

Best of
Sustainable Finance



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Global Sustainable Investments Grow 25% to \$23 Trillion

By LAURA COLBY — ORIGINALLY PUBLISHED MARCH 27, 2017

GLOBAL SOCIALLY RESPONSIBLE investments grew by a quarter to \$23 trillion over the last two years, with particularly strong gains in China, Japan and Australia and New Zealand.

While every region reported growth in socially responsible assets over the 24 months ending Dec. 31, 2015, the overall pace slowed from the 61 percent growth reported in the prior two-year period, according to a biennial survey by the Global Sustainable Investment Alliance.

GSIA gathers results from regional sustainable investment groups around the world, tracking professionally managed funds that use responsible investing criteria. It includes

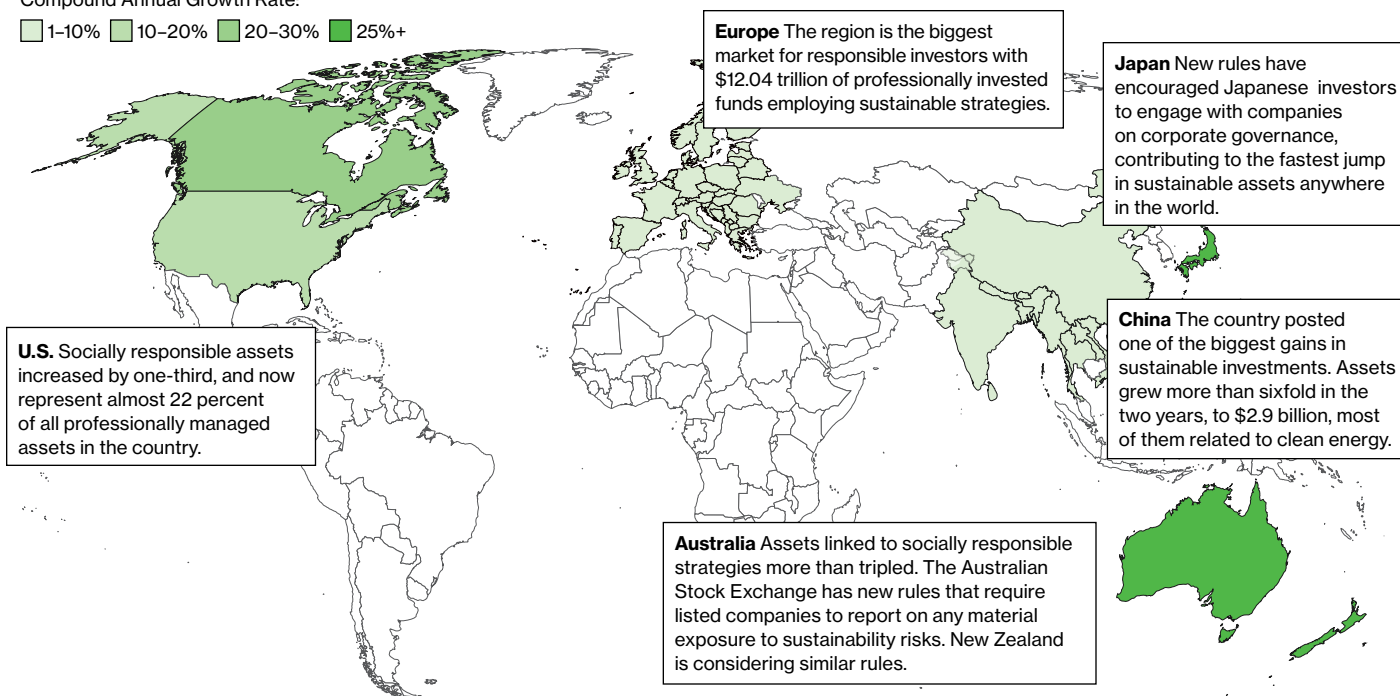
impact investment and environmental, social, governance funds as well as portfolios that simply exclude weapons manufacturers or gambling companies. Those so-called exclusionary strategies represented \$15 trillion – more than half of the assets studied.

The growth far outpaced that of invested assets under management broadly, which stalled in 2015 at about \$71.4 trillion, according to Boston Consulting Group. While the vast majority of socially responsible investments are still held by pension funds and other institutions, retail investors now account for 26 percent, up from 13 percent at the end of 2013. ●

Japan Had Speediest Expansion in Assets Linked to Responsible Investing

Compound Annual Growth Rate:

1-10% 10-20% 20-30% 25%+



Region	2014(\$bln)	2016(\$bln)	Growth Over Period	Compound Annual Growth Rate
Europe	\$10,770	\$12,040	11.7%	5.7%
United States	\$6,572	\$8,723	32.7%	15.2%
Canada	\$729	\$1,086	49.0%	22.0%
Australia/New Zealand	\$148	\$516	247.5%	86.4%
Asia (ex Japan)	\$45	\$52	15.7%	7.6%
Japan	\$7	\$474	6,689.6%	724.0%
Total	\$18,276	\$22,890	25.2%	11.9%

Note: Asia ex Japan 2014 assets are represented in U.S. dollars based on the exchange rates at year-end 2013. All other 2014 assets, as well as all 2016 assets, are converted to U.S. dollars based on exchange rates at year-end 2015.; Source: Global Sustainable Investment Alliance



This is Responsible Investing

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ING Dives Into Loans That Link Interest Rates to ESG

By DANA PARDINI — ORIGINALLY PUBLISHED MAY 4, 2017



MORE COMPANIES COULD soon sign on to a new loan structure where their interest rate is determined by their sustainability performance.

After making what it said was a first-of-its-kind loan to health technology company Royal Philips last month, Amsterdam-based lender ING Groep NV has signed two new bilateral loans involving a unique payback structure, placing a borrower's sustainability performance at the forefront, Gerro Goedhuis, head of ING syndicated finance said on April 25. The bank would not disclose the names of the borrowers or specific rates.

Another Western European borrower has appointed ING for a syndicated loan with similar pricing mechanisms, Goedhuis said, marking four deals for the new type of financing. Each of the loans' interest rates will vary annually according to the borrower's individual environmental, social, and governance scores, provided by corporate governance and investment research firm Sustainalytics, ING said.

By improving their Sustainalytics score, companies become better clients and more sustainable businesses overall, Roland Mees, director of sustainable lending at ING, said on April 25. "We want to facilitate the sustainable direction of the client going forward" by offering small discounts to borrowers' interest rates in return for positive ESG performance, he said. A company with poor sustainability practices can have real financial risks, according to Mees. Companies with ESG policies embedded in their structure are more prepared for the future and "by future proofing their business, we are future-proofing ours," he said.

ING issued a 1 billion euro syndicated loan for a revolving credit facility to Philips April 19, with the ESG-pricing feature that couples its credit margin and sustainability performance. "We believe that sustainable companies will have a lower credit risk in the long run," Abhijit Bhattacharya, chief financial officer at Philips, said via email April 30.

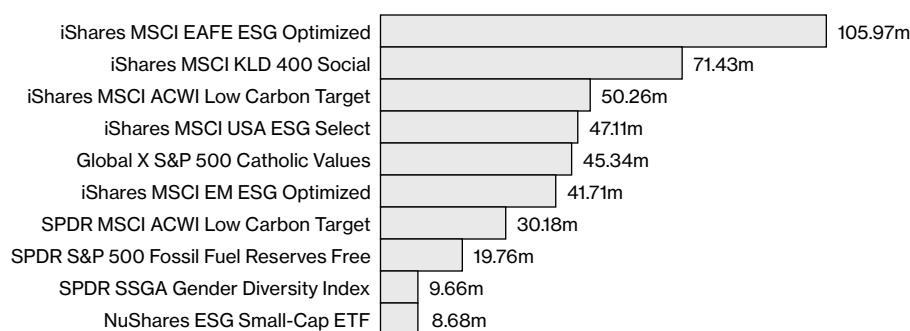
More lenders may be interested in these kind of deals as data continues to show "that companies with good sustainability performance tend to have lower risk and thus lower cost of capital," Tensie Whelan, director of the Center for Sustainable Business at NYU Stern School of Business, said May 1. "It is a win-win – it rewards better sustainability performance by companies, reduces risk for lenders, and provides value to society."

This type of loan structure can be scaled to a wider range of companies, according to Goedhuis. "We're certain there are more companies that will be developing similar structures with other banks," he said. ●

Sustainable ETFs Saw Trump Bump as Investors Dig In

By EMILY CHASAN AND DANA PARDINI — ORIGINALLY PUBLISHED MAY 4, 2017

iShares Grabs Most Sustainable ETF Fund Flows Since November



Source: Bloomberg

Note: Inflows reported for universe of 34 ESG, green, and social-lens funds, Nov. 9, 2016 through May 1, 2017.

ONE MONTH AFTER the U.S. presidential election, sustainable ETFs saw a surge in asset inflows. Now 100 days into Donald Trump’s presidency, they face a test about whether they will perform under an administration that has a diminished focus on climate change.

“To the extent that the new administration relaxes regulations – that will actually help accelerate companies that are good ESG citizens. Those companies are going to stand out,” said Joseph Shaposhnik, a portfolio manager at Los Angeles-based asset manager TCW Group Inc. which oversees \$194.3 billion.

Inflows to a group of 34 sustainability-focused ETFs rose 19 percent to \$464 million from November to May, from \$383 million in the same period a year earlier, according to data compiled by Bloomberg.

