewable energy and efficient power equipment as well as efficient cooling and air conditioning equipment. However, the associated KPI's are mixed. Normalised to turnover, Telefonica's energy consumption has increased by 6% between 2015 and 2017, while the associated CO2 emissions have decreased by 6% over the same period.*

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 - 59	Robust
-	30 - 49	Limited
--	0 -29	Weak

Disclaimer

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