

CARBON IMPACT ANALYSIS: THE KEY TO SUCCESSFUL INVESTMENT IN THE ENERGY TRANSITION

Sustainable investment keeps growing: 34% from 2016 to 2018 reaching 30 trillion dollars in assets. Impact investing grew by 79% and sustainability themed investing grew by 269% over the same period⁽¹⁾. La Française is well placed to take advantage of this growing trend thanks to the Equity and Fixed Income carbon-impact strategies. Both rely on a proprietary carbon impact methodology:

- Sector materiality
- Carbon footprint
- Operational carbon assessment
- Carbon impact assessment of products and services
- Forward-looking assessment with the low carbon trajectory models



The low carbon trajectory

2°C

HOW ALIGN OUR PORTFOLIO WITH THE 2° C WARMING SCENARIO

A 2° C carbon budget:

The International Energy Agency (IEA) has estimated a global carbon budget, or cumulative carbon emissions, which can be emitted from 2014 to 2100 to keep global warming below 2° C. This carbon budget is then allocated to the sectors of the economy (agriculture, buildings, industry, transport, power and others). Each sector gets its own emissions reduction path to reach the 2° C levels based on certain technology assumptions.

The coverage:

La Française has developed its own low carbon trajectories (2° C aligned) for eight industries⁽²⁾ and three more⁽³⁾ will be ready by the end of the year.

The confidence corridor:

We analyse companies' targets, strategy, capex, opex and other initiatives and determine a confidence corridor, which depicts our estimated companies' emissions trajectory. This allows us to forecast the company's performance versus the 2° C pathway.

Portfolio alignment:

We then add up each holding's performance versus the low carbon pathway for the respective sector to measure where our portfolios stand in the 2° C transition and how the portfolio managers could invest in each sector to support the low carbon economy.

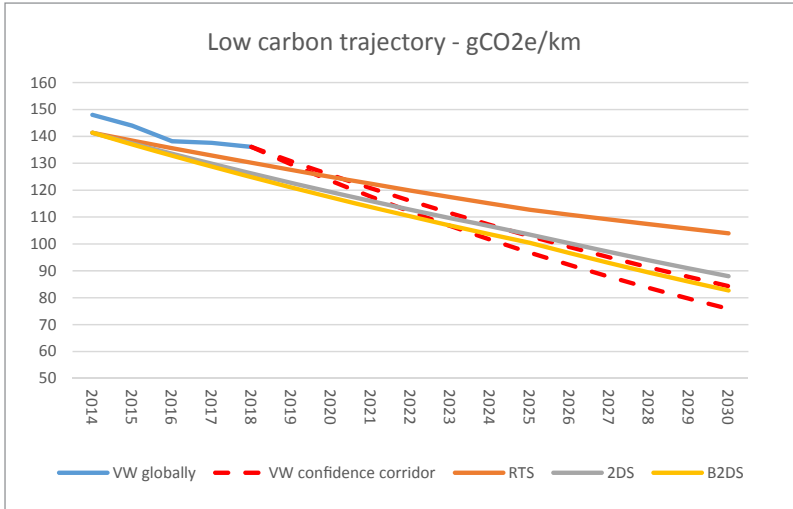


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(2) Electric Utilities, Autos, Airlines, Steel, Cement, Aluminium, Pulp & Paper and Oil & Gas.

(3) Shipping, Railroads, Freight.

THE LOW CARBON TRAJECTORY MODELLING IN THE AUTOMOTIVE SECTOR



We created low carbon trajectories for the automotive sector, which is one of the highest emitting sector through its products usage. Transport is responsible for around 30% of global GHG emissions. Our pathways are based on Tank-to-Wheel emissions. In other words, these include downstream emissions. The chart below shows the three main pathways calculated⁽⁴⁾ for the automotive sectors. This example of Volkswagen indicates where the company stands compared with these pathways. In our opinion, the historical trend (2014-2018) has been slightly disappointing compared with some of its European peers such as Renault and PSA. However, Volkswagen's strategy should allow them to catch up to the 2° C trajectory.

CONCLUSION

La Française is well placed to take advantage of the energy transition by offering dedicated investment products to its clients. These products are based on a proprietary carbon impact methodology that incorporates current as well as forward-looking assessments. These allow the portfolio managers to always be well positioned to support the low carbon transition through their investment decisions.



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