



ACTION!

THE RESPONSIBLE SHAREHOLDER'S REVIEW

11 November 2018 · Number 7/18

THE MONTH AT A GLANCE

It is said that art, music and literature do have the power to transcend cultural beliefs, raise awareness, provoke action. If this is the case, then the era of climate change fiction (cli-fi), which is described in our book segment, raises hopes that authorities, civil society and associations will hold listed companies increasingly accountable for advancing climate change. This month we could witness a bold move, when the New York attorney sued Exxon Mobile for deceiving shareholders by downplaying the expected risks of climate change to its business. The litigation represents the most significant legal effort yet to establish that a fossil fuel company misled the public on climate change and is to hold it responsible. At the same time, SfC members are continuing to engage on environmental issues. In October, Ecofi Investissements has signed a letter of ICCR, urging energy companies' transparency on water management practices, while Meeschaert Asset Management has presented its vision on climate reporting at a meeting of the French Association of Private Companies (AFEP) with the European Commission in Brussels. Since 2015, with the so-called Article 173, France is the first country in the world to ask investors to disclose information regarding their contribution to climate goals on the «comply or explain» principle. This is encouraging investors to develop new tools that integrate climate change risk and opportunity in their practices.

IN ONE WORD

'Gender-Lens' investing

An approach that seeks to realise a financial return while promoting gender equality in a measurable way. Research by financial institutions such as UBS and Boston Consulting Group has found that female investors use their increasing wealth to contribute to society. This has led to a revolution in financial products, allowing investors to align spending decisions with personal values. Last year, UBS launched its first Global Gender Equality ETF, which drew in \$140m in assets under management in just eight months. This would have been unheard of a decade ago. It is a solid illustration of the importance of gender equality to today's investors. (Source: FTfm)

HUMAN RIGHTS ALONG SUPPLY CHAIN



In October, **Etica Sgr**, founding member of SfC, signed the Investor Statement on Forced Labor in Turkmenistan Cotton Sector, which is consistent with Etica Sgr's 2018 Engagement Plan theme "Human Rights along the supply chain". The Statement is an initiative by Responsible Sourcing Network (RSN) and it is a declaration calling on clothing and household goods companies to sign the Turkmen Cotton Pledge and to support YESS (Yarn Ethically & Sustainably Sourced). The YESS initiative aims to drive slavery out of cotton production by eliminating the market for cotton produced with forced labor, and increasing the use of ethical and sustainable cotton. YESS utilizes the OECD risk-based due diligence approach to identify and eliminate modern slavery from cotton production and apparel value chains. Human rights along the supply chain are a priority topic of the Shareholders for Change network. (Source: Etica SGR)

TOWARD WATER DISCLOSURE



In October, **Ecofi Investissements**, founding member of SfC, signed an ICCR's letter urging energy companies' transparency on water management practices and water usage. Out of all sectors, for the eight year running, the energy sector has the lowest CDP Water disclosure rate. However robust and comparable, water disclosures from oil and gas companies are crucial to investors' understanding of company performance and their long-term resiliency. Oil and gas production is increasingly reliant on access to water and water sources are already scarce in key production areas. Further, oil and gas production generate large volumes of wastewater and are a critical aspect of risk oversight in the energy sector. CDP offers a standardised, comparable water framework, which enables investors to benchmark performance in the oil and gas industry. Companies such as Anadarko, EOG Resources, Suncor, already responded. It is time to urge the companies who have so far declined to participate to join their ranks. (Source: Ecofi, ICCR)

DZ BANK REVIEWS SECTOR GUIDELINES



Bank für Kirche und Caritas (BKC), together with other German church banks and the GLS Bank, intensified its engagement with DZ BANK – the second largest German banking group. The engagement strives for a comprehensive sustainability and climate strategy of the DZ group, in particular for what concerns the divestment from coal and weapons of mass destruction. In November 2017, DZ BANK already showed some progress, when it announced that it will stop new project financing for coal power plants. Recently further progress was shown in the revision of sector guidelines for weapons, especially underlining the exclusion from investments of weapons of mass destruction and depleted-uranium ammunitions. It is a positive signal that DZ BANK is once more proving its willingness to implement changes in its sector guidelines and we are happy to help motivating them through our engagement. Of course, we will keep up the dialogue to push further progress.“, said Tommy Piemonte, Head of Sustainability Research at BKC. The engagement is being done also in behalf of SfC. (Source: BKC)



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EARTH DEFENDERS & PEOPLES ADVOCATES

Brazil: rich nature, poor policing, dead activists

In Brazil, **Maria do Socoro Silva** is leading Amazonian forest people against alleged land-grabbing, corruption, pollution and Brazil's huge alumina plant. For 10 years, she has been fighting on multiple fronts: against the **Norwegian-owned Norsk Hydro Alunorte** refinery in Barcarena, against the **Albras bauxite mine** that supplies it, against powerful land-grabbing politicians, against investors, against first-world consumers who use tin cans, foil, non-stick pans, beer kegs and aeroplane parts without a thought about the environmental and social costs.

