RI ESG Briefing, Jan. 31: CPPIB, blue bond, Government Pension Investment Fund, Vale

The round-up of the latest ESG developments

by **RI journalists** | January 31st, 2019

Environmental

The C$368bn (€243bn) Canada Pension Plan Investment Board (CPPIB) has issued its second green bond, this time denominated in euros. CPPIB will use the €1bn sale of 10-year fixed-rate notes to finance eligible projects, for example in renewable energy, water sustainability, and green infrastructure. Last year, CPPIB became the first pension fund in the world to issue a green bond with an inaugural CAD1.5bn offering, and made joint ventures in renewable power assets in Germany and North America. **The Nordic Investment Bank** has issued the world's second "blue bond" – debt specifically designed to support ocean sustainability projects – with SEB arranging and serving as adviser for the SEK2bn (€193m) issue. **National Australia Bank** has ruled out financing oil and tar sands extraction as well as oil and gas projects in the "Arctic Refuge", the 19m-acre wildlife conservation area in Alaska being eyed for drilling by the Trump administration. The bank's new Sustainability Report said the policy had been updated in line with a "high level consideration of climate scenarios" that it carried out in 2017 to "heat map" climate risk across its entire portfolio. Barclays, HSBC and BNP Paribas are among other financial institutions to restrict financing for drilling in the polar region. **Investors including BMO Global Asset Management**, Aviva, and Aegon are piling pressure on McDonald's, Dominos and other fast food giants, urging them to de-risk their meat and dairy supply chains. Eighty investors, with a combined $6.5trn under management, wrote to six of the largest restaurant companies asking how them to outline how they will address climate and water risk in their supply chains, warning that "animal agriculture is the world's highest-emitting sector without a low-carbon plan". **La Caisse de dépôt et placement** du Québec (CDPQ), the C$308bn Canadian pension fund, and the government of Québec have invested an undisclosed sum in AddEnergie, an EV-charging solutions firm. They made an initial joint investment in the firm in 2016.

Social

The Cambridge Impact Framework has launched, designed to be an impact measurement framework based on the UN Sustainable Development Goals. Developed by the University of Cambridge Investment Leaders Group, including Union

Bancaire Privée, State Street Global Advisors and PIMCO, the framework covers six impact themes. Due to a lack of data, the framework provides 'ideal measures' and a methodology for what can be measured today for the six themes. **Bank of America** issued its first social bond for $500m, in what it says is a first for a US bank. In a statement, it said "proceeds will be used to help address pressing issues that impact low- to moderate-income neighbourhoods in the United States". **UK-based charity Allia**, which consults with impact investment organisations, has acquired a controlling interest in fixed income broker City & Continental. Allia specialises in bond issuance across social sectors such as housing and education. It is behind the Retail Charity Bond platform on the London Stock Exchange which has raised £200m. City & Continental will maintain its name and services while also providing new debt finance solutions for charities and impact businesses under the Allia Impact Finance brand. **Polish think tank WiseEuropa** has prepared a briefing on ESG integration in Poland. The PRI-commissioned report looks at the current state of sustainable finance in Poland, outlining how its progress is impacted by the country's energy market politics, political landscape, and current legal framework. **South Korea's Kookmin Bank** has reportedly priced a $450m sustainability bond. The order book amounted to over $1.8bn for the issue from 110 accounts with 88% of the bond distributed in Asia and 12% in Europe.

Governance

Japan's Government Pension Investment Fund (GPIF) – the largest single pension fund in the world with over $1.5tn in assets – has announced its "List of Excellent Integrated Reports". MUFG, Daiwai House and Mitsubishi Chemical Holdings were among the 67 firms identified as having "excellent" integrated reports. GPIF, which believes integrated reports are "important tools of constructive dialogue for improving corporate value", compiled the list based on nominations from 17 external asset managers. **Sustainalytics made a rating downgrade** on Brazilian miner Vale after last week's fatal dam collapse with the ESG research house downgrading its Emissions, Effluents and Waste controversy rating for Vale from Category 4 to Category 5. The recent disaster echoed the 2015 dam collapse and toxic mud slide at a Samarco mine, a Vale joint venture with BHP group. In 2018, the Corporate Human Rights Benchmark (CHRB) graded Vale as the sixth best performing firm, saying the 30% increase in its score since the previous year supported "the idea that rapid change is possible, where there is sufficient will within the company to integrate human rights into business thinking". The CHRB has since suspended Vale from the benchmark. Link **Investors have lambasted** healthcare company Walgreens Boots Alliance over its continued sales of tobacco products, highlighting the risks tobacco sales pose to the firm's reputation and its customers' health. The shareholders, who are members of the Interfaith Center on Corporate Responsibility (ICCR), have been engaging Walgreens on the issue for several years and say their recent communications have gone unanswered. Link **Food services provider Aramark** has agreed to go deforestation-free, following a shareholder resolution filed (and subsequently withdrawn) by Green Century Funds. Aramark pledged to develop and implement a "No Deforestation, No Peat, No Exploitation" (NDPE) forest policy within six years and prohibit deforestation in its supply chain even where it is legal. **Hermes Equity Ownership** Services has released its Engagement Objectives & Plan 2019-2021. Last year Hermes engaged with 746 companies – up from 659 in 2017, and covered 2,084 identified objectives or issues – compared to 2017's total of 1,704. The stewardship provider said it made progress on 44% of all objectives contained within its engagement plan. **CalSTRS' Chief Investment Officer** Chris Ailman has reportedly called for the US pension giant to rebrand its corporate governance unit to better reflect its ESG focus. Ailman proposed the unit be renamed "the sustainable investment and stewardship activities group", in line with CalSTRS activity in engaging corporations on their ESG policies. The investment committee was set to discuss the matter this month. **Fintech firm Broadridge and ICJ** – a Broadridge joint venture with the Tokyo Stock Exchange – have made progress in developing blockchain-based proxy voting in Japan. The firms say the technology would reduce or eliminate "complex reconciliation processes" and enhance transparency in the voting process. **Signatories to the Principles** for Responsible Investment (PRI) rose by 21% in 2018, to 2,232. Growth was particularly strong in North America, the UK and Ireland, with Southern Europe, France, DACH (Germany, Austria and Switzerland) and Asia also seeing notable increases. New signatories included insurance groups AG2R (France) and Swiss Life (Switzerland), and pension funds Novartis (Switzerland) and the Government Pension Fund of Thailand. **Organisations representing** institutional investors with a combined $450bn in assets have lauded Adidas, Primark, Gap and other apparel companies leading the charge on protecting workers from forced labour and trafficking. They were among those to receive the highest scores in the 2018

Apparel & Footwear Benchmark Findings Report published by Know the Chain, the resource aimed at helping companies and investors address forced labour risks in global supply chains.