

Solactive Sustainable Goals Europe MV Index

Benchmark : Solactive Europe Total Market 675 Index

Evaluation: January 2021

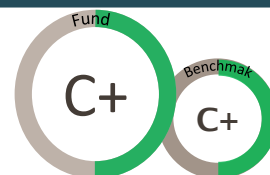


Chart Legend :

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

Scale => Carbon Footprint (t CO₂ eq)

A Moderate	B Significant	C High	D Intense
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Scale => Energy Transition Strategy

++ Advanced	+ Robust	- Limited	-- Weak
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Coverage:

	Fund	Benchmark
Portfolio coverage by investment	100%	98.5%
Portfolio coverage by holdings	30/30	595/604

Carbon Footprint & Energy Transition

Carbon Footprint	Fund	Benchmark
Weighted average carbon footprint	1 803 620.91 t CO ₂ eq	5 554 235.87 t CO ₂ eq

Energy Transition Strategy	Fund	Benchmark
Energy Transition Score	Robust(+) 51/100	Robust(+) 52/100

Performance attribution	CF	ETS
Sector allocation effect	109.66%	6.12%
Value selection effect	-313.10%	-7.47%
Global performance attribution	-203.44%	-1.35%

Focus on key fund issuers

Unilever (5%)

Unilever displays a high (C) carbon footprint and an advanced energy transition strategy (++) with a score of 74/100. Unilever nv stands out with advanced performances towards the management of its energy consumption and CO2 emissions on the one hand, and the management of environmental impact from disposal of packaging on the second hand, thanks to strong commitments, measures and results. The company commits to become carbon positive by 2030, aiming to source 100% of energy across its operations from renewable sources by 2030 and to eliminate coal from its energy mix by 2020. Unilever aims to have all of its plastic packaging fully reusable, recyclable or compostable by 2025 and to increase the recycled plastic material content in its packaging to 25% by 2025. The company has implemented significant measures to optimise its production processes such as renewable energy use (46% of its total energy consumption in 2019) and installation of saving energy equipments (LED lighting, biomass boilers, steam condensate recovery systems). Measures to limit its packaging and include eco-design in its R&D initiatives integrate the reduction of the weighted of primary packaging (i.e aerosols compressions) and the increase of the reusable and recycled packaging in its plastic bottles. The associated KPIs show positive trends. Unilever's energy consumption and CO2 emissions, normalised to sales, have decreased respectively by 9% and 44% between 2015 and 2019 and 97% of its waste material was reused, recycled and recovered in 2019 (stable compared to 2015). Regarding the management of environmental impacts from transportation, the company has set quantified targets and implemented some relevant measures – optimisation of pallet height and weight, eco-driving training -, but is penalised by the lack of transparency on associated KPIs (CO2 emissions and transport mix).

Energias de Portugal (1%)

Energias de Portugal (EDP) displays an intense carbon footprint (D) and an advanced energy transition strategy (++) with a score of 75/100. EDP is one of the leaders in its sector in terms of renewable energy: 74% of its installed capacity and 67% of its energy production were of renewable sources in 2019. EDP has issued the targets to reach at least a 78% share of renewable energy in its total installed capacity and to increase its solar power generation capacity by more than 1 GW by 2022. The company also stands out for its advanced control of its customers' energy demand. The company is committed to providing energy-efficient products and services that contribute to achieve at least 5 TWh of savings by 2022 compared to 2015, and to install smart meters in 100% of its delivery points of the low-voltage electricity grid in the Iberian Peninsula by 2030. In addition, the company is allocating significant resources to all types of customers - promoting energy saving devices and renewable energy offers, smart meters, among others - and is showing positive results. The CO2 emissions avoided by its customers have increased over the period 2017-2019. EDP is also working to reduce fuel poverty and improve its customers' access to energy, particularly in developing countries, through specific tariffs, financial aid or assistance programmes. EDP has contributed to a 50-kW solar project in Kenya in partnership with the United Nations High Commissioner for Refugees (UNHCR) and continues its actions in Angola to provide affordable green energy solutions for local populations. In terms of managing its energy consumption and atmospheric emissions related to its fossil energy production activities, EDP is committed to reducing its associated CO2 emissions (scope 1 and 2) by 55% by 2030 (compared to 2015), and to reducing its Scope 3 emissions by 25% over the same period. These commitments are supported by carbon capture and storage (CCS) projects and a large part of its installed capacity is composed of combined cycle power plants (54% in 2019), which improve energy efficiency. However, these results remain limited. While the amount of emissions per unit of energy produced in its thermal installations (2019) ranked EDP in the third quartile of its sector, its SO2 and NOx emissions decreased in the period 2017-2019, although not continuously.

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

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