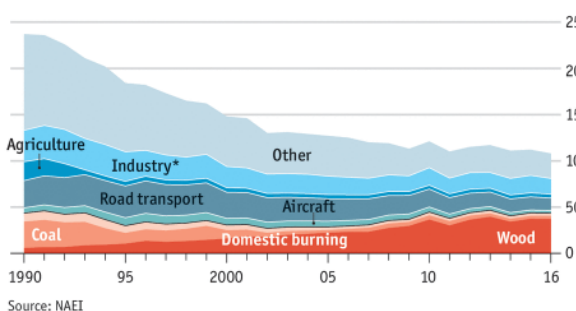
As a leader of forest dwellers – indigenous, quilombo and riverine communities – Socorro ought to be terrified. Her home is in Pará, the deadliest state for land activists in Brazil. Two associates and friends have been killed since December. Global Witness reports that last year a total of 57 Earth defenders were murdered in Brazil, more than a fifth of the world total. The vast majority took place in the Amazon, where rich nature, poor policing and dire corruption breed a culture of strongest-takes-all. **Norsk Hydro announced the closing of Alunorte this October, please see *Just Before Going To Press* segment.** (Source: The Guardian)



GRAPH OF THE MONTH

Burning issue

Britain, PM2.5 particulate matter emissions, by source, kilotonnes



Source: NAEI

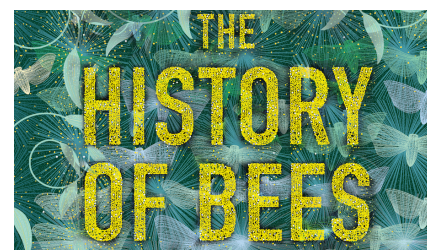
Wood-burning stoves, picturesque polluters

Home wood-burning has rocketed, and now accounts for 38% of the particles emitted in Britain, more than twice the amount spewed by vehicles. The British government wages a battle against the middle-class favourite: wood-burning stoves. About 7.5% of homes in Britain

burn wood for ambience or warmth, revealed a survey in 2015. By now the share is probably higher, since about 175,000 new stoves are sold each year. On August 17th the government proposed a ban on the sale of coal for home burning, as well as restrictions on the sale of recently felled wood. An article in the British Medical Journal now called for a "polluter-pays" tax on new stoves, to equal the associated health costs, which it put at £889 (\$1,150) per stove each year in inner London. (Source: The Economist)

BOOKS, FILMS & MORE

The age of cli-fi. With climate change fiction, novelists aim for 'radical empathy'. The term was coined by US freelance journalist Dan Bloom and describes the genre as a literary cousin of sci-fi, but less escapist and "based on reality and real science". Bloom was convinced that, when done right, cli-fi novels can succeed where "boring" newspaper articles and scientific reports fall short. "They can serve to help make readers more conscious of what's at stake as the world warms degree by degree. These novels can be wake-up calls, adds US literary expert Elizabeth Rush, a lecturer at Brown University. A cli-fi example is Norwegian novelist Maja Lunde's "The History Of Bees", which was inspired by a documentary about colony collapse disorder, the mysterious die-off of bees that has sparked international concern. The book, which conjures up a world without bees where humans have to hand-pollinate trees, became a global bestseller, shifting over a million copies and translated into more than 30 languages. Sensing that she "wasn't done yet with this topic", Lunde has set out to write a quartet of climate change novels. The second book, *Blue*, deals with a shortage of water and was published in Norway last year. (Source: Lifemint)



JUST BEFORE GOING TO PRESS

Norsk Hydro: Alunorte announces full curtailment of its operations in Brazil

Hydro's alumina refinery Alunorte in Brazil announced that the plant is preparing for full curtailment of its operation. The decision was taken as the bauxite residue deposit area 1 (DRS1) is close to reaching its capacity, due to the embargo on the state-of-the-art press filter and the newly developed bauxite residue deposit area (DRS2). Alunorte has been running at 50% production since March, following embargos from Brazilian authorities. (Source: Norsk Hydro)

Public pension funds slow to move on climate change risk

Most of the world's largest public pension funds are providing little or no information about how climate change will affect the value of their assets, a report by the Asset Owners Disclosure Project (AODP) shows. The AODP, part of investor pressure group ShareAction, tracked funds with combined assets of more than \$11 trillion and found that 63% were at risk of breaching their duty to savers. Less than 1% of the funds' assets were invested in low-carbon solutions. Only 10 percent of the funds had a policy to exclude coal from their portfolios, the AODP said in its report. (Source: AODP)