

ENGAGEMENT FACTSHEET

CLP Holdings

ENGAGEMENT RATIONALE

To prevent around 1 billion tonnes of CO2 being emitted as a result of two new coal power plants being built by CLP Holdings.

BACKGROUND

CLP Holdings is the second largest Hong Kong listed utility in our Listed Infrastructure benchmark. We do not own shares at this moment. This company generates 51% of its power from coal, but intends to close these plants down over time to align with the Paris Agreement. However, they are also considering building two new coal plants in Vietnam. Based on our estimations these would emit around 1 billion tonnes of CO2 over their lifetimes. We believe these projects should be avoided for better alignment with the goals of the Paris Agreement.

THEME FOR ENGAGEMENT

- x Environmental. Maximum effort is required to avoid a +1.5 C average global temperature increase. Adding new coal plants makes the problem worse.

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ENGAGEMENT OBJECTIVES

- x We would like to see the two projects cancelled. We have spoken to the company about alternatives to the projects, for example strengthening their current renewables investments, and if that is not possible, the option of returning cash to shareholders that would have gone on the coal projects.
- x To increase the probability of success, we have explained to the company that on our analysis the company could see a positive re-rating from investing in a way that signals they are aligned with the expectations of the energy transition.

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

- x Engagement started in March 2019. We initially had two face to face meetings, and an email exchange on the issue. The company has said they understand our concern.
- x We engaged with CLP in 2019. In autumn 2019, the company issued its updated Climate Strategy that addressed our issue. The company announced that it will not pursue the building of any new coal powered facilities.
- x The company thereby avoids an estimated 1 billion tonnes of CO2 being emitted over the lifetime of these plants.
- x The company has further published its decarbonisation strategy

SUBSEQUENT STEPS

- x The company has addressed our concerns and we consider the engagement closed successfully, reaching milestone 4.



COMPANY

CLP is a Hong Kong listed Power Generation and Distribution company.

COUNTRY

Country of domicile is Hong Kong, but assets are in HK, Australia, China.

SECTOR

Utilities

MARKET CAP

Market cap 23 billion HKD

ISSUE

Prevent 1 billion tonnes of CO2 and mitigate global warming due to climate change.

MATERIALITY

Potential violation of environmental standards, e.g. UNGC Principle 7 - "Businesses should support a precautionary approach to environmental challenges", and Principle 8 - "Undertake initiatives to promote greater environmental responsibility".

Financial upside of the stock or opportunity cost of emissions reduction.

- x Stock price: 18% upside on HKD 23 bn is HKD 4.1 bn, which is approx. EUR 500 mln. Based on our own valuation framework (with positive reaction, we will increase the companies management and ESG score).
- x Opportunity cost of avoiding c. 1 bn tonnes of CO2 based on average CO2 price in Europe over the past year is 23 euros per ton, hence c. EUR 23 billion of carbon emissions avoided if energy comes from net zero renewables.

MSCI ESG RESEARCH

UN Global Compact: Pass
ESG Rating: AA (MSCI ESG)