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## Axa (F) & GPF (N) Exit Coal

In a unanimous decision all parties in Norway's Standing Committee on Finance and Economic Affairs agreed on May 28th that Norway's Government Pension Fund Global (GPF) - the world's largest sovereign wealth fund with approximately US\$ 900bn in total assets - will divest from companies that draw more than 30% of their income from the coal industry.

The new agreement is expected to become law on June 5<sup>th</sup>, 2015 and give GPF until January 1<sup>st</sup>, 2016 to implement the new policy. The measure is expected to lead to a divestment of US\$ 6bn from 70 to 80 companies. Among these companies will be German utilities E.ON AG and RWE AG, where GPF currently holds 2%.

This decision follows a similar decision in the week preceding the Norwegian decision, where French insurance group Axa also decided to divest from coal. Other large banks, such as Credit Agricole of France and Bank of America, have decided to reduce their lending to the coal industry.

More and more investors begin to realize that coal is not only an environmentally questionable investment, but also an increasingly risky one.

## PwC Study on ESG in Private Equity

A survey conducted by consultancy PwC among institutional investors showed that 74% stated they wanted to quantify their private equity manager's environmental, social and governance (ESG) stances. However, only 19% had made any attempts to do so.

While ESG matters and the concept of responsible investing has taken a strong hold in listed asset classes, movement into the alternative space has picked up pace.

The new survey showed an industry-wide ESG disclosure framework launched in 2013 was rarely or not at all used by a majority of investors, 31% said it was used regularly.

## MIT | BCG | GC Sustainability Study

The UN's Global Compact (GC) has joined the MIT Sloan School of Management and the Boston Consulting Group (BCG) for their 6<sup>th</sup> annual study on Sustainability and Innovation.

One of the key findings of this study (based on 3,795 executive and manager responses from 113 countries) is that companies are increasingly co-operating to maximize the effect and impact of their sustainability efforts and programs.

In their responses 90% of managers agree that businesses need to collaborate to address the sustainability challenges they face. At the same time 47% are actively engaged in collaborations on sustainability matters and 61% consider their cooperation a success.

In other responses 86% of participants believe that their Boards of Directors (BoD) should play a strong role in driving their company's sustainability, while in 42% of companies BoDs are actually perceived as being engaged.

<http://sloanreview.mit.edu/projects/joining-forces/>

In other findings 83% of investors cited fiduciary duty as a main driver for a responsible investment stance, alongside reputational risk (53%) and corporate values (53%).

Over 85% of respondents said responsible investment added financial value within private equity, as 71% would decline an investment opportunity based on an ESG assessment. A fifth of investors have withdrawn from an investment or withheld capital based on an ESG assessment decision.

[http://pwc.blogs.com/press\\_room/2015/05/70-of-institutional-investors-turning-down-projects-on-environmental-social-and-governance-grounds.html](http://pwc.blogs.com/press_room/2015/05/70-of-institutional-investors-turning-down-projects-on-environmental-social-and-governance-grounds.html)

CDP Ranking of EU & US Utilities	SLT Rank	Company	Country	Overall SLT score	Market share in 2013 (%)	Carbon risk grade	Renewables grade	Coal exposure grade	Water risk grade	CDP performance band (2014)
	1	Iberdrola	Spain	2.15	4.7%	A	A	B	A	A
	2	Centrica	UK	2.55	0.8%	A	C	A	B	A
	3	Verbund	Austria	4.02	1.2%	A	D	A	n/a	A
	4	Enel	Italy	5.50	9.9%	B	B	C	B	B
	5	EDP	Portugal	5.75	2.1%	C	A	C	B	B
	6	EDF	France	5.95	24.7%	B	D	B	C	B
	7	Fortum	Finland	6.75	2.3%	B	E	B	E	B
	8	GDF Suez	France	7.30	11.7%	C	C	C	C	A-
	9	E.ON	Germany	8.25	8.5%	C	B	D	D	B
	10	Endesa	Spain	9.15	4.6%	D	E	C	C	A
	11	SSE	UK	9.90	1.3%	D	B	E	E	A
	12	EnBW	Germany	10.40	2.0%	E	C	D	n/a	A
13	RWE	Germany	11.60	7.5%	E	D	E	D	A	

### French Parliament GHG Amendment

In May the lower house of the French parliament passed an amendment to the Energy Transition Law (Article 48) that mandates disclosure of climate impact and carbon risk exposure for French institutional investors.

Once the new measure passes the Senate – the upper house of the French parliamentary system – all French institutional investors will have to include in their annual report information on

- how their investment decision-making process takes social, environmental and governance criteria into consideration
- the measures they implemented to contribute to the financing of the ecological and energy transition.

These new disclosure rules will include

- Risks induced by climate change, including the GHG emissions associated with assets
- Contribution to the international goal of limiting climate change
- Contribution to the realization of the ecological and energy transition

Additionally the new amendment will require all listed French companies to disclose

- Financial risks related to the effects of climate change
- Measures adopted to reduce those financial risks
- Consequences of the companies' activities (including the use of goods and services) on climate change

The new amendment still has to pass the French Senate, but it is officially supported by the French Government.

Many experts see this new French regulation as further evidence of a trend that will require institutional investors and companies in Europe and the US to intensify their carbon disclosures.

### CDP Ranks EU Utilities

The Carbon Disclosure Project (CDP) issued its second quarterly investor-focused research, this time ranking US & EU utilities based on their carbon exposure. Non responders included Poland's CEZ & PGE as well as Greece's Public Power Corp SA.

Iberdrola SA of Spain was ranked top performer due to its high renewables share (26% of production) and low exposure to coal (9% of production). Ranks two and three went to Centrica (UK) and Verbund (Austria) due to their low emissions intensity and low exposure to coal. ENEL (Italy) came in as the best ranked major electric utility in fourth place.

German utilities did not fare well, with three in the bottom five. RWE, E.ON and EnBW all have a high exposure to coal and therefore carbon cost exposure. Even at a very low carbon price of EUR4.35 in 2013, RWE's carbon cost was EUR680m. This equates to 10% of its adjusted EBIT in 2013!

<https://www.cdp.net/Docs/investor/2015/electric-utilities-report-exec-summary-2015.pdf>

### CONNEXIS News

Together with our partners from RKDS CONNEXIS has won a second large real estate project in Germany, where we advise a publicly owned real estate developer on CSR & ESG matters.

**Please contact us at [info@connexis.ch](mailto:info@connexis.ch) to subscribe to our newsletter or to start a conversation about CSR and ESG in your organization.**

**For more information you can also visit us at our new, re-designed website at [www.connexis.ch](http://www.connexis.ch)**