Investors focused on sustainability, haven’t lost enthusiasm. “We always look at people who invest in these kind of sustainable ETFs, as people who read the food labels,” said Conor Platt, chief executive at Etho Capital, a Pittsburgh-based responsible index fund manager. “If you use sustainability correctly, you’re really finding the high quality companies.”

Inflows into the passive ESG, green and social investment strategies jumped in December following the U.S. election. More ESG ETFs have also become available versus a year earlier, and inflows were also spread across a wider group of funds than in the previous year, Bloomberg data show. The majority of the ESG inflows in the year-earlier period were linked to the launch of State Street’s Gender Diversity Index (SHE).

“Ninety percent of the reason why people are interested in impact investing is that they don’t have the confidence or the expectation that public policy and non-profit capital have the solutions and scale to solve the challenges we face,” said Will Tickle, director of Impact Investing at Ballentine Partners LLC, during the Impact Capitalism Summit in Chicago April 25.

At the summit of more than 200 ESG-focused investors last week, panelists were questioned about how ESG strategies will perform amid potential shifts in government policy on renewable energy, health care and affordable housing. Investors like Tickle said they were confident long-term trends, such as declining fossil fuel prices and rising prices for clean water, would ultimately drive performance. The new administration’s policies are “simply delaying the inevitable,” Tickle said. ●

Environmental, Social & Governance Analysis

Bloomberg Environmental, Social and Governance (ESG) products enable all investors across a range of asset classes to understand the risks and opportunities associated with potential business, finance, and investment decisions as the market continues to embrace ESG factors.

Bloomberg provides analytical models and material ESG data to shed light on sustainability performance for approximately 10,000 publicly-listed companies globally. Bloomberg offers decision-useful models, sustainability news, research, indices, funds, energy and emissions data, legal and regulatory as well as robust screening, scoring and other portfolio optimization tools.

For more information visit
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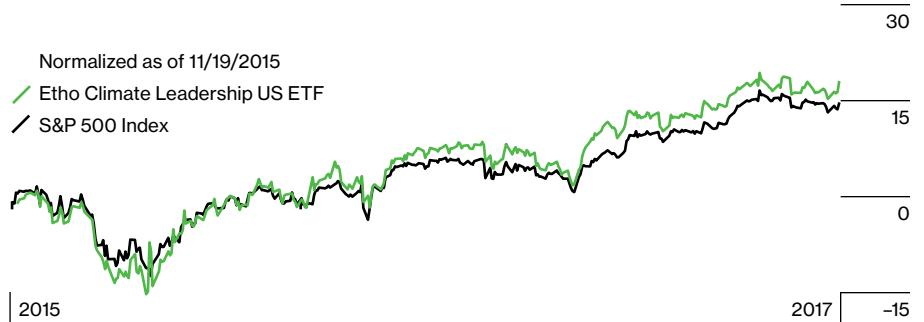
Two Efficiency-Focused Indexes Beat the Market

By EMILY CHASAN — ORIGINALLY PUBLISHED APRIL 20, 2017

THE INVESTORS BEHIND the EFW Efficiency Index bet the companies that are best at preserving energy, food and water will outperform their peers with less volatility. “Natural resources are the new frontier,” said Carlos Guimaraes, chairman of Switzerland-based EFW Capital Advisors. “Companies that use less, produce more.” The index selects 150 public companies that produce energy food and water, such as Duke Energy and Nestle, develop efficiency solutions for those items, such as Siemens, or demand a lot of those resources, such as UPS and 3M.

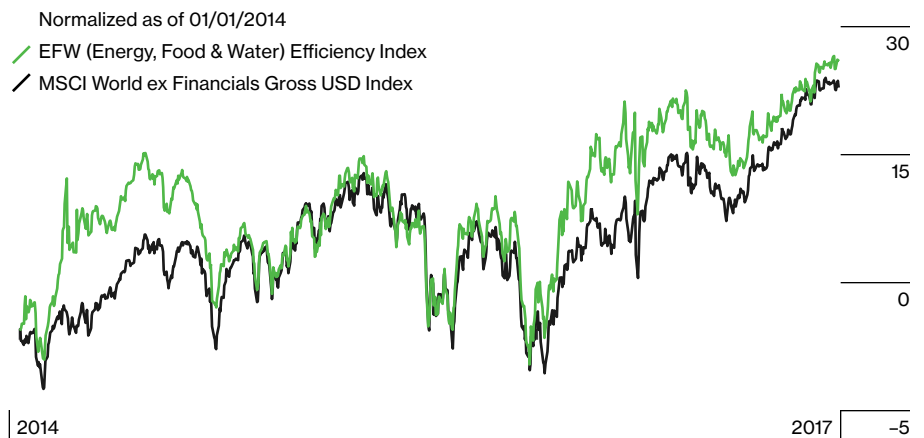
ETHO CAPITAL TRIES to find the most carbon-efficient companies in each industry. The San Francisco-based fund ranks companies based on carbon emissions per dollar invested, including supply chains, and selects those that are more efficient than their industry on average. The firm tries to look at a bigger net to avoid biases that can come from self-reported corporate responsibility reports, said Ian Monroe, co-founder of Etho Capital. “Greenhouse gas emissions are connected to every aspect of a company’s supply chain,” Monroe said. The index’s top two holdings are Nvidia Corp. and Charter Communications, according to its website.

Energy Food and Water



Source: Bloomberg. For a live version of this chart run G #SF.BRIEF 98 on your terminal

Carbon Efficiency



Source: Bloomberg. For a live version of this chart run G #SF.BRIEF 76 on your terminal

First Green Bonds Sold by an Oil Giant Find Willing Investors

By EMILY CHASAN — ORIGINALLY PUBLISHED MAY 22, 2017

- ▶ **Concern that environmental bond may also aid fossil fuel**
- ▶ **Sustainable investors bought 45% of the oversubscribed issue**

A MAJOR OIL company is set to benefit from the sale of green bonds for the first time, raising concerns about standards in the quick-growing market for environmentally-friendly finance.

The Spanish refiner Repsol SA on Tuesday was due on May 23 to complete the issue of a five-year 500 million-euro (\$559 million) green bond, which was priced on May 9. While the funds will help Repsol cut greenhouse-gas emissions and make its facilities more efficient, some specialists in the market aren't convinced Repsol's security deserves the green label.

"This is fundamentally dubious," said Sean Kidney, the founder of the Climate Bonds Initiative, the London-based organization that drafts green-bond standards. "At the moment we're unlikely to include this in our listings of green bonds and our data for green bond indexes."

Less than a decade old, the green bond market raised \$95 billion for projects meant to benefit the environment last year and is on track to reach issuance of \$123 billion this year, according to Bloomberg New Energy Finance. Since no single regulator defines what counts as green, it's up to investors and advisers like the Climate Bonds Initiative to assess them.

With the International Energy Agency estimating \$44 trillion is needed to decarbonize the economy by 2040, some investors want funding to target only zero-emission renewable technologies. Others, like those who subscribed to Repsol's bond, see value in mitigating pollution from oil and natural gas, which are destined to be around a long while.

Repsol says the bond is a way to fund energy-efficiency projects, seen as the "low-hanging fruits" of emission reductions. The security raised money to improve boilers, furnaces, heat equipment and oxygen control systems at refineries in Spain and Portugal.

It would help "avoid 1.9 million tons of greenhouse gas emissions annual run rate by

2020," according to an assessment of Repsol's bond by Vigeo Eiris, the Paris-based environmental ratings company. That's the equivalent of what's produced by about 400,000 cars.

Sustainable Economically

"The energy industry is a big source of emissions globally," said Kristian Rix, a spokesman for Repsol. "If we can make investments in efficiency and do better business, then we're actually doing this transition in a way that is not only sustainable environmentally, but is also sustainable economically."

Repsol will exclude projects related to the exploration of new oil and gas reserves from the green bond, and employ external auditors to ensure only qualified projects receive funding, according to the bond documents. The company also wants to invest in technology to boost the efficiency of heating and cooling systems as well as mitigate methane emission and flaring. It's already reduced emissions by 4.3 million tons in the last decade and is focused on shifting toward natural gas and away oil and coal, Rix said.

To be sure, Repsol isn't the first fossil-fuel company to tap green bonds. An oil company in Thailand, Bangchak Petroleum, raised \$95 million two years ago in a green bond offering aimed at expanding its renewable energy business, though the Climate Bonds Initiative said in the press at the time it didn't have enough information about the deal to count it based on its measures. The company changed its name to Bangchak Corp. this year.

Utilities that have relied on fossil fuels, including Westar Energy Inc. and Engie SA, have issued the securities to develop strategies for renewables. What distinguishes the Spanish oil giant's issuance is that it's the first tied directly to a major oil company, with upstream and downstream fossil fuel businesses.

"In one sense these green bonds are ▶



The green bond market is on track to reach issuance of \$123 billion this year, according to Bloomberg New Energy Finance.



doing exactly what they are supposed to do,” said Kenneth St. Amand, portfolio manager at Natixis Asset Management’s responsible-investment unit Mirova, which oversees \$7.2 billion but decided to stay away from Repsol’s bond.

Environmental Risk

“There needs to be some positive impact at the end of our analysis before we make an investment,” St. Amand said. “We’d prefer to see no environmental and social risk in our portfolio.”

Kidney at the Climate Bonds Initiative said oil companies like Repsol shouldn’t be excluded from issuing green bonds. Instead, they should be encouraged to dedicate the funds that they raise into renewable energy businesses like offshore wind farms. The organization has worked with Mirova to develop standards for what qualifies as green finance.

His concern is that plowing funds from green bonds into efficiency upgrades at refineries may undermine efforts to slow global warming by extending the life of fossil fuels.

Green Shades

The market for environmentally-friendly securities is responding to investor concerns by labeling different shades of green bonds, Moody’s Corp. said in March. That could help investors understand just how environmentally friendly their green bonds are.

Demand for Repsol’s green bond “grew exponentially,” with more than 2 billion in orders in the first hour of execution, according to a term sheet from bookrunner Banco Bilbao Vizcaya Argentaria SA. The deal was 4.4 times

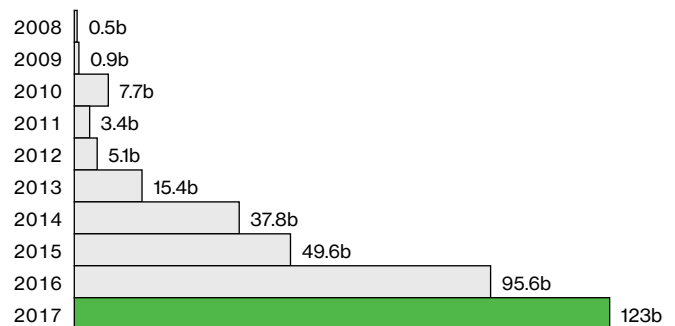
oversubscribed and priced at 5 basis points more than the issuer expected. Its 0.5 percent coupon was the lowest ever for Repsol on a public transaction, according to BBVA, which ran the deal with Citigroup Inc. and HSBC Holdings Plc.

For Repsol, the green bond provided a diverse set of investors with orders coming from 20 countries. About 45 percent of the bond was bought by sustainable investors, similar to the split for other Spanish sustainable and green bonds issued this year, according to BBVA.

“We were pleasantly surprised by the strength of demand,” Rix said. “With a bit of luck, this will serve as an example for others to follow.” ●

Green Bonds Growing

Issuance expected to reach \$123 billion this year



Source: Bloomberg New Energy Finance

Stuck at LaGuardia, an Infrastructure Bull Doubts No. 1 Bet

By CHRISTOPHER MARTIN AND MARK NIQUETTE — ORIGINALLY PUBLISHED APRIL 28, 2017

- ▶ Confidence fading that \$1 trillion program will happen in 2017
- ▶ Health care, taxes, geopolitical threats take precedence

IT WAS DURING a flight delay over New York's LaGuardia Airport that David Richardson affirmed his decision to trim his bold bet on water projects.

Just weeks earlier, in the aftermath of Donald Trump's election, Richardson had shifted about half of Impax Asset Management's \$6.3 billion to water projects with a focus on the U.S. He figured that the new administration would finally be able to address America's aging infrastructure, and he wanted Impax to be part of the action.

Then his arrival at LaGuardia was delayed – because of flooding, he said. That got Richardson, executive director of the London-based firm, second-guessing exactly how long it was going to take for politicians to start spending the \$2 trillion experts say America's infrastructure will need over the next decade.

So Impax cut its stake in water projects to 46 percent of its assets with an eye to trim more. Not a big reduction, true, but other investors now share his skepticism about the U.S. getting anything done soon. They worry that Congress and a president focused on health care, tax reform and geopolitical threats means they can mark down 2017 as yet another lost year for fixing infrastructure.

"People who were very optimistic at the beginning of Trump's presidency are now looking for infrastructure spending to be more of a 2018 thing," said Jose Garza, a research analyst at Gabelli & Co. in Rye, New York. "It's been shuffled behind other priorities."

The S&P Global Water Index climbed to a record high this week and has gained nearly 12 percent since Trump was elected. Many of the companies whose stocks are in the index are based outside the U.S.

Investment Need

Pictet Asset Management, which has about \$6 billion invested in water, sees much of the U.S. industry as fully valued and has been

taking profits on some positions, according to Geneva-based portfolio manager Simon Gottelier.

"Clearly the Trump administration is planning to spend on infrastructure," Gottelier said. "It could come in the next 12-24 months."

It's not as if there isn't a need. Spending on municipal water and waste water will climb to \$532 billion through 2025, a 28 percent increase over the last decade, according to a Bluefield Research estimate. Old pipes cause 240,000 water-main breaks each year at a cost of \$2.6 billion, according to the U.S. Environmental Protection Agency. Lead has been showing up in drinking water around the country, not just in Flint, Michigan. California agreed this month to spend \$275 million to repair the Oroville Dam spillway before the rainy season starts.

Investors who want to get in on water infrastructure spending can buy the stocks of utilities, those of their suppliers, or municipal utility bonds.

Infrastructure Fix

Trump campaigned on a \$1 trillion infrastructure fix over 10 years. As big a number as that is, it's only about half what the American Society of Civil Engineers said will be needed in additional funding to meet the \$4.59 trillion it would take by 2025 to make up for years of neglect.

The president's budget director said April 20 that Trump will propose spending \$200 billion in taxpayer dollars on infrastructure. Leveraging private investment would boost the outlay to \$1 trillion, he said. The administration hopes to send an infrastructure package to Congress "probably by summer or this fall," U.S. Department of Transportation Secretary Elaine Chao said during an April 24 event in Ohio.

It's unclear how much of that would be ▶

28%

Spending on municipal water and waste water will climb to \$532 billion through 2025, a 28 percent increase over the last decade, according to a Bluefield Research estimate.



Flood waters in Oroville, California, on Feb. 15, 2017.

devoted to water projects, though EPA Administrator Scott Pruitt told a conference of mayors last month that water investments would match those for highways, bridges and airports. During the campaign, Trump said everyone deserves safe drinking water, and that “water infrastructure will be a big priority.”

“Water is the oil of the 21st century,” said Phil Mezey, chief executive officer of Itron Inc., a smart-meter supplier to U.S. water and power utilities.

‘Coming Fast’

The administration’s initial plan called for addressing infrastructure after passing measures on health care and taxes. But the health-care bill failed to even get a vote and Trump started talking about combining it with infrastructure to attract support from Democrats.

“Probably use it with something else that’s a little bit harder to get approved, in order to get that approved,” Trump said during an April 18 appearance in Kenosha, Wisconsin. “But infrastructure is coming and it’s coming fast.”

The timing is “still a little bit up in the air,” depending

on whether a bill moves alone or with other legislation, DJ Gribbin, special assistant to the president on infrastructure policy, said April 12 at a Wall Street Journal forum in Washington.

Report Card

In its 2017 report card on infrastructure, the American Society of Civil Engineers said federal, state and local governments have committed \$45 billion to upgrade water and wastewater infrastructure, but needs to spend another \$105 billion over the next 10 years. Dams, levees and ports could use \$124 billion more over the next decade to close the funding gap, the report card said.

Other types of infrastructure spending, like building bridges, repairing highways and upgrading airports, require permits and approvals that can bog down work for years. Fixing existing water pipes and pumps can be done faster.

“Water pipes won’t be litigated,” Richardson said. “Bridges and highways require environmental impact statements.

“Water is an under-appreciated asset,” he added. “There’s a lot to love and a lot to be cautious about.” ●

Green Munis Blossom as Investors Snap Up Bonds

By AMANDA ALBRIGHT — ORIGINALLY PUBLISHED APRIL 6, 2017

INVESTORS SEEKING SUSTAINABLE opportunities are finding a natural home in green U.S. municipal bonds, which saw the busiest first quarter for issuance on record and look set to come into full bloom this year.

Long-term and short-term green municipal bond sales reached about \$1.5 billion in the first quarter of 2017, a 42 percent increase from the same quarter a year ago. Sales are rising even as long-term and short-term municipal volume declined 11 percent year-over-year to \$90.2 billion in the first quarter.

Heightened demand for green municipal securities is what will drive continued growth in the market this year, said Sean Kidney, chief executive of the London-based Climate Bonds Initiative, a nonprofit that offers a certification for green

bond issuers and promotes the growth of the market. Cities and states are seeing that meeting green bond requirements is not difficult and there is strong interest in them, he said. “The muni market has been bubbling away like a cauldron on heat,” he said.

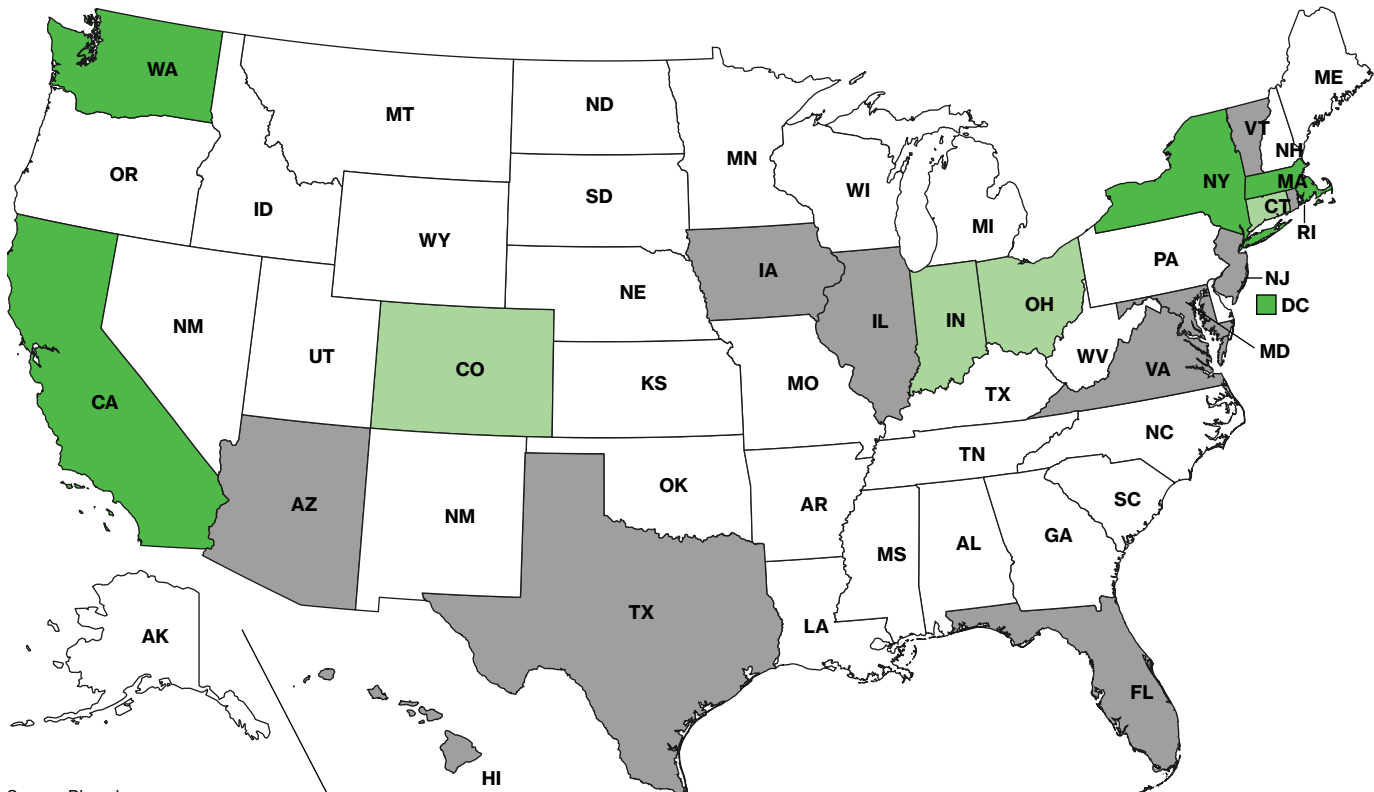
Even though the green-labeled municipal bond market started just four years ago and issuers are still working out the best way to prove their projects are green, investors are snapping up the bonds. Massachusetts, which plans to sell \$100 million in green securities April 6, sold of \$250 million in taxable green bonds last year oversubscribed to by six times, said Dan Truong, spokesman for the state treasurer’s office.

The interest comes as more investors seek investments with an environmental, social or governance mandate. ►

Coastal States Raise Most Capital in the Green Bond Market

Cumulative bonds sold:

Less than \$100m
 \$100–\$500m
 \$500m–\$1b
 \$1b



Source: Bloomberg

U.S. sustainable investing has grown 33 percent between 2014 and 2016, according to US SIF: The Forum for Sustainable and Responsible Investment. Sales are also getting a boost as city officials seek to reduce their carbon footprints, he said. President Donald Trump’s plans to spend \$1 trillion on infrastructure over the next decade could end up increasing green municipal bond issuance because many projects in need of repairs, like public transit, have an environmentally-beneficial impact, he said.

Even as overall municipal bond sales are expected to drop in 2017 due to higher interest rates, green bond issuance should remain strong in part because it’s easy for issuers to take advantage of the label, said Tim McGregor, director of municipal fixed income management for Northern Trust Asset Management, which oversees more than \$30 billion in municipals.

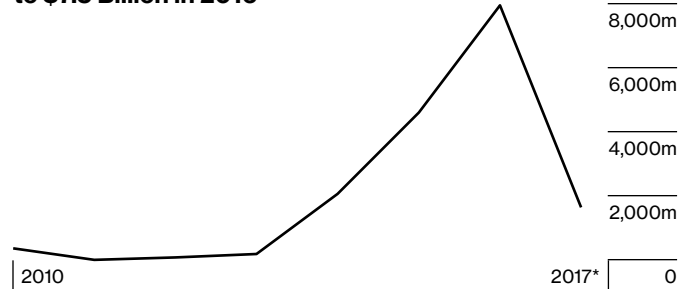
“Municipal bonds, almost by definition, are pretty green in the first place,” he said.

This year has been marked by well-known issuers returning to green bonds market with new deals. The New York City Metropolitan Transportation Authority has sold \$638.4 million in green bonds this year and the D.C. Water and Sewer Authority sold \$100 million in the securities. The MTA said in a 2017 bond prospectus that it expects to sell additional green bonds in the future.

Massachusetts, which was the first state to sell green bonds in 2013, plans to sell \$100 million in green bonds April 6. The bond proceeds will be used for environmentally-friendly projects that could include habitat restoration, energy efficient buildings and storm-water management.

Selling green municipal bonds hasn’t lowered the state’s borrowing costs, but it is a way to broaden the investor base

Green Municipal Bond Sales Climbed to \$7.5 Billion in 2016



Source: Bloomberg

Note: Issuance of green-labeled municipal bonds began in 2013 when Massachusetts first sold the securities. Bloomberg also includes qualified energy conservation and clean renewable energy bonds in its data about issuance in the sector. *as of April 6, 2017

in the state’s bonds, according to Drew Smith, the state’s deputy assistant treasurer.

“You have a ton of retail interest from folks that are advocacy based – I’m talking about true retail investors in Massachusetts,” Smith said. “They may have \$5,000 to invest, but they want to put it to work here.”

The New Jersey Environmental Infrastructure Trust, which sold \$106.4 million in green bonds earlier this year, plans to sell its future bond offerings as green, said David Zimmer, executive director. The trust gives money to local governments to complete water quality projects, almost all of which have an environmental benefit, he said.

“If anybody should be doing green bonds, it absolutely should be us,” he said. “By God, if we’re not leading the way, shame on us.” ●

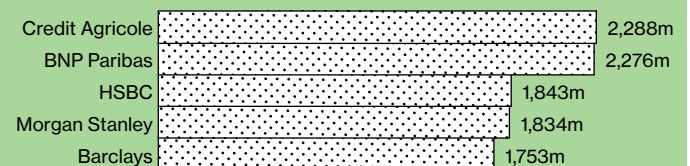
Credit Agricole Leads in 1Q Green Bond Underwriting

By DANIEL SHUREY

FRENCH BANKS Credit Agricole and BNP Paribas are the leading green bond underwriters this year so far, with 13 and nine green bonds in the first quarter, respectively. Both were bookrunners on a 7 billion euro (\$7.47 billion) sovereign bond from the French government.

No Chinese banks made it into the league table this quarter, highlighting a drop-off in green issuance from China. Green bond issuance in the first quarter reached \$28.6 billion, the second busiest quarter on record. Annualized, this equates to \$103 billion for 2017.

European Banks Underwrote Most Green Bonds in 1Q



Source: Bloomberg New Energy Finance

Notes: Underwriter league tables are updated quarterly and are based on estimates only. Joint lead underwriters are allocated equal portions of each issue unless specific allocations are disclosed. Data for some deals is unconfirmed due to the nature of private placements. Bonds covered include corporate, supranational, ABS, MBS, project and municipal. Private placements are not included.

U.S. Green Banks Vie for Bigger Role Under Trump

By JUSTIN MORTON — ORIGINALLY PUBLISHED MARCH 30, 2017

\$35m

The D.C. government committed to invest \$35 million over five years to the DC Green Bank, which is expected to launch in October.

U.S. STATES AND municipalities are looking to their own green banks to drive environmentally-friendly investment as the administration of Donald Trump pushes the federal government out of that role.

“Green banks are more important now in the Trump Era because public policy uncertainty increases risk and the cost of capital,” said Bryan Garcia, president and CEO of Connecticut Green Bank, in a March 23 telephone interview.

The Washington, D.C., mayor’s office on March 15 proposed the first U.S. city-focused green bank, aimed at investing in new and retrofitted energy-efficient buildings. The D.C. government committed to invest \$35 million over five years to the DC Green Bank, which is expected to launch in October.

Green banks are critical now that the Trump administration “can no longer be counted on as a partner,” said Tommy Wells, director of the D.C. Department of Energy and Environment. The DOE is working with the DC Green Bank to ensure its programs are aligned on energy efficiency, storm water and solar expansion programs, Wells said in a March 21 telephone interview.

“Even where there is uncertainty about federal benefits and tax credits we have seen solar and wind projects get done,” said New York Green Bank’s chief operating officer and managing director, Caroline Angoorly, in a March 24 telephone interview. The bank has invested over \$300 million in clean energy since 2014.

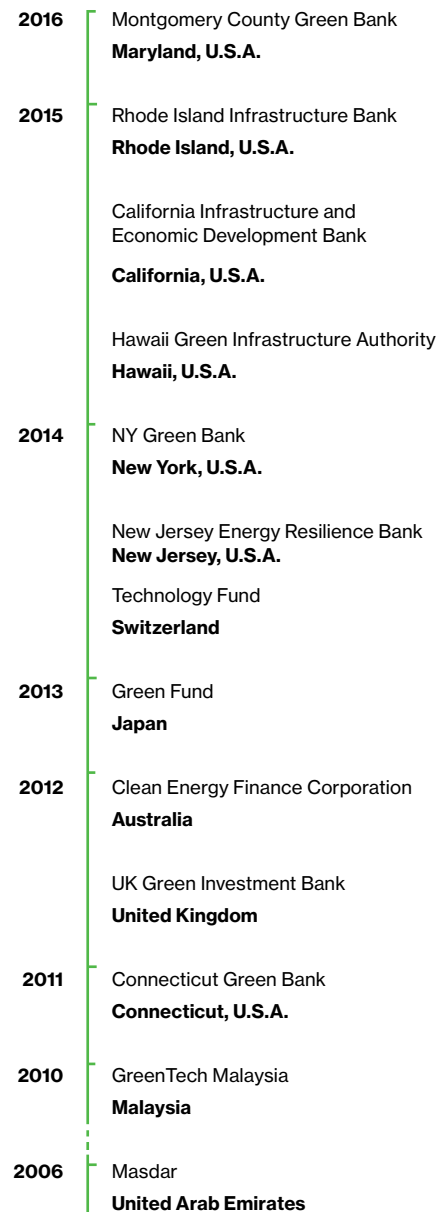
The DC Green Bank is structured to be a “break-even entity” for the first few years before it becomes profitable, said Wells. Some loans, loan guarantees, and credit enhancement products may have interest rates as low as zero, while other products will have associated fees and market-rate interest to pay operating costs, he said.

By contrast, the Connecticut Green Bank earns a 4-6 percent annualized return over the 20-year life span of its \$75 million solar lease program, said Garcia. Funding includes \$15 million from the green bank and the balance from private investors.

A key challenge to create green banks is getting enough capital, despite funding from taxpayers, ratepayers and other public sources, Wells said. Green banks also try to get private investors, including local banks and pension funds through partnerships, co-investments, or transactions aimed at limiting credit risk, he said.

Since the first U.S. green bank was founded in 2011, those institutions have participated in investments worth more than \$2 billion across six states, according to the Coalition for Green Capital. Green banks are usually set up as public or quasi-public lenders in order to fund some clean energy projects that traditional banks may be unwilling to finance, according to the Coalition. ●

Green Bank Launches Have Slowed Since Big Year in 2014



Source: Bloomberg

Offshore Wind Draws New Investors, Including Big Oil

By EMILY CHASAN and JESSICA SHANKLEMAN —
 ORIGINALLY PUBLISHED MARCH 30, 2017

BIG OIL AND institutional investors are showing greater interest in offshore wind, where costs are falling and perceptions shifting.

Royal Dutch Shell Plc, Statoil ASA and Eni SpA are moving into multi-billion-dollar offshore wind farms in the North Sea and beyond as they have developed a specialty in anchoring massive turbines on the seabed. They're also starting to score victories against leading power suppliers including Dong Energy A/S and Vattenfall AB in competitive auctions for power purchase contracts.

"Nearly all the staff we have working in new energy solutions come from our oil and gas unit – it's a remarkable synergy," Bjorn Otto Sverdrup, senior vice president for corporate sustainability at Statoil, said in a March 28 interview.

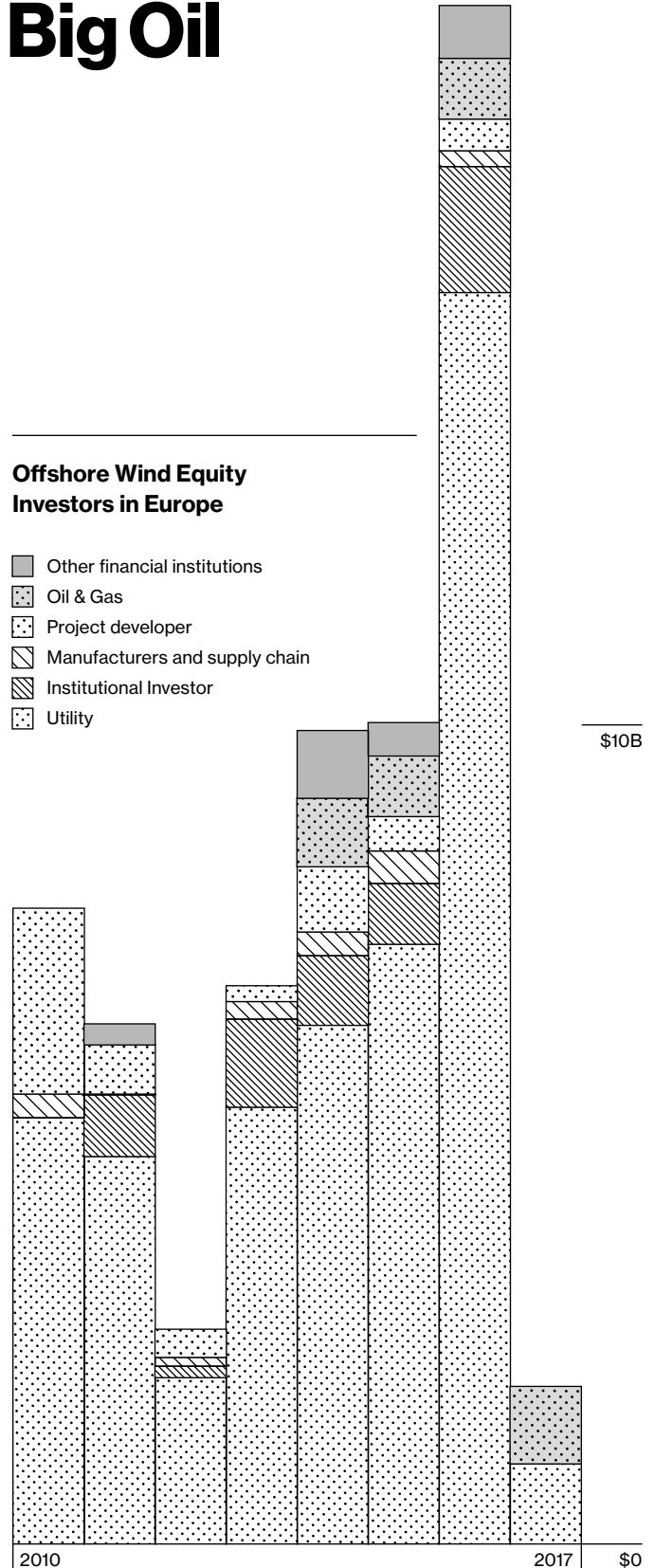
Offshore wind costs in Europe are in free fall, attracting new institutional investors to the sector, who are making record bids with unconventional investment structures for offshore wind builds and refinancing, according to Bloomberg New Energy Finance analyst Keegan Kruger. Institutional investors looking to expand into the renewables sector "are increasingly comfortable taking on direct construction and operational risk," Kruger said in a March 27 research note. The Macquarie European Infrastructure Fund, for example, acquired a 50 percent stake in a Dong Energy U.K. offshore wind project for \$2 billion in December, assuming full construction risk alongside Dong.

"I'm much more positive on offshore today than I was a year ago," Chris Varrone, founder and president of Riverview Consulting, Inc., and managing director in the Environmental Social and Governance Group at Silver Leaf Partners, LLC, said at The Wall Street Green Summit in New York March 27. "I was still a doubter a year ago, but I've been converted." ●

— With assistance from Dana Pardini and Joe Ryan

Offshore Wind Equity Investors in Europe

- Other financial institutions
- Oil & Gas
- Project developer
- Manufacturers and supply chain
- Institutional Investor
- Utility



Source: Bloomberg New Energy Finance



Curt LaBelle



Glenn Rockman

Impact Fund Targets Health Care Solutions for Under a Dollar

Interviewed by EMILY CHASAN ON FEB. 6 —
ORIGINALLY PUBLISHED MARCH 30, 2017
Comments have been edited and condensed for clarity.

**Curt LaBelle, managing partner, and
Glenn Rockman, partner, Global Health Investment Fund**

GHIF is a \$108 million U.S.-based private investment fund that targets low-cost health care products in developing countries. Structured by JPMorgan and the Bill & Melinda Gates Foundation, the fund launched in 2013. Investors in the fund also include Pfizer, Merck, GlaxoSmithKline, AXA, and other institutional, government and high net worth backers.

Q: Your fund is a partnership between philanthropy and private capital. How does that affect what you do?

GR: The fundamental premise was, can you have your cake and eat it? If you write a grant, it's 100 percent financial loss on the day that you sign that check. You hopefully will get impact, but the hope with the Global Health Investment Fund was that you could recycle capital by making investments. There are corners of the public health, drug, vaccine and diagnostic landscape where you can put \$5 million to \$20 million of capital to work, and earn a respectable financial return. The returns come either through dual-market opportunities where the products treat diseases in high-income countries as well as poor countries, or through selling massive volumes and good margins. If there is a viable market for these products, then shouldn't charitable and mission-driven funders participate in financial upside from that?

Q: What kind of products and services are you investing in?

CL: We only want to invest in companies that are creating products and devices that can be used in the ►

“If there is a viable market for these products, then shouldn’t charitable and mission-driven funders participate in financial upside from that?”

—Glenn Rockman

developing world to address key health needs. It has to be made inexpensively and delivered inexpensively as well. There may be a great need in the developing world for some sort of cardiovascular condition, but if it costs \$10,000 and requires a highly-trained cardiothoracic surgeon to implant it, we wouldn’t invest in that. It’s great when those products we invest in have applications and uses in the developed world as well, because then you can lock in your financial returns more reliably. Right now, we’re close to an even split between devices and diagnostics and in the other half, pharmaceuticals and vaccines in the fund. We have invested in an oral cholera vaccine, and a self-test HIV test that is in use in South Africa. We have a company that has a drug for river blindness that we’ll be submitting for FDA approval later this year.

Q: There’s been a lot of scrutiny on drug prices and drug availability lately. Is it a good time to enter this space?

CL: The companies that we invest in like the fact that they have committed to certain pricing and that we are opening up these low-income markets for them. When your main goal is to make the product as affordable as possible, then you start out with a different mindset and that in and of itself drives some interesting innovation. One of our companies is called Atomo Diagnostics. They are addressing the problem of user error in blood-based tests. Their idea is to create a lab-in-your-hand device that is easy to handle and easy to shift, but it had to be made for \$1. I think if we hadn’t been there saying this has to cost \$1, down the road they would have never pushed for that. The markets historically haven’t been pushing to cut every penny. In the developed world, we feel like our portfolio is extremely well positioned for potential price cuts that could hit countries like the U.S.

Q: What kind of return expectations do you have?

GR: We want to be as close to commercial, if not market-beating returns as possible, but the main point is can you stretch your philanthropic dollars and get the same or better social impact using venture capital and private equity tools? We’re a \$108 million fund, and a single clinical study can cost a multiple of that, so we’re really testing the market and trying to build a broad portfolio of drug vaccines and diagnostic investments to show that you can make money in these markets. If that works, we want to scale it. The areas our investors are most passionate about are HIV, TB and Malaria, neglected infections diseases like river blindness and worms, and maternal and child health. Those are some of the most neglected areas relative to the amount of investment capital they attract. In each of those areas you can intervene with a better diagnostic, a vaccine that will prevent it for life, or a treatment that will have better cure rates than existing products.

Q: How do you try to guarantee impact?

CL: We piggy back on a lot of the learnings from the Gates Foundation. We have a committee called the Charitability Oversight Committee that reviews every single investment that we make and their sole job is to say yes, this is serving a need in a low-income setting and yes, there are commitments to make the product available at a low price.

Q: What’s next?

CL: We’ve made seven investments so far, we plan to make three or four more and then turn our attention to another fund. Our initial investors seem to be pushing for something larger on the next fund. ●

Ford Foundation to Put \$1 Billion of Endowment in Impact Funds Tied to Mission

By EMILY CHASAN — ORIGINALLY PUBLISHED APRIL 6, 2017

THE FORD FOUNDATION is committing \$1 billion of its endowment over the next 10 years to money managers who invest in affordable housing and financial services for people in developing countries.

The move marks a shift by the New York-based nonprofit, from investing its \$12 billion endowment in traditional assets to funds aligned with its mission that also aim to earn market-rate returns, the foundation said in a statement April 5.

“We believe the time has come to step up and put our money where our mouth is,” Ford Foundation President Darren Walker said in a conference call last week. “If we as a society are going to solve the world’s problems, every sector needs to play a role.”

Guidance from the U.S. Treasury Department in 2015 clarified that foundations can consider their mission as part of prudent investment decisions, removing concerns that doing so would conflict with their fiduciary duty to act in the foundation’s best interest, Walker said. The size of Ford Foundation’s commitment will hopefully push others to make similar pledges, he said.

There are more than 86,700 grant-making foundations in the U.S. and they control more than \$865 billion in assets, according to the Foundation Center, which has tracked foundation data through 2014. But only a small percentage of them have matched their endowment strategies with the social causes they support, such as investing in companies that protect the environment.

Most foundations that pursue mission-related investments apply less than 5 percent of their endowments toward it, according to a 2016 study of 29 foundations by the University of Pennsylvania. An early exception is the Heron Foundation, which is deploying 100 percent of its \$273 million endowment in investments that fight poverty.

The Ford Foundation’s portfolio saw an annual return of 3 percent for the fiscal year ended Dec. 31, 2015, according to documents filed in March.

The foundation has already built expertise in the mission-aligned investment areas it is targeting for its endowment, Walker said.

It has supported affordable housing and financial inclusion projects for years, backing microfinance, savings and

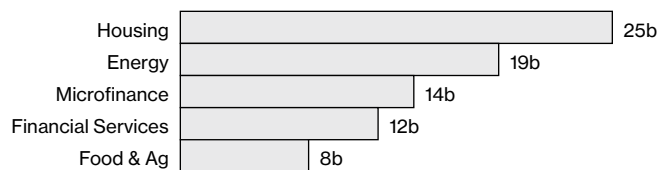


Darren Walker

insurance products to help individuals in developing countries. The foundation currently has \$75 million in program-related investments in affordable housing and \$77 million in financial inclusion, which do not seek market returns.

The foundation will invest the \$1 billion over 10 years by gradually shifting money into funds that seek to earn “not only attractive financial returns but concrete social returns as well,” according to its April 5 statement. ●

Impact Investing Assets Top \$114 Billion, Led By Housing



Source: GIIN

Investors put at least \$22 billion into nearly 8,000 impact investments in 2016, bringing total assets in the sector up to about \$114 billion, according to the Global Impact Investing Network’s annual survey released May 17. At the end of 2016, the greatest share of all impact investments under management — about 22 percent — was in housing. About a quarter of the 209 investors polled by GIIN said they planned to boost allocations to food and agriculture in 2017. GIIN expects impact investors to put about \$25.9 billion to work in 2017.



Environmental Investing Trends

Compiled by ALISON CIACCIO

Investors are watching trends from electric cars and battery storage to shifts in proxy voting habits

62%

Share of voters who supported Exxon's climate resolution during its annual general meeting in Dallas on May 31

\$13.5t

Global spending needed through 2030 to achieve Paris Climate Accord

49.7k

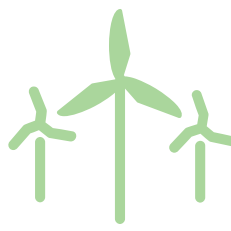


U.S. electric vehicles sold in 1Q 2017, up 49 percent from the same period of 2016

375k

U.S. workers employed by the solar industry in 2016, twice as many as coal

51%

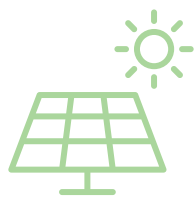


Projected growth in wind and solar energy over the next three years, even without the Clean Power Plan

25k

Shipment of Tesla vehicles in 1Q 2017, beating analysts' estimates

\$5b



Investments in renewable energy being considered by Saudi Arabian Oil Co. when it sells its shares next year

6%

Increase in coal's share of power generation in Nebraska between 2006-2016; the only state to show a rise in coal use

17%



Decline in global clean-energy investment in 1Q as the U.S. and China both scaled back support for wind and solar farms

37GWs

Installed solar target proposed by South Korea's President Moon Jae-in by 2030; eight times the current installed base

44¢



Potential jump in U.S. retail gasoline prices per gallon if lawmakers were to enact a \$40-a-metric-ton tax on carbon emissions

30%

Portion of Spain's energy generation (excluding large hydro) that comes from renewables as of 2016. That compares to 9 percent in the U.S.

U.S. State Department Reviewing Conflict Minerals Sourcing En Route to Rethink

By ANDREA VITTORIO — ORIGINALLY PUBLISHED MARCH 27, 2017

THE U.S. STATE Department and other federal agencies are looking at efforts to break the link between armed groups and the minerals trade in and around the Democratic Republic of Congo.

Their newly launched review of how best to support responsible sourcing of conflict minerals could help determine the next step in a potential rethink of a Securities and Exchange Commission disclosure rule that requires listed companies to trace their use in products such as smartphones, cars and jewelry.

Verifying the source of the minerals has proven difficult for companies, according to Government Accountability Office research, and some, including the acting head of the SEC, have questioned what impact the disclosures are having. While armed groups are

not absent from the mining sector, field research by the International Peace Information Service shows their presence has been reduced at mines in eastern DRC for three of the minerals – tin, tantalum and tungsten – but they remain common and have even reportedly increased in the gold sector.

The Trump administration seemed poised to suspend or rework the reporting rule – until Apple Inc., Tiffany & Co. and other major corporations said they would continue rooting out conflict minerals from their supply chains regardless. “That gave them pause,” Arvind Ganesan, who leads Human Rights Watch’s work on abuses linked to business and other economic activity, told Bloomberg BNA.

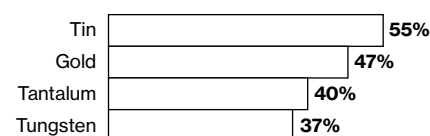
Instead, the agencies’ month-long request for feedback could be an attempt to “repeal and replace” the SEC reporting requirement with other government policies or programs, said Sasha Lezhnev, associate director of policy at the nonprofit Enough Project.

Doing so would address criticism leveled at the rule by groups like the U.S. Chamber of Commerce and the National Association of Manufacturers. “We think it’s a

fundamentally flawed rule and the SEC is the wrong agency to try to solve this kind of problem,” the Chamber’s Brian O’Shea told Bloomberg BNA.

The SEC, which just finished gathering feedback on the rule, declined to comment on the State Department’s public consultation, which runs until April 28. ●

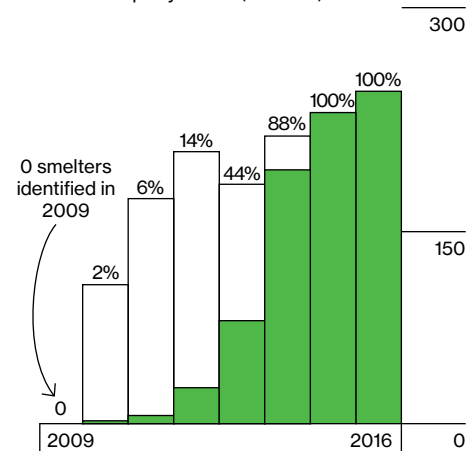
Percent of Companies Reporting Conflict Mineral Use in 2015



Source: U.S. GAO, OECD

Apple Cut 22 Suppliers Over Conflict Mineral Use

Legend:
 □ Identified smelters/refiners
 ■ Smelters/refiners participating in third-party audits (% noted)



Source: Apple Supplier Responsibility 2017 Progress Report

Boards Face More Diversity Pressure as Progress Stalls

By JEFF GREEN AND EMILY CHASAN — ORIGINALLY PUBLISHED MARCH 2, 2017

SLOWLY BUT STEADILY, investors continue to let corporate boards know that “pale, male and stale” doesn’t cut it anymore.

The small but growing number of shareholder votes on diversity proposals is on pace to match or exceed the record set last year, according to data compiled by ISS Analytics. Apple and Tyson Foods investors already rejected such proposals, and another eight may still go to a vote.

In each of the last five years, more than 20 board diversity proposals have been brought to U.S. companies, encouraging some to change their policies and avoid a public referendum. IBM and CVS have already done so this year – explicitly stating they will consider gender and racial diversity in their board appointments.

“Companies think that they already have initiatives in place to ensure diversity,” said Ivy Jack, director of equity research at NorthStar Asset Management, which brought the proposals to IBM and CVS this year. “Even if you have already been doing it, maybe you need to do it differently, or you’re not doing it enough, because your board still does not represent your customers, or just the general population of the country.”

A vote doesn’t predict success – in fact, the opposite. Of the nine proposals that came to a vote last year at companies including Apple Inc., LinkedIn Corp. and Skechers U.S.A. Inc., the only one to pass was at FleetCor Technologies Inc. On average, the proposals earned about 25 percent support, according to ISS.

BlackRock Advisors Inc. and Vanguard Group Inc., the two biggest funds by assets under management, rarely vote for shareholder proposals on diversity topics. Both firms say

they prefer to engage privately with companies.

“The vote is but one mechanism we have to message the companies,” said Glenn Booraem, Vanguard’s head of corporate governance. “Our direct engagement with companies has the benefit of being far more nuanced than voting for or against a proposal.”

Blackrock spokesman Ed Sweeney noted the company’s commitment to various initiatives to raise the number of women in governance and executive leadership. “When we speak with company management and independent directors, we emphasize diversity and inclusion as key components of corporate culture and strategy,” he said.

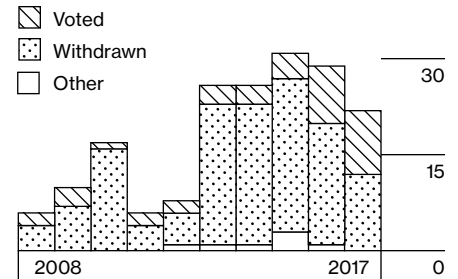
Morgan Stanley Investment Management Inc. and T. Rowe Price Associates Inc., on the other hand, vote for diversity proposals far more often. Morgan Stanley had no comment other than to refer to its proxy voting policy that says it considers such proposal on a case-by-base basis.

“We tend to support most of these proposals on the rare occasions when we are voting on them,” Donna Anderson, vice president and global corporate governance analyst for T.Rowe Price, said in an interview. “We think the business case is pretty strong that bodies with diverse views, including boards, tend to make better decisions than non-diverse groups.”

The \$309.7 billion California Public Employees’ Retirement System, has made diversity proposals a priority in its proxy voting, aiming to break companies “out of the group think of male, pale and stale,” said investment director Anne Simpson in an interview.

Getting the board right is our single most important responsibility as owners,” Simpson added. “As evidence grows on this and fund managers focus

Board Diversity Proposals Proliferate



Source: ISS Analytics

on building diversity even in their own organizations, I think we’re going to see support on this moving up.”

At the current pace of gains, women aren’t forecast to hold 50 percent of board seats until 2055. The number of people of color appointed as directors fell in 2016 and the overall rate of minorities serving on boards has been mostly unchanged over the last decade, according to executive recruiter Spencer Stuart.

As of now, 13 percent of companies currently give specific details about the race and gender of directors named in their annual filings, said Belen Gomez, senior director of research at Equilar Inc., which tracks diversity disclosure. “The needle is moving, but it’s moving slowly. I do think things are going to ramp up.”

NorthStar, based in Boston, filed six proposals this year asking companies to adopt language that they would seek greater board diversity. All six agreed to add specific wording, and the fund withdrew the proposals, said Mari Schwartzner, assistant director of shareholder activism, engagement and social research at the fund.

CVS confirmed it had agreed to wording changes that reflect the companies existing diversity goals. ●

Young Women Aren't Closing the U.S. Gender-Pay Gap; Men Are Sliding Backwards

By REBECCA GREENFIELD — ORIGINALLY PUBLISHED APRIL 5, 2017

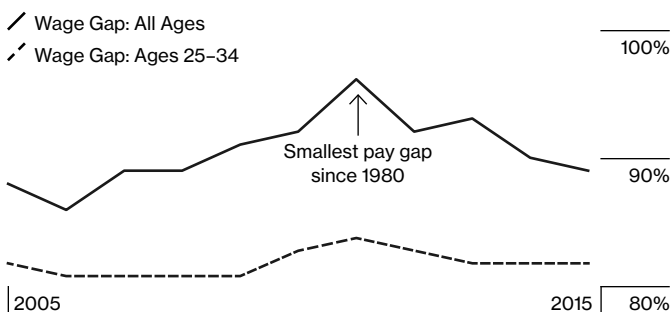
IT LOOKED PRETTY good for young women's earnings in 2011. The pay gap separating women and men aged 25 to 34 was the smallest ever recorded by the Pew Research Center, with young women earning 97 cents for every dollar paid their young male counterparts. For the rising generation of U.S. workers, at least, there was very nearly income equality.

Then things started going backwards. By 2015, the pay gap for 25- to 34-year-olds had widened to 90 cents for every man-earned dollar in that demographic, according to new data from Pew. What happened?

It turns out that what looked like good news for young women earlier this decade was mostly just bad news for men. "During the recession, men were much harder hit than women in terms of employment losses. They were more likely to be located in jobs and industries that took a big hit," said Rakesh Kochhar, an economist at Pew. "Rather than women catching up, you're seeing a return to the historical level."

Women didn't catch up—men slid backwards. Even taking the recession blip into account, women of all ages haven't made much progress in the last decade. The gender-pay gaps for all women and for young women both hover around the same numbers they did in 2005. Pew has found that a woman today makes 83 cents to a man's dollar, a finding that has stayed consistent over the last 10 years. That's also consistent with the Bureau of Labor Statistics' findings.

Narrowing the Gap?



Source: Pew Research Center

The pay gap for young women is relatively small when compared to that of women in general because the American workplace punishes women with kids. Young men and women enter the corporate pipeline at the same rates, according to research from McKinsey and Lean In. One survey from Hired even found that women with less than a year of experience earn 8 percent more than their male colleagues. Yet women make up only 17 percent of C-suite positions, McKinsey and Lean In found.

Women who have children tend to get pushed out of the workplace because of a lack of flexible schedules and paid parental leave policies. Those who stay in the workforce face what's known as the "motherhood penalty." For every child a woman has, she loses 4 percent in lifetime earnings, a figure purely attributable to bias. New moms come back from leave to fewer responsibilities. When a woman leaves early to pick a kid up from school, she gets judged.

Men, on the other hand, get a "fatherhood bonus"—a 10 percent bump in earnings for each child. Paid parental leave policies and flexible schedules would help new moms integrate into the workforce. Neither of those things are happening, so progress reaching pay parity has stagnated.

In the last decade, workplaces have reduced their parental leave policies. Even if that trend doesn't push women out of the workforce, rigid schedules can make it difficult for women to work the long hours required to make up for the wage gap.

At this point, most jobs still reward long hours—something people without kids, or most parental responsibilities, can do. "There seems to be a premium placed on working longer hours, which men are more apt to do," said Kochhar. ●



Highest-Paid Women in America Reap Rewards of Technology Boom

By ANDERS MELIN — ORIGINALLY PUBLISHED MAY 11, 2017

- ▶ IBM's Ginni Rometty is tops with \$96.8 million pay package
- ▶ Yahoo, HP, Oracle, General Dynamics CEOs round out top five

GINNI ROMETTY, MEG Whitman and Safra Catz have been trailblazers in the technology industry, and now they're America's highest-paid female executives.

Rometty, 59, the chief executive officer of International Business Machines Corp., was awarded a \$96.8 million package for last year, making her the top-ranked woman on the Bloomberg Pay Index, a ranking of the 200 best-compensated executives at companies that submit details to U.S. regulators. That puts her at No. 6 on the list, after five men, and marks the first time a woman has cracked the Top 10 since the index was created in 2015.

Whitman, 60, the CEO of Hewlett Packard Enterprise Co., is No. 2 with \$52.5 million in her first year leading the maker of corporate software and hardware, following its split from parent Hewlett-Packard Co. Her package includes stock options and restricted shares linked to performance. Companies often grant big equity awards to executives in their first year on the job.

Catz, 55, who was the top-paid female executive for 2015 after she was promoted to co-CEO of Oracle Corp., is

third with \$39.2 million. Her compensation fell since the board scaled back executive awards following years of shareholder complaints, and she didn't get an annual bonus after Oracle's profit slid.

Fourteen women made the list for 2016 pay, compared with 17 a year earlier. The index values equity awards at each company's fiscal year-end. Compensation figures can therefore differ from those disclosed in regulatory filings, in some cases by a lot, depending on stock-price moves and dividend payouts.

Those at the top of the ranking benefited as tech stocks were among the best performers in the U.S. last year. The S&P 500 Technology Hardware and Equipment Index climbed 15 percent, outpacing the 9.5 percent advance for the broader benchmark, and the tech-heavy Nasdaq Composite Index logged its fifth straight year of gains.

Rometty's awards include a one-time grant of premium-priced stock options that surged in value after IBM shares rallied 21 percent in 2016.

Marissa Mayer, Yahoo! Inc.'s outgoing CEO, took fourth with \$32.8 million for the year she orchestrated a sale of the firm to Verizon Communications Inc. The board withheld her 2016 bonus after it was revealed that hacks of the web portal had exposed hundreds of millions of users' personal information. Part of her pay comes in stock that's linked to performance. Mayer, 41, will step down from the board when the deal is completed.

Phebe Novakovic, 59, who's led General Dynamics Corp. since 2013, was fifth with \$30.6 million in awarded compensation. The value of her options and stock grants, some of which are linked to performance targets set by the maker of Abrams tanks and nuclear submarines, jumped along with defense stocks in the wake of Donald Trump's election.

The top-ranked executives or their representatives declined to comment or didn't respond to requests for comment.

Topping the Bloomberg Pay Index for 2016 is Wal-Mart Stores Inc.'s online chief Marc Lore, who received \$236.9 million in awarded compensation, the bulk of it from shares that were part of the purchase price for his Jet.com Inc. Apple Inc.'s Tim Cook took second and Evercore Partners Inc.'s John S. Weinberg was third. ●



Exxon Investors to Company: Make Climate Curb Fallout Public

By JOE CARROLL — ORIGINALLY PUBLISHED MAY 31, 2017

EXXON MOBIL CORP. investors, in a split with the company, urged the explorer to publish a detailed analysis on how carbon curbs could affect the value of its oil fields, refineries and pipelines.

The non-binding measure, backed by shareholders including the California Public Employees' Retirement System and the Church of England investment fund, comes amid reports President Donald Trump may soon abandon the 2015 Paris climate accord. More than 60 percent of voters approved the resolution during Exxon's annual general meeting in Dallas on May 31.

The vote was "an unprecedented victory for investors in the fight to ensure a smooth transition to a low-carbon economy," New York State Comptroller Thomas P. DiNapoli said in a statement. "Climate change is one of the greatest long-term risks we face in our portfolio and has direct impact on the core business of Exxon Mobil."

While Exxon's management opposed the resolution, Chief Executive Officer Darren Woods said he remains committed to the Paris pact's goals and methods. Even with that agreement in place, he said, oil demand will grow in the coming decades, particularly in underdeveloped

regions of the world.

"Energy needs are a function of population and living standards," Woods said in his first annual meeting since becoming chief executive officer on Jan. 1. "When it comes to policy, the goal should be to reduce emissions at the lowest cost to society."

The climate vote also marked a shift in support on climate change risk issues from large asset managers. BlackRock Inc., Exxon's second largest shareholder, supported the climate proposal this year for the first time, according to a person familiar with the matter.

In May 2016, the proposal received a 38 percent "yes" vote after the company said it already disclosed ample data about emissions and risk management. As a result of this year's 62 percent "yes" vote by investors, the board will reconsider its opposition.

At rival oil explorer Chevron Corp., activists failed to carry the day. About 73 percent of shareholders rejected a proposal at the company's annual meeting on May 31 that urged the second-largest U.S. oil producer to look into shifting its focus to renewables and away from fossil fuels. ●

Shareholder Support for Climate-Related Proposals at Exxon, Chevron

○ Exxon ○ Chevron



Source: Proxymonitor.org, Ceres, company filings

Shareholder Advocacy Tool Shut Down in Republican Plan

By ANDREA VITTORIO — ORIGINALLY PUBLISHED APRIL 18, 2017

A SHAREHOLDER TOOL used to advocate for changes in corporate behavior would be effectively shut down under the latest Republican plan to roll back the Dodd-Frank Act.

U.S. House Financial Services Committee Chairman Jeb Hensarling wants to require anyone seeking to put a proposal on the corporate ballot to hold a minimum of 1 percent of a company's outstanding stock for three years. Currently, shareholders with as little as \$2,000 in shares for a year or more can do so.

The higher threshold would block "corporate gadflies," faith- and values-based investors and even the nation's biggest public pension funds from trying to put an idea up for a vote of their peers at a company like Exxon Mobil, where 1 percent of stock would be billions of dollars.

Only the likes of Vanguard, BlackRock and State Street would be able to propose ideas for a shareholder vote at the largest companies. Asset managers have shown little interest in wielding their voting power on proposals, much less submitting their own. "It would shut down the shareholder proposal process completely," said Anne Sheehan, director of corporate governance at the California State Teachers' Retirement System, the second largest U.S. public pension fund.

Hensarling's provision, included in a draft of the bill unveiled April 19, wasn't in the version of the Financial Choice Act that stalled after being approved by the House Financial Services Committee last year. He hasn't formally introduced it yet, but has planned a hearing on it next week. It is likely to face long odds of getting enacted.

New York State Comptroller Thomas P. DiNapoli, who

manages the state's retirement fund, said the legislative proposal would "diminish corporate accountability" and "put investors and corporations at risk."

Business leaders, including JPMorgan Chief Executive Jamie Dimon, complain the process has been taken over by a handful of investors who own small stakes and are pursuing "special interests" that don't relate to shareholder value.

"It would turn into the billion dollar club," Anne Simpson, investment director at the more than \$300 billion California Public Employees' Retirement System.

The Business Roundtable, a Washington-based lobbying group for chief executive officers, raised the idea of reworking the shareholder proposal process in October. What the roundtable suggested wouldn't limit proposals as drastically as what Hensarling is proposing. Dimon, who took over in January as chairman of the roundtable, has cited "self-serving shareholder activity and proposals not intended to benefit the company" as one of the reasons for the drop in the number of public companies in the U.S. In his annual letter to JPMorgan shareholders, he also blamed "shareholder meetings that are hijacked by special interest groups and become a complete farce," among other things.

Curtailing shareholder proposals could have unintended consequences for companies.

"I think it could backfire," said David Webber, a professor at the Boston University School of Law who researches shareholder activism. If the reform effort succeeds, he said many shareholders who might otherwise have filed proposals "will find other ways to confront management," by voting against directors, for example. ●

"It would turn into the billion dollar club."

— Anne Simpson, investment director at the more than \$300 billion California Public Employees' Retirement System

Using ESG Functions on the Bloomberg Terminal

► Below are highlights for ESG functions on the terminal

Basic Equity Analytics

FA ESG <GO> Summary Templates With ESG Per Security Data

PGEO <GO> Product and Geographic Segmentation

XLTP XSCR <GO> ESG Performance Scorecard

CF <GO> Integrated Annual Reports, Corporate Responsibility Reports and Proxy Statements

FLDS <GO> Field Finder

XLTP XECR <GO> ESG Country Risk Tool

CAST <GO> Capital Structure

ESG Integration Techniques

RV <GO> Peer Group Analysis

ESCO <GO> Equity Scoring/Ranking Model

PORT <GO> Portfolio Performance and Characteristic Analysis

EQS <GO> Equity Screening

HFA <GO> Historical Portfolio Analysis

XLTP XEEV <GO> ESG Valuation Tool

SPLC <GO> Supply Chain Analysis

Corporate Governance Analysis

XLTP XECA <GO> Executive Compensation Analyzer

MGSN <GO> Management Snapshot

PHDC <GO> Custom Holdings Search

MGMT <GO> Management Profile

CACT <GO> Corporate Action Calendar

OWN <GO> Ownership Summary and Trading Activity

BIO <GO> People Profiles

News, Research & Contribution

BI ESG <GO> Bloomberg Intelligence ESG Research

TOP ESG <GO> Top Environmental, Social and Governance News

BI REGU <GO> Bloomberg Intelligence Regulation Research

NRS <GO> News Sentiment

RES <GO> Research Search Engine

NT <GO> News Trends

Analysis of Funds, Bonds and Indices

FSRC <GO>

Socially Responsible Fund Search

PLAN <GO>

Pension Plan Search

SRCH <GO>

Green Bonds Search

PSRT <GO>

Public Portfolio Search

Emissions & Carbon Risk

XLTP XCO2 <GO>

Carbon Risks Valuation Tool

GETS <GO>

EU Emission Trading Scheme

ECAL <GO>

Carbon Markets Events

EMIS <GO>

Carbon Markets Menu

BMAP <GO> Map Energy

Assets & Commodities

ALTM <GO>

Alternative Energy Monitor

Bloomberg New Energy Finance

BNEF <GO> BNEF Home Page

NEFQ <GO> BNEF

Renewable Energy Explorer

LCOE <GO>

Levelised Cost of Energy

WVAL <GO>

BNEF Wind Asset Valuation

CARX <GO> BNEF

Carbon Model Page

PVSM <GO>

BNEF PV Supply Model

Legal & Regulatory Information

BLAW <GO>

Bloomberg Law

DCKT <GO>

Litigation Analytics

BGVW <GO>

Bloomberg Government Web

LITI <GO> Company Litigation
Summary

BLRW <GO>

Bloomberg Report Writer